



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



GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator

ICBC  工銀国际

Joint Bookrunners and Joint Lead Managers

ICBC  工銀国际

 國泰君安國際
GUOTAI JUNAN INTERNATIONAL

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



唐宮(中國)控股有限公司

TANG PALACE (CHINA) HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	: 100,000,000 new Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 10,000,000 Shares (subject to adjustment)
Number of International Offer Shares	: 90,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$1.65 per Offer Share payable in full on application in Hong Kong dollars and subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%
Nominal value	: HK\$0.10 per Share
Stock Code	: 1181

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in Appendix VI "Documents delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, April 12, 2011 and, in any event, not later than Friday, April 15, 2011. The Offer Price will be not more than HK\$1.65 and is currently expected to be not less than HK\$1.25. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.65 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.65.

The Sole Global Coordinator (on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.25 to HK\$1.65 per Offer Share) at any time not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If, for any reason, we and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by Friday, April 15, 2011, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain circumstances arise prior to 8:00 a.m. on the day that trading in our Shares commences on the Stock Exchange. Such circumstances are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S.

April 7, 2011

EXPECTED TIMETABLE

- Latest time to lodge **PINK** Application Forms12:00 noon on Monday, April 11, 2011
- Latest time to complete electronic applications
under **HK eIPO White Form** service through
the designated website at www.hkeipo.hk ⁽²⁾11:30 a.m. on Tuesday, April 12, 2011
- Application lists open ⁽³⁾11:45 a.m. on Tuesday, April 12, 2011
- Latest time to lodge **WHITE** and **YELLOW**
Application Forms ⁽⁴⁾12:00 noon on Tuesday, April 12, 2011
- Latest time to give **electronic application**
instructions to HKSCC ⁽³⁾⁽⁴⁾12:00 noon on Tuesday, April 12, 2011
- Latest time to complete payment of **HK eIPO**
White Form applications by effecting internet
banking transfer(s) or PPS payment transfer(s)12:00 noon on Tuesday, April 12, 2011
- Application lists close12:00 noon on Tuesday, April 12, 2011
- Expected Price Determination DateTuesday, April 12, 2011
- (1) Announcement of the final Offer Price, the level of
the applications in the Hong Kong Public Offering,
the level of indication of interest in the International
Offering and the basis of allotment of the Hong Kong
Offer Shares to be published in the South China
Morning Post (in English) and the Hong Kong
Economic Times (in Chinese) on or beforeMonday, April 18, 2011
- (2) Results of allocations (with successful applicants’
Identification document numbers or Hong Kong
business registration numbers) of the Hong Kong
Public Offering will be available through a variety of
channels as described in the section headed “How to
Apply for Hong Kong Offer Shares” in this prospectusMonday, April 18, 2011
- A full announcement of the Hong Kong Public Offering
containing (1) and (2) above to be published on the
website of the Stock Exchange at www.hkexnews.hk ⁽⁶⁾
and our Company’s website at www.tanggong.cn ⁽⁷⁾ fromMonday, April 18, 2011
- Results of allocations in the Hong Kong Public Offering
will be available at www.tricor.com.hk/ipo/result with a
“search by ID” functionMonday, April 18, 2011
- Dispatch of **White Form** e-Refund payment instructions/
refund checks in respect of wholly successful
(if applicable) and wholly or partially unsuccessful
applications under the Hong Kong Public Offering
on or before ^{(8)&(9)}Monday, April 18, 2011

EXPECTED TIMETABLE

Dispatch of Share certificates of the Offer Shares or
deposit of Share certificates of Offer Shares into CCASS
in respect of wholly or partially successful applications
under the Hong Kong Public Offering on or before ^{(5)&(9)} Monday, April 18, 2011

Dealings in Shares on the Stock Exchange expected to
commence at 9:00 a.m. Tuesday, April 19, 2011

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Tuesday, April 12, 2011, the application lists will not open on that day. Please refer to the section headed “How to Apply for Hong Kong Offer Shares — Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Tuesday, April 12, 2011, the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by us in such event.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — Applying by giving electronic application instructions to HKSCC” in this prospectus.
- (5) Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Tuesday, April 19, 2011 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements have been terminated in accordance with its terms.
- (6) The announcement will be available for viewing on “Main Board — Results of Allotment” page on the Stock Exchange’s website at www.hkexnews.hk.
- (7) Neither our Company’s website nor any of the information contained on our Company’s website forms part of this prospectus.
- (8) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund check.

EXPECTED TIMETABLE

- (9) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have indicated in their applications that they wish to collect any refund checks and share certificates in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, may do so between 9:00 a.m. to 1:00 p.m. on Monday, April 18, 2011. Applicants being individuals who opt for personal collection may not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, identification and (where applicable) authorization documents acceptable to Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund checks, if any, in person but may not elect to collect their share certificates as such share certificates will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund checks for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering can collect their share certificates (if any) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Monday, April 18, 2011. For applicants who apply through the **HK eIPO White Form** service and paid the application monies from a single bank account, e-Refund payment instructions (if any) will be dispatched to their application payment bank account on or before Monday, April 18 2011; For applicants who apply through the **HK eIPO White Form** service and used multi-bank accounts to pay the application monies, refund check (if any) will be dispatched to the address specified in their electronic application instruction to the **HK eIPO White Form** Service Provider on or before Monday, April 18, 2011. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for details. Uncollected share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' own risk to the addresses specified in the relevant applications. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares — How to Apply through HK eIPO White Form — Additional information" in this prospectus.

Particulars of the structure of the Global Offering, including the conditions thereto, are set out in the section headed "Structure of the Global Offering" in this prospectus.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator, the Sole Sponsor, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Hong Kong Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Hong Kong Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Hong Kong Offer Shares. Various expressions used in this section are defined or explained in the section titled “Definitions” in this prospectus.

OVERVIEW

We are a restaurant chain group in China, providing a wide selection of food and beverage and table services in the PRC. Our restaurants under our own brand names serve a variety of Chinese and Japanese cuisine, and our fast food restaurant under the franchise name of *Pepper Lunch* (胡椒廚房) serves fast food by adopting a DIY cooking method, a concept originated from Japan, which allows our customers to complete the cooking process of their meals on the metal hotplate. We operate our chain restaurants in selected first-tier and second-tier cities in the PRC. As of the Latest Practicable Date, we operated 22 restaurants across Beijing, Shanghai, Shenzhen, Dongguan, Suzhou and Hangzhou and one food plant in Shanghai with an estimated production capacity of 3,240 tons per annum, which was primarily established to provide food production services to our restaurants. Currently, we focus our presence mainly in Beijing and Shanghai, in which we operate a total of nine and six restaurants, respectively. We operate our restaurants under seven brand names: *Tang Palace Seafood Restaurant* (唐宮海鮮舫), *Tang’s Cuisine* (唐宮壹號), *Excellent Tang Palace* (盛世唐宮), *Tang Palace Restaurant* (唐宮膳), *Tanggong Jiangnan Cuisine* (唐宮江南一號), *Ninja House Japanese Restaurant* (忍者居日本料理) and *Pepper Lunch* (胡椒廚房) (a franchise name used by us as franchisee to operate our fast food restaurant pursuant to the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area)). Over the years, we have maintained our reputation in regions of the PRC where we operate through our quality food and catering services, as well as our trained and experienced staff. Since the opening of our first restaurant in the PRC in 1997, we have successfully built up our restaurant network and reputation in the PRC, and currently we have a total of approximately 3,800 employees.

We position ourselves to target mid- to high-end spending class customers and business customers as well as to offer wedding banquet services. We generally target different classes of customers in different geographical zones, such as mid-end spending class customers in Guangdong Province, mid- to high-end spending class customers in Beijing and Shanghai. We mainly offer Chinese and Japanese cuisine, and we tailor our menu offerings for different geographical regions according to our understanding of local customers’ preferences and consumption patterns. We also offer seasonal menu and special dishes to attract more customers and to gain a larger market share. Moreover, given the recent trend of healthy dining habit, we have also introduced healthy menus to cater to our customers’ change of dietary habit.

SUMMARY

In order to diversify our business lines, we as franchisee have entered into the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area) with SFBI as franchisor in relation to the development and operation of our fast food restaurants under the brand name of *Pepper Lunch* (胡椒廚房) in Beijing, Tianjin and Shanghai. Currently, we plan to focus on our franchise network in Beijing, Tianjin and Shanghai.

Pursuant to the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area), SFBI as franchisor has granted us, the franchisee, an exclusive right within Beijing, Tianjin and Shanghai to develop and operate fast food restaurants under the brand name of *Pepper Lunch* (胡椒廚房). The Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area) have an initial term of 10 years from April 12, 2010 and November 12, 2010, respectively, which may be extended upon satisfaction of certain conditions by us. As the franchisee under each of the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area), we have paid a lump sum territory fee of US\$300,000 for the initial franchise period of 10 years, subject to renewal. In addition, we are required to pay the franchisor a unit franchise fee of US\$15,000 for each *Pepper Lunch* (胡椒廚房) fast food restaurant we open, and a monthly royalty fee calculated based on prescribed percentage rates ranging from 3% to 5% of the monthly gross turnover of the fast food restaurants, where the percentage rate shall progressively decrease with reference to the increase in our monthly gross turnover, under the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area).

We will continue to expand our restaurant network strategically as we believe that scale and broad geographical coverage promote brand recognition. We plan to focus our efforts on opening new restaurants in larger and more developed cities in the PRC, where we expect future growth to be concentrated. Subject to market conditions and other factors, we are currently targeting to open about 27 new restaurants (including *Pepper Lunch* (胡椒廚房) fast food restaurants) in the coming two years.

We have adopted modern management techniques in operating our restaurant business. In this connection, our Directors have implemented the 5S management system (Sort, Systemize, Shine, Standardize and Self-discipline), a common management practice adopted by our Group throughout the entire operational process, starting from sourcing and processing of food ingredients, maintaining hygiene standards, staff training to daily management of each of our restaurants.

Our revenues for the years ended December 31, 2008, 2009 and 2010 were approximately RMB393.3 million, RMB449.9 million and RMB606.5 million, respectively. Our profit and total comprehensive income for the years ended December 31, 2008, 2009 and 2010 were approximately RMB25.9 million, RMB32.0 million and RMB46.5 million, respectively, representing a CAGR of approximately 34.1%.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- We have strategic cooperation arrangements with certain well-known hotel groups
- We strategically located our restaurants with multi-branding strategy
- We have a long operating history and established our reputation within the regions where we operate, and we serve Cantonese cuisine with innovative ideas
- We have implemented the 5S management system and put strong emphasis on the quality of food and services
- We have a systematic restaurant management and business model which can be easily adopted in other regions of the PRC
- Our complementary business can diversify our business lines
- We have a management team with both experienced and youthful managerial personnel and we provide continuous staff training and career development opportunities

Please refer to the section headed “Business — Our Competitive Strengths” in this prospectus for more detailed discussion of our competitive strengths.

OUR BUSINESS STRATEGIES

Our goal is to become one of the most highly regarded restaurant groups in the PRC which provides quality food, services and dining experience. We plan to accomplish our goal through the following strategies:

- Increase the number of group restaurants in our network
- Further diversifying our food products to cater to our customers’ changing tastes and preferences
- Increase and enhance our brand marketing activities
- Strengthen our operational infrastructure and activities and upgrade our existing facilities

SUMMARY

- Business diversification in fast food industry
- Further enhance our centralized procurement system and centralized production system to achieve efficiency and price competitiveness

Please refer to the section headed “Business — Our Business Strategies” in this prospectus for more detailed discussion of our principal business strategies.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables summarize our combined historical financial information during the Track Record Period. The summary of combined balance sheet data as of December 31, 2008, 2009 and 2010 and the summary of combined statements of comprehensive income data and the summary of combined cash flow statement data for the years ended December 31, 2008, 2009 and 2010 included in the following tables are derived from, and should be read in conjunction with, our audited combined financial information included in the Accountants’ Report in Appendix I to this prospectus. Our combined financial information has been prepared in accordance with HKFRS.

Selected Combined Statements of Comprehensive Income Data

	Year ended December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	393,309	449,890	606,529
Other gains and losses	6,777	7,821	11,564
Cost of inventories consumed	(187,143)	(194,262)	(260,384)
Staff cost	(80,392)	(98,059)	(133,338)
Depreciation of property, plant and equipment	(15,345)	(21,499)	(27,950)
Utilities and consumables.....	(26,974)	(28,858)	(37,455)
Rental and related expenses	(24,856)	(31,883)	(45,287)
Other expenses.....	(27,012)	(35,215)	(43,340)
Finance cost.....	—	—	(204)
Profit before tax	38,364	47,935	70,135
Income tax expense.....	(12,501)	(15,939)	(23,604)
Profit and total comprehensive income for the year...	<u>25,863</u>	<u>31,996</u>	<u>46,531</u>
Profit and total comprehensive income for the year attributable to:			
Owners of our Company	25,322	31,240	46,531
Non-controlling interests	541	756	—
	<u>25,863</u>	<u>31,996</u>	<u>46,531</u>
Earnings per share - basic (RMB)	<u>0.084</u>	<u>0.104</u>	<u>0.155</u>

SUMMARY

The following table sets out the revenue of our restaurants and Shanghai Food Plant by region and by brand during the Track Record Period:

Regions	Revenue		
	<i>(RMB in millions)</i>		
	<i>Year ended December 31, 2008</i>	<i>Year ended December 31, 2009</i>	<i>Year ended December 31, 2010</i>
<u>Northern PRC</u>			
<i>Tang Palace Seafood Restaurant</i>			
(唐宮海鮮舫)	136.6	150.9	191.7
<i>Excellent Tang Palace (盛世唐宮)</i>	11.2	21.6	27.2
<i>Pepper Lunch (胡椒廚房)</i>	—	—	1.8
Total	147.8	172.5	220.7
<u>Eastern PRC</u>			
<i>Tang Palace Seafood Restaurant</i>			
(唐宮海鮮舫)	92.6	93.4	166.5
<i>Tang's Cuisine (唐宮壹號)</i>	0.7	25.1	58.4
<i>Tang Palace Restaurant (唐宮膳)</i>	34.8	39.3	40.2
Shanghai Food Plant	—	0.4	1.4
Total	128.1	158.2	266.5
<u>Southern PRC</u>			
<i>Tang Palace Seafood Restaurant</i>			
(唐宮海鮮舫)	47.4	47.8	45.9
<i>Excellent Tang Palace (盛世唐宮)</i>	31.2	35.3	34.1
<i>Tang Palace Restaurant (唐宮膳)</i>	29.4	27.3	29.1
<i>Tanggong Jiangnan Cuisine (唐宮江南一號) ...</i>	—	—	2.3
<i>Ninja House Japanese Restaurant</i>			
(忍者居日本料理)	9.4	8.7	7.9
Total	117.4	119.1	119.3

SUMMARY

The following table sets out the revenue and operating margins of our restaurants by brand during the Track Record Period:

Brands	No. of Restaurants as of the Latest Practicable Date	Revenue (RMB in millions)			Operating Margin ⁽¹⁾		
		Year ended December 31, 2008	Year ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2008	Year ended December 31, 2009	Year ended December 31, 2010
<i>Tang Palace Seafood</i>							
<i>Restaurant</i>							
(唐宮海鮮舫)	12	276.6	292.1	404.1	53.2%	57.2%	56.9% ⁽²⁾
<i>Tang's Cuisine</i> (唐宮壹號) ..	2	0.7	25.1	58.4	18.3%	51.4% ⁽³⁾	55.5%
<i>Excellent Tang Palace</i>							
(盛世唐宮)	2	42.4	56.9	61.3	53.0%	54.2%	56.4%
<i>Tang Palace Restaurant</i>							
(唐宮膳)	2	64.2	66.6	69.3	49.0%	50.8%	52.7%
<i>Tanggong Jiangnan</i>							
<i>Cuisine</i> (唐宮江南一號) ..	1	—	—	2.3	—	—	48.2%
<i>Ninja House Japanese</i>							
<i>Restaurant</i>							
(忍者居日本料理)	1	9.4	8.7	7.9	52.9%	54.6%	58.0%
<i>Pepper Lunch</i> (胡椒廚房) ..	2	—	—	1.8	—	—	58.2%
Total	22	393.3	449.4	605.1	52.4%	56.8%	57.1%

Notes:

- (1) The calculation of operating margin is based on revenue less cost of inventories consumed, divided by revenue, and multiplied by 100%.
- (2) For the brand of *Tang Palace Seafood Restaurant* (唐宮海鮮舫), our operating margin decreased slightly from approximately 57.2% in 2009 to 56.9% in 2010, primarily due to the opening of two restaurants under this brand in 2010. New restaurants typically have lower operating margins initially at the grand opening, therefore lowering the operating margin under this brand and in total.
- (3) For the brand of *Tang's Cuisine* (唐宮壹號), our operating margin significantly increased from approximately 18.3% in 2008 to 51.4% in 2009, primarily due to the opening of our first restaurant under this brand in December 2008, while a full year's operation is reflected in the 2009 figure.

SUMMARY

Our revenues for the years ended December 31, 2008, 2009 and 2010 were approximately RMB393.3 million, RMB449.9 million and RMB606.5 million, respectively. The increase was mainly due to the expanded restaurant network and the increased sales in certain restaurants.

Our operating margin for the years ended December 31, 2008, 2009 and 2010 amounted to approximately 52.4%, 56.8% and 57.1%, respectively. The increased trend during the Track Record Period was mainly due to the increase in revenue as a result of the increase in the number of our restaurants. In addition, our operating margin increased from approximately 52.4% in 2008 to approximately 56.8% in 2009, primarily due to the decrease in average unit purchase price of certain ingredients consumed in our restaurants in 2009 as compared to 2008. Our operating margin increased from approximately 56.8% in 2009 to approximately 57.1% in 2010, primarily because we were able to adjust the prices of our dishes which outweigh the increased cost of raw materials.

Under our current lease agreements, all the leases for our existing restaurants and our Shanghai Food Plant are with fixed rentals and the lease terms range from about two years and five months to 10 years (among those leases, the lease term for our leases with connected persons is two years and five months, whereas the lease term for our leases with Independent Third Parties generally range from five years to 10 years) with a 3% to 10% fixed annual increase rate in rental. For the years ended December 31, 2008, 2009 and 2010, our rental expenses amounted to approximately RMB24.9 million, RMB31.9 million and RMB45.3 million, respectively, representing approximately 6.3%, 7.1% and 7.5% of our revenue, respectively. Such increase in rental expenses during the Track Record Period was primarily due to the opening of our new restaurants, the renewal of our tenancy agreements and rental increment of our existing leases.

For the years ended December 31, 2008, 2009 and 2010, approximately 21.8%, 20.8% and 19.3%, respectively, of our profit and total comprehensive income was generated from the commission income from sale of tea related products. The decrease was mainly due to the increased sales from our restaurant operations which reduced the percentage of such commission income.

In order to achieve the overall revenue growth, we expanded our restaurant network during the Track Record Period. As of December 31, 2008, 2009 and 2010, the number of restaurants operated by us was 13, 15 and 20 (including one *Pepper Lunch* (胡椒廚房) fast food restaurant opened in 2010), respectively, and our restaurant network will continue to expand in China subject to the market condition. Except for Grand Coffee, we have not ceased operation of any of our restaurants during the Track Record Period. As of the Latest Practicable Date, we operated 22 restaurants in Beijing, Shanghai, Suzhou, Dongguan, Shenzhen and Hangzhou in China.

SUMMARY

Selected Combined Statement of Financial Position Data

	Year ended December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Assets			
Non-current assets	80,960	85,295	114,954
Current assets	<u>96,313</u>	<u>131,709</u>	<u>157,413</u>
Total assets	<u>177,273</u>	<u>217,004</u>	<u>272,367</u>
Equity and Liabilities			
Non-current liabilities	—	1,451	1,402
Current liabilities	<u>113,686</u>	<u>136,773</u>	<u>132,721</u>
Total liabilities	<u>113,686</u>	<u>138,224</u>	<u>134,123</u>
Total equity	<u>63,587</u>	<u>78,780</u>	<u>138,244</u>
Total equity and liabilities	<u>177,273</u>	<u>217,004</u>	<u>272,367</u>

We had net current liabilities of approximately RMB17.4 million and RMB5.1 million and net current assets of approximately RMB24.7 million as of December 31, 2008, 2009 and 2010, respectively. The net current liabilities resulted in 2008 and 2009 were primarily due to the amounts due to related parties resulting from financing of daily operations, renovation of restaurants and opening of new restaurants.

We will strive to gain a larger market share in the regions where we operate or intend to operate through our existing restaurants and the opening of new restaurants. Save as one new Chinese restaurant under the brand name of *Tang Palace Seafood Restaurant* (唐官海鮮舫) opened by us in January 2011, we currently intend to open about three new Chinese restaurants and eight new *Pepper Lunch* (胡椒廚房) fast food restaurants in year 2011. We also intend to upgrade and renovate about three of our existing Chinese restaurants in the same year. On average, we require about 155 to 220 employees for each Chinese restaurant and about 11 to 15 employees for each *Pepper Lunch* (胡椒廚房) fast food restaurant. We believe our operating expenses in 2011 will increase in line with our expansion plans. However, if any of our key operating expenses, such as rental expenses, renovation costs, staff costs and raw materials prices, increase unexpectedly and/or there is significant inflation in the PRC, our financial performance and/or expansion plans in 2011 may be affected.

SUMMARY

Selected Combined Statement of Cash Flows Data

	Year ended December 31,		
	2008	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)
Net cash from operating activities.....	47,752	65,102	80,765
Net cash used in investing activities	(54,062)	(26,086)	(48,041)
Net cash (used in) from financing activities	7,329	(8,388)	(14,559)
Net increase in cash and cash equivalents	1,019	30,628	18,165
Cash and cash equivalents at the end of the year	78,109	108,737	126,902

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$120.0 million (assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.45 per Offer Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering. We currently intend to apply these net proceeds for the following purposes:

- approximately 54.6%, or approximately HK\$65.6 million, and HK\$15.1 million will be funded by our internal resources and/or bank borrowings, for the opening of about eight new Chinese restaurants in certain first-tier and second-tier cities in the PRC by the end of 2012;
- approximately 29.2%, or approximately HK\$35.0 million, for the opening of about 19 *Pepper Lunch* (胡椒廚房) fast food restaurants in certain first-tier cities in the PRC by the end of 2012;
- approximately 6.2%, or approximately HK\$7.4 million, for sales and marketing promotions and brand awareness activities in certain first-tier cities, including launching of promotional campaigns and conducting of market surveys; and
- approximately 10.0%, or approximately HK\$12.0 million, for general working capital purposes.

As of the Latest Practicable Date, we had committed a capital expenditure of approximately RMB1.6 million for the two *Pepper Lunch* (胡椒廚房) fast food restaurants out of the 27 new restaurants to be opened by us.

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK\$21.0 million (assuming the mid-point of the stated Offer Price range of HK\$1.45 per Offer Share). Our Directors currently intend to apply such additional net proceeds in the manner and proportions stated above.

SUMMARY

In the event that the Offer Price is set at the high-end of the indicative Offer Price range and the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$139.3 million. The additional net proceeds will be applied in the manner and proportions stated above. In the event that the Offer Price is set at the high-end of the indicative Offer Price range and the Over-allotment Option is exercised in full, we will receive net proceeds of approximately HK\$163.2 million. The additional net proceeds will be applied in the manner and proportions stated above.

In the event that the Offer Price is set at the low-end of the indicative Offer Price range and the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$100.7 million. Under such circumstances, the reduced net proceeds will be allocated in the manner and proportions stated above. As the amount of proceeds allocated for our expansion will be reduced accordingly, we intend to finance the shortfall by our internal resources and bank borrowings. In the event that the Offer Price is set at the low-end of the indicative Offer Price range and the Over-allotment Option is exercised in full, we will receive net proceeds of approximately HK\$118.8 million. We intend to use the additional net proceeds in the manner and proportions stated above.

Our intended use of proceeds as described above may change in light of our evolving business needs and conditions. Our business operations and the industry in which we operate could cause changes to our strategies and business plans. In the event that there is any change in our development plans, our Directors will carefully evaluate the situation and may reallocate the intended funds and hold any relevant funds on short-term deposit as our Directors consider to be in our interests and in the interests of our Shareholders as a whole.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will issue an announcement if there is any material change in our intended use of proceeds as described above.

GLOBAL OFFERING STATISTICS

	<u>Based on an Offer Price of HK\$1.25 per Share</u>	<u>Based on an Offer Price of HK\$1.65 per Share</u>
Our market capitalization upon completion of the Global Offering ⁽¹⁾	HK\$500 million	HK\$660 million
Unaudited pro forma net tangible net value per Share ⁽²⁾⁽³⁾	HK\$0.64	HK\$0.73

Notes:

- (1) No data in this table take into account any Shares which may be issued upon the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme or any awards which may be granted under the Share Award Plan.

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- (2) The calculation of market capitalization is based on 400,000,000 Shares expected to be in issue immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised).
- (3) The unaudited pro forma net tangible asset value per Share includes adjustments referred to in the section headed “Financial Information — Unaudited pro forma adjusted net tangible assets” in this prospectus and on the basis of 400,000,000 Shares in issue at the respective Offer Price of HK\$1.25 and HK\$1.65 per Share immediately following completion of the Global Offering and the Capitalization Issue.

DIVIDENDS AND DIVIDENDS POLICY

We have declared dividends of approximately RMB13.7 million, RMB22.4 million and RMB24.5 million for the years ended December 31, 2008, 2009 and 2010, respectively, all of which were paid as of the Latest Practicable Date.

After completion of the Global Offering, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. As regards our PRC-incorporated subsidiaries, the PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including HKFRS. The PRC laws also require foreign-invested enterprises, such as our subsidiaries in China, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

Subject to the factors described above, we currently intend to recommend at the annual general meetings of our Company that dividends of no more than 50% of our net profit for each year after the Listing (that is, for the avoidance of doubt, commencing from the year ending December 31, 2011) would be available for distribution to shareholders after the Global Offering.

Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders by any means which our Directors deem legal, fair and practicable. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

NON-COMPLIANCE OF OUR GROUP

As all of our restaurant operations are in China, we are required to operate our business in compliance with the relevant PRC laws and regulations. However, certain of our activities were or are not in compliance with the relevant PRC laws and regulations. During the Track Record Period, we did not obtain (i) the fire safety approvals (消防安全檢查證明) and the fire prevention inspection report (消防驗收報告) for 14 restaurants before they commenced business, and (ii) the approval for environmental impact assessment (環境影響評價批覆) and/or passed the inspections on the completed environmental protection facilities (環保設施竣工驗收) for seven restaurants before they commenced business due to our lack of comprehensive understanding of the relevant laws and regulations. In addition, during the Track Record Period, 13 of our restaurants were operated on the leased properties with potential defects due to the lessors' non-registration of our lease agreements, one of our

SUMMARY

restaurants were operated on allocated land (劃撥地) which had not obtained the necessary approvals and completed the required registration due to the lessor's failure to obtain such approvals and complete the registration, and one of our restaurants was operated on the leased property with potential defects as the use of such leased property was inconsistent with its designated use. During the Track Record Period, one of our restaurants has not fully complied with the relevant PRC tax laws and regulations. Moreover, we have not fully paid all social insurance premiums and housing provident fund for certain employees in the PRC during the Track Record Period. Except for the matters as particularly described in the section headed "Business — Non-compliance of our Group — Non-compliance of our Group as of the Latest Practicable Date" in this prospectus, we had rectified the other non-compliance matters and had obtained the relevant approvals required under the PRC laws and regulations for the operation of our restaurants as of the Latest Practicable Date. As advised by our PRC legal advisors that, save as disclosed in the section headed "Business — Non-compliance of our Group" in this prospectus, there is no material risk for us to be subject to any further penalty or other liability arising from these past non-compliances under the applicable PRC laws. For details of the non-compliance matters of our Group as of the Latest Practicable Date, please refer to the section headed "Business — Non-compliance of our Group" in this prospectus.

In order to prevent future non-compliance, we intend to adopt certain internal control measures and have formed an Internal Control Committee in January 2011, comprising the chief executive officer and chief financial officer of our Company, an external PRC legal counsel engaged by our Group, and Mr. Kwong Ping Man (who was appointed as our independent non-executive Director on March 25, 2011), who possesses relevant experience to review and assess the effectiveness and adequacy of our internal control measures on a quarterly basis, so as to ensure our compliance with the Listing Rules and relevant PRC laws and regulations. We have engaged internal control advisors to conduct semi-annual review for at least one year after Listing to ensure the effectiveness of our internal controls measures, and examine and evaluate the internal control policies implemented by our Group. In addition, we have appointed an external PRC legal counsel to advise our Group on compliance with applicable PRC laws and regulations. For details of our internal control measures, please refer to the section headed "Business — Internal Control Measures to Prevent Future Non-compliance" in this prospectus.

RISK FACTORS

We believe the Global Offering involves certain risks associated with our operations and with investing in us. These can be categorized into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to China; and (iv) risks relating to the Global Offering. Please refer to the section headed "Risk Factors" in this prospectus for further details.

Risks relating to our business

- Our business and results of operations could be adversely affected if there is any negative publicity associated with our restaurants or food products
- Our efforts to promote and diversify our food and beverage business may not be successful

SUMMARY

- Our profitability could be adversely affected by the lack of commercially attractive locations and the increasing rental expenses for our restaurant business
- The operation of our fast food restaurants are subject to the terms of the Master Franchise Agreement (Shanghai area), Master Franchise Agreement (Beijing and Tianjin area) and the unit franchise agreements thereunder
- Any fire and environmental claims, or failure to comply with any existing or future laws and regulations on fire and environmental protection, may subject us to significant related costs or expenses
- We require various approvals, licenses and permits to operate our business and the loss of or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our business
- Unauthorized usage of leased property occupied by us in the PRC may affect our ability to use such property and adversely affect our restaurant operations
- We have not fully paid social insurance premiums for certain employees and have not contributed in full to housing provident fund for our employees in the PRC during the Track Record Period, which may lead to the imposition of fines and penalties and adversely affect our Group's business
- If there is any adverse incident associated with the quality of our food and services provided or if our hygiene standards do not meet the relevant statutory requirements, our restaurant business could be adversely affected
- Instances of food contamination could materially harm our reputation and negatively impact our business
- Historically, we have primarily relied on cash generated from our restaurant operations and advances from our related parties to fund our working capital requirements. We intend to seek more external financings in the future, and our continuing indebtedness may result in net current liabilities
- The prices of raw materials may continue to rise and fluctuate
- Our future success depends on our ability to anticipate and respond in a timely manner to changes in customer tastes and preferences
- Our business and prospects may be materially and adversely affected if we are not able to manage our growth successfully

SUMMARY

- Our profitability could be adversely affected if we are not able to sustain the business for sale of tea related products in our restaurants
- We rely on our key management
- Our results of operations may fluctuate due to seasonality and certain major events in China
- Our self-developed dishes may face competition from imitation dishes
- We have no long-term contract with our suppliers for the constant supply of quality food ingredients
- We may be unable to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business
- We rely on a single market in developing our restaurant business and our restaurant business in the PRC may not contribute to our results in the manner that we anticipate
- Unforeseeable business interruptions could adversely affect our business
- We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties
- Our historical dividend may not be indicative of our future dividends

Risks relating to our industry

- Continued increases in the prices of raw materials in the PRC could adversely affect our business and operations
- Restaurant business is a highly competitive industry in the PRC, if we are not able to compete with our competitors, our results could be adversely affected
- Any significant economic downturn in the PRC will adversely affect the restaurant business in the PRC
- Our results of operations and financial condition may be affected by the occurrence of epidemics and natural disasters
- The financial crisis to the global credit and capital markets and their impact on the PRC economy may materially and adversely affect our financial condition and cash flows and results of operations, prospects and future expansion plans

SUMMARY

Risks relating to the PRC

- Our operations may be adversely affected by changes in the PRC's economic, political and regulatory environment
- The political and economic policies of the PRC government may affect our business operations
- Our business, financial condition and results of operations could be adversely affected by the uncertainty of and changes to the PRC legal system
- We are subject to the laws and regulations of the PRC, changes in the PRC governmental rules and regulations may have a significant impact on our business, financial condition and results of operations
- We may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income
- Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws
- We currently enjoy certain PRC tax incentives, some of which are due to expire at the end of 2011. Expiration of, or changes to, these incentives could materially and adversely affect our results of operations and financial condition
- PRC regulations on loans to and direct investment by offshore holding companies in the PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries
- We are a holding company and rely on dividend payments from our operating subsidiaries
- Our labor costs may increase as a result of the PRC Labor Contract Law

Risks relating to our Global Offering

- There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile
- Purchasers of our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future
- Our Controlling Shareholder(s) have substantial control over our Company and their interests may not be aligned with the interests of our other Shareholders

SUMMARY

- Forward-looking information may prove inaccurate
- Investors should not place undue reliance on industry and market information and statistics derived from various publicly-available official government and official sources contained in this prospectus
- Future issues, offers or sales of our Shares may adversely affect the prevailing market price of our Shares
- The price of our Shares may be volatile, which could result in substantial losses for investors subscribing for or purchasing our Shares pursuant to the Global Offering
- Investors may experience difficulties in enforcing their shareholder's rights because our Company is incorporated in the Cayman Islands, and Cayman Islands law may provide protection and remedies to minority shareholders which are different from those available under the laws of Hong Kong or other jurisdictions

PRE-IPO SHARE OPTION SCHEME

Our Company has adopted the Pre-IPO Share Option Scheme in which certain eligible participants had been granted options to acquire Shares before the Latest Practicable Date. The purpose of the Pre-IPO Share Option Scheme is to recognize and reward the contribution of certain directors, senior management and employees of our Group to the growth and development of our Group and the listing of the Shares on the Main Board. Please refer to the section headed "Appendix V — Statutory and General Information — Other Information — Pre-IPO Share Option Scheme" for a summary of the principal terms of the Pre-IPO Share Option Scheme and details of the outstanding options granted under the Pre-IPO Share Option Scheme.

The maximum number of Shares which may be issued in respect of options granted under the Pre-IPO Share Option Scheme shall not exceed 4,000,000 Shares, representing approximately 0.99% of the Shares to be in issue immediately upon completion of the Global Offering and the Capitalization Issue and as enlarged by issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme assuming that all such options are exercised in full, assuming the Over-allotment Option is not exercised and taking no account of any options which may be granted under the Share Option Scheme.

SHARE OPTION SCHEME

Our Company has adopted the Share Option Scheme in which certain eligible participants may be granted options to acquire Shares. The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Please refer to the section headed "Appendix V — Statutory and General Information — Other Information — Share Option Scheme" to this prospectus for a summary of the principal terms of the Share Option Scheme.

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SHARE AWARD PLAN

Our Company has adopted the Share Award Plan in which certain eligible participants may be granted awards of Shares. The purpose of the Share Award Plan is to recognize and reward the contribution of certain selected participants to the growth and development of our Group, to give incentives thereto in order to retain them for the continual operation and development of our Group and to attract suitable personnel for further development of our Group through an award of Shares. Please refer to the section headed “Appendix V — Statutory and General Information — Other Information — Share Award Plan” to this prospectus for a summary of the principal terms of the Share Award Plan.

As of the Latest Practicable Date, no awards have been granted or agreed to be granted under the Share Award Plan, and the Share Award Plan Trustee for the administration of the Shares and other trust fund under the Share Award Plan has not yet been appointed.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings.

“Application Form(s)”	WHITE, YELLOW, PINK and GREEN application form(s), or where the context so requires, any of them
“Articles of Association” or “Articles”	the articles of association of our Company, adopted on March 25, 2011, as amended from time to time, a summary of which is set out in “Appendix IV — Summary of the Constitution of our Company and Cayman Islands Company Law” to this prospectus
“associates”	has the meaning ascribed to it in the Listing Rules
“Beijing Chaobei Joy City Restaurant” (北京朝北大悦城唐宮海鮮舫)	a restaurant operated under the brand name of <i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), located in Chaoyang District, Beijing, and operated under Tang Palace Beijing Chaobei
“Beijing Chaoyang Restaurant” (北京朝陽唐宮海鮮舫)	a restaurant operated under the brand name of <i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), located in Chaoyang District, Beijing, and operated under Tang Palace Beijing WE
“Beijing Haoyuan Jianguo Restaurant” (北京好苑建國唐宮海鮮舫)	a restaurant operated under the brand name of <i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), located in Jianguo Garden Hotel, Dongcheng District, Beijing, and operated under Tang Palace Beijing Haoyuan
“Beijing Joy City Pepper Lunch” (北京大悅城胡椒廚房)	a restaurant operated under the brand name of <i>Pepper Lunch</i> (胡椒廚房), located in Chaoyang Joy City, Chaoyang District, Beijing, and operated under Tang Palace Beijing Pepper Lunch
“Beijing Minzu Restaurant” (北京民族唐宮海鮮舫)	a restaurant operated under the brand name of <i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), located in Minzu Hotel, Xicheng District, Beijing, and operated under Tang Palace Beijing Minzu
“Beijing New Century Restaurant” (北京新世紀唐宮海鮮舫)	a restaurant operated under the brand name of <i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), located in New Century Hotel, Haidian District, Beijing, and operated under Tang Palace Beijing New Century
“Beijing Wangjing Restaurant” (北京望京盛世唐宮)	a restaurant operated under the brand name of <i>Excellent Tang Palace</i> (盛世唐宮), located in Wangjing, Chaoyang District, Beijing, and operated under Tang Palace Beijing Excellent

DEFINITIONS

“Beijing Xinqiao Restaurant” (北京新僑唐宮海鮮舫)	a restaurant operated under the brand name of <i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), located in Novotel Beijing Xin Qiao Hotel, Dongcheng District, Beijing, and operated under Tang Palace Beijing WE F&B
“Beijing Yaojiayuan Pepper Lunch” (北京姚家園胡椒廚房)	a restaurant operated under the brand name of <i>Pepper Lunch</i> (胡椒廚房), located in Yaojiayuan Road, Chaoyang District, Beijing, and operated under Tang Palace Beijing Pepper Lunch
“Best Active Investments”	Best Active Investments Limited, a company incorporated in the BVI with limited liability on July 12, 2010 and wholly owned by Mr. Chan, being one of our Controlling Shareholders
“Board”	the board of Directors
“Bright Mind Investments”	Bright Mind Investments Limited, a company incorporated in the BVI with limited liability on July 15, 2010 and wholly owned by Mr. Ku, being one of our Controlling Shareholders
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of new Shares to be made upon capitalization of part of the share premium account of our Company as referred to in the section headed “Statutory and General Information — Further information about our Company and our subsidiaries — Resolutions in writing of our Shareholders passed on March 25, 2011 and April 6, 2011” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “the PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references in this prospectus to China or the PRC exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Chiu Kwun”	超群廚具金屬製品（深圳）有限公司 (Chiu Kwun Engineering (Shenzhen) Co., Ltd.), a company established in the PRC with limited liability on April 4, 1990 and indirectly wholly owned by Mr. Ku, being one of our executive Directors and Controlling Shareholders
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time)
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
“Company”	Tang Palace (China) Holdings Limited (唐宮(中國)控股有限公司), a company incorporated on March 11, 2010 with limited liability under the laws of the Cayman Islands
“connected persons”	has the meaning ascribed to it in the Listing Rules
“Controlling Shareholders”	Mr. Chan, Mr. Yip, Mr. Ku, Best Active Investments, Current Success Investments and Bright Mind Investments, the controlling Shareholders (as defined in the Listing Rules) of our Company
“Current Success Investments”	Current Success Investments Limited, a company incorporated in the BVI with limited liability on July 6, 2010 and wholly owned by Mr. Yip, being one of our Controlling Shareholders
“Director(s)”	the director(s) of our Company
“Dongguan Shibo Restaurant” (東莞世博唐宮海鮮舫)	a restaurant operated under the brand name of <i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), located in Expo Square, Dongcheng District, Dongguan, and operated under Tang Palace Dongguan
“Dongguan Well Excellent”	東莞維華酒店管理服務有限公司 (Dongguan Well Excellent Hotel Management Services Co., Ltd.), a company established in the PRC with limited liability on October 27, 2006 and wholly owned by HK Well Excellent

DEFINITIONS

“Eastern PRC”	Shanghai, Suzhou and Hangzhou of the PRC
“Eligible Employee(s)”	full-time employee(s) of our Group in Hong Kong, other than a director or a chief executive of our Company or any of its subsidiaries, an existing beneficial owner of the Shares or their respective associates, a United States person or a person who is within the United States (as both terms are defined in Regulation S), a natural person of the PRC, or a person who does not have a Hong Kong address
“Employee Preferential Offering”	the offer for subscription of up to 1,000,000 Shares by Eligible Employees, as further described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus
“first-tier cities”	Beijing, Shanghai, Tianjin, Guangzhou and five special economic zones (Shenzhen, Zhuhai, Shantou, Xiamen and Hainan)
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN application form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company
“Group”	our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries
“Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) of the regulated activities as defined under the SFO
“Hangzhou MIXC Restaurant” (杭州萬象城唐宮海鮮舫)	a restaurant operated under the brand name of <i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), located in MIXC Shopping Mall, Jianggan District, Hangzhou, and operated under Tang Palace Hangzhou WE
“HK Well Excellent”	Well Excellent Development Limited (維華發展有限公司), a company incorporated in Hong Kong with limited liability on September 22, 1992 and owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku
“HK\$” or “Hong Kong dollars” or “HK dollars” and “Hong Kong cents” or “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

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“HK eIPO White Form”	the application process for Hong Kong Offer Shares with applications issued in the applicant’s own name and submitted online through the designated website of www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by the Hong Kong Institute of Certified Public Accountants, which includes the Hong Kong Accounting Standards and their interpretations
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 10,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus), including the Shares which are available for subscription by the Eligible Employees pursuant to the Employee Preferential Offering
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering”) at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus

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“Hong Kong Underwriting Agreement”	the underwriting agreement dated April 6, 2011 relating to the Hong Kong Public Offering entered into among our Company, our Controlling Shareholders, our executive Directors, the Sole Global Coordinator and the Hong Kong Underwriters
“ICBCI” or “Sole Global Coordinator” or “Sole Sponsor”	ICBC International Capital Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
“ICBCI Securities” or “Stabilizing Manager”	ICBC International Securities Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities) of the regulated activities as defined under the SFO
“Independent Third Party(ies)”	a party which is not connected (as defined in the Listing Rules) to the directors, substantial shareholders or chief executive of our Company or our subsidiaries and their respective associates
“International Offer Shares”	the 90,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option, the number of which is further subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional offering of the International Offer Shares by the International Underwriters, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the several underwriters of the International Offering who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering and to be entered into among our Company, the Controlling Shareholders, our executive Directors, the Sole Global Coordinator and the International Underwriters on or about April 12, 2011
“Joint Bookrunners”	ICBCI and Guotai Junan Securities
“Joint Lead Managers”	ICBCI Securities and Guotai Junan Securities

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“Latest Practicable Date”	March 31, 2011 being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Main Board
“Listing Date”	the date on which dealings in our Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Master Franchise Agreement (Beijing and Tianjin area)”	the master franchise agreement dated April 12, 2010 entered into between SFBI as franchisor and Tang Palace HK Leadwin as franchisee in relation to the franchise arrangement for the development and operation of fast food restaurants in Beijing and Tianjin under the brand name of <i>Pepper Lunch</i> (胡椒廚房), as further described under the section headed “Business — The Pepper Lunch (胡椒廚房) Franchise” in this prospectus
“Master Franchise Agreement (Shanghai area)”	the master franchise agreement dated November 12, 2010 entered into between SFBI as franchisor and Tang Palace HK Leadwin as franchisee in relation to the franchise arrangement for the development and operation of fast food restaurants in Shanghai under the brand name of <i>Pepper Lunch</i> (胡椒廚房), as further described under the section headed “Business — The Pepper Lunch (胡椒廚房) Franchise” in this prospectus
“Meco Group”	Meco Group Company Limited (美高集團有限公司), a company incorporated in Hong Kong with limited liability on July 14, 1992 and owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company
“Northern PRC”	Beijing of the PRC
“Mr. Chan”	Mr. Chan Man Wai, our Vice Chairman, an executive Director and a Controlling Shareholder

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“Mr. Ku”	Mr. Ku Hok Chiu, an executive Director and a Controlling Shareholder
“Mr. Yip”	Mr. Yip Shu Ming, our Chairman, an executive Director and a Controlling Shareholder
“Ms. Au”	Ms. Au Yim Bing, the spouse of Mr. Chan
“Ms. Ku”	Ms. Ku Wai Man, the spouse of Mr. Ku
“Ms. Wong”	Ms. Wong Sau Mui, the spouse of Mr. Yip
“Non-Compete Undertaking”	a non-compete undertaking dated March 25, 2011, given by each of the Controlling Shareholders in favor of our Group, as further described under the section headed “Relationship with our Controlling Shareholders — Non-Compete Undertaking” in this prospectus
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%) of not more than HK\$1.65 and expected to be not less than HK\$1.25, such price to be agreed upon by us and the Sole Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Share(s)”	the Hong Kong Offer Share(s) (including the Shares which are available for subscription by the Eligible Employees pursuant to the Employee Preferential Offering) and the International Offer Share(s) including, where relevant, any additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option granted by our Company to the Sole Global Coordinator pursuant to which our Company may be required to allot and issue up to an aggregate of 15,000,000 additional Shares (in aggregate representing 15% of the Shares initially being offered under the Global Offering) to cover, among other things, over-allocation in the International Offering, details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC

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“PRC government”	the central government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme approved and adopted by our Company on March 25, 2011, the principal terms of which are summarized under the section headed “Statutory and General Information — Other information — Pre-IPO Share Option Scheme” in Appendix V to this prospectus
“Price Determination Date”	the date, expected to be on or around Tuesday, April 12, 2011 but in any event no later than Friday, April 15, 2011, on which the Offer Price is to be fixed by agreement between us and the Sole Global Coordinator (on behalf of the Underwriters) for the purpose of the Global Offering
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization arrangements undergone by us in preparation for the listing of our Shares on the Stock Exchange which are more particularly described in the section headed “Statutory and General Information — Further information about our Company and our subsidiaries — Group Reorganization” in Appendix V to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“second-tier cities”	municipalities, provincial capitals and cities with independent budgetary status, such as Shenyang, Dalian, Chongqing, Chengdu, Nanjing, Suzhou, Hangzhou
“SFBI”	SFBI (Asia-Pacific) Pte. Ltd., a company incorporated in Singapore, the franchisor under the Master Franchise Agreement (Beijing and Tianjin area) and Master Franchise Agreement (Shanghai area) and an Independent Third Party, as further described under the section headed “Business — The Pepper Lunch (胡椒廚房) Franchise” in this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Dickson Tang’s Cuisine” (上海迪生唐宮壹號)	a restaurant operated under the brand name of <i>Tang’s Cuisine</i> (唐宮壹號), located in Jinjiang Dickson Center, Luwan District, Shanghai, and operated under Tang Palace Shanghai WE

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“Shanghai Food Plant” (上海食品廠)	a food processing plant in Shanghai and operated under Tang Palace Shanghai Food
“Shanghai Galaxy Restaurant” (上海銀河唐宮海鮮舫)	a restaurant operated under the brand name of <i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), located in Galaxy Hotel, Changning District, Shanghai, and operated under Tang Palace Shanghai Hongqiao
“Shanghai Hongkou Restaurant” (上海虹口唐宮膳)	a restaurant operated under the brand name of <i>Tang Palace Restaurant</i> (唐宮膳), located in Hongkou District, Shanghai, and operated under Tang Palace Shanghai Hongkou
“Shanghai Metropark Restaurant” (上海維景唐宮海鮮舫)	a restaurant operated under the brand name of <i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), located in Metropark Service Apartment, Changning District, Shanghai, and operated under Tang Palace Shanghai Changning
“Shanghai Sky Fortune Tang’s Cuisine” (上海天禧唐宮壹號)	a restaurant operated under the brand name of <i>Tang’s Cuisine</i> (唐宮壹號), located in Sky Fortune Boutique Hotel, Minhang District, Shanghai, and operated under Tang Palace Shanghai Minhang
“Shanghai Super Brand Restaurant” (上海正大唐宮海鮮舫)	a restaurant operated under the brand name of <i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), located in Super Brand Mall, Pudong New Area, Shanghai, and operated under Tang Palace Shanghai Pudong
“Share Award Plan”	the share award plan adopted by our Company on March 25, 2011, the principal terms of which are summarized under “Other information — Share Award Plan” in Appendix V to this prospectus
“Share Award Plan SPV”	a special purpose vehicle which may be established by the Share Award Plan Trustee subject to the provisions of the trust deed to be executed by our Company as settler and the Share Award Plan Trustee as trustee
“Share Award Plan Trustee”	such trustee or trustees as shall be from time to time appointed by our Company for the administration of Shares and other trust fund for the implementation of the Share Award Plan
“Share(s)”	ordinary share(s), with nominal value of HK\$0.10 each, in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s) from time to time

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“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on March 25, 2011, the principal terms of which are summarized under “Other information — Share Option Scheme” in Appendix V to this prospectus
“Shenzhen Dongmen Jiangnan Cuisine” (深圳東門江南一號)	a restaurant operated under the brand name of <i>Tanggong Jiangnan Cuisine</i> (唐宮江南一號), located in Dongmen, Luohu District, Shenzhen, and operated under Tang Palace Ninja House
“Shenzhen Dongmen Restaurant” (深圳東門盛世唐宮)	a restaurant operated under the brand name of <i>Excellent Tang Palace</i> (盛世唐宮), located in Dongmen, Luohu District, Shenzhen, and operated under Tang Palace Shenzhen WE
“Shenzhen Hongling Restaurant” (深圳紅嶺唐宮膳)	a restaurant operated under the brand name of <i>Tang Palace Restaurant</i> (唐宮膳), located in Hongling Building, Futian District, Shenzhen, and operated under Tang Palace Shenzhen
“Shenzhen Ninja House Restaurant” (忍者居日本料理)	a restaurant operated under the brand name of <i>Ninja House Japanese Restaurant</i> (忍者居日本料理), located in Dongmen, Luohu District, Shenzhen, and operated under Tang Palace Ninja House
“Southern PRC”	Shenzhen and Dongguan of the PRC
“sq.m.”	square meter
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between the Stabilizing Manager and Best Active Investments on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Matro Restaurant” (蘇州美羅唐宮海鮮舫)	a restaurant operated under the brand name of <i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), located in Matro Shopping Mall, Pingjiang District, Suzhou, and operated under Tang Palace Suzhou WE
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers
“Tang Palace Beijing Chaobei”	北京朝北唐宮海鮮舫飲食有限公司 (Beijing Chaobei Tang Palace F&B. Co. Ltd), a wholly foreign owned enterprise established under the laws of the PRC on January 12, 2011 and an indirect wholly owned subsidiary of our Company

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“Tang Palace Beijing Excellent”	北京盛世唐宮飲食有限公司 (Beijing Excellent Tang Palace F&B Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on April 14, 2008 and an indirect wholly owned subsidiary of our Company
“Tang Palace Beijing Haoyuan”	北京好苑唐宮海鮮舫有限公司 (Beijing Haoyun Tanggong Seafood Restaurant Co., Ltd) a wholly foreign owned enterprise established under the laws of the PRC on December 10, 2003 and an indirect wholly owned subsidiary of our Company
“Tang Palace Beijing Minzu”	北京民族唐宮海鮮舫有限公司 (Beijing Mingzu Tanggong Seafood Restaurant Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on September 25, 2003 and an indirect wholly owned subsidiary of our Company
“Tang Palace Beijing New Century”	北京新世紀唐宮海鮮舫有限公司 (Beijing New Century Tanggong Seafood Restaurant Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on December 21, 2001 and an indirect wholly owned subsidiary of our Company
“Tang Palace Beijing Pepper Lunch”	活力胡椒(北京)餐飲管理有限公司 (Vital Pepper (Beijing) Management Co., Ltd.), a wholly foreign owned enterprise established under the laws of the PRC on January 5, 2010 and an indirect wholly owned subsidiary of our Company
“Tang Palace Beijing WE”	北京維華唐宮海鮮舫有限公司 (Beijing Well Excellent Tong Palace Restaurant Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on July 12, 2002 and an indirect wholly owned subsidiary of our Company
“Tang Palace Beijing WE F&B”	北京維華唐宮飲食有限公司 (Beijing Well Excellent Tang Palace F&B. Co. Ltd), a wholly foreign owned enterprise established under the laws of the PRC on January 16, 2009 and an indirect wholly owned subsidiary of our Company
“Tang Palace BVI”	China Tang Palace F&B Enterprise Limited (中國唐宮飲食企業有限公司), a company incorporated in the BVI with limited liability on November 12, 2009 and a direct wholly owned subsidiary of our Company

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“Tang Palace Dongguan”	東莞世博唐宮海鮮舫有限公司 (Dongguan Expo Tang Palace Seafood Restaurant Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on January 11, 2006 and an indirect wholly owned subsidiary of our Company
“Tang Palace HK”	Tang Palace Food and Beverage Group Company Limited (唐宮飲食集團有限公司), a company incorporated in Hong Kong with limited liability on January 30, 2004 and an indirect wholly owned subsidiary of our Company
“Tang Palace HK Excellent”	Excellent Tang Palace Food and Beverage Group Company Limited (盛世唐宮飲食集團有限公司), a company incorporated in Hong Kong with limited liability on November 15, 2007 and an indirect wholly owned subsidiary of our Company
“Tang Palace HK Leadwin”	Leadwin Investments Limited (聯永投資有限公司), a company incorporated in Hong Kong with limited liability on August 13, 2009 and an indirect wholly owned subsidiary of our Company
“Tang Palace HK Logistics”	Tang Palace Logistics Limited (唐宮物流有限公司), a company incorporated in Hong Kong with limited liability on November 15, 2007 and an indirect wholly owned subsidiary of our Company
“Tang Palace HK Meco”	Meco Petrochemical Limited (美高石油化工有限公司), a company incorporated in Hong Kong with limited liability on July 14, 1992 and an indirect wholly owned subsidiary of our Company
“Tang Palace HK Prosperous”	Prosperous Tang F&B Group Limited (盛唐飲食集團有限公司), a company incorporated in Hong Kong with limited liability on September 14, 2009 and an indirect wholly owned subsidiary of our Company
“Tang Palace HK Pudong”	Pudong Tang Palace Food and Beverage Group Company Limited (浦東唐宮飲食集團有限公司), a company incorporated in Hong Kong with limited liability on December 30, 2005 and an indirect wholly owned subsidiary of our Company
“Tang Palace Hangzhou WE”	杭州維華唐宮海鮮舫有限公司 (Hangzhou Well Excellent Tang Palace Seafood Restaurant Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on April 1, 2010 and an indirect wholly owned subsidiary of our Company

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“Tang Palace Ninja House”	忍者居江南一號飲食(深圳)有限公司 (Ninja House Jiangnan Cuisine F&B (Shenzhen) Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on November 26, 2002 and an indirect wholly owned subsidiary of our Company
“Tang Palace Shanghai Seafood”	上海唐宮海鮮舫有限公司 (Tang Palace Shanghai Seafood Restaurant Co., Ltd.), a sino-foreign cooperative joint venture established under the laws of the PRC on June 18, 1998 and dissolved on December 8, 2010
“Tang Palace Shanghai Changning”	上海長寧唐宮海鮮舫有限公司 (Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on April 22, 2010 and an indirect wholly owned subsidiary of our Company
“Tang Palace Shanghai Food”	上海唐宮食品有限公司 (Shanghai Tang Palace Food Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on October 14, 2008 and an indirect wholly owned subsidiary of our Company
“Tang Palace Shanghai Hongkou”	上海虹口唐宮海鮮舫有限公司 (Shanghai Hongkou Tang Palace Seafood Restaurant Company Ltd), a wholly foreign owned enterprise established under the laws of the PRC on February 1, 2008 and an indirect wholly owned subsidiary of our Company
“Tang Palace Shanghai Hongqiao”	上海紅橋唐宮海鮮舫有限公司 (Shanghai Hongqiao Tang Palace Seafood Restaurant Company Ltd), a wholly foreign owned enterprise established under the laws of the PRC on January 19, 2006 and an indirect wholly owned subsidiary of our Company
“Tang Palace Shanghai Minhang”	上海閔行唐宮海鮮舫有限公司 (Shanghai Minhang Tang Palace Seafood Restaurant Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on April 1, 2010 and an indirect wholly owned subsidiary of our Company
“Tang Palace Shanghai Pepper Lunch”	活力胡椒(上海)餐飲管理有限公司 (Pepper Lunch (Shanghai) F&B Management Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on January 4, 2010 and an indirect wholly owned subsidiary of our Company

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“Tang Palace Shanghai Pudong”	上海浦東唐宮海鮮舫有限公司 (Shanghai Pudong Tang Palace Seafood Restaurant Company Ltd), a wholly foreign owned enterprise established under the laws of the PRC on July 10, 2006 and an indirect wholly owned subsidiary of our Company
“Tang Palace Shanghai WE”	上海維華唐宮餐飲有限公司 (Shanghai Well Excellent Tang Palace F&B Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on December 9, 2008 and an indirect wholly owned subsidiary of our Company
“Tang Palace Shenzhen”	深圳唐宮膳飲食有限公司 (Shenzhen Tang Palace F&B Co., Ltd), a company established under the laws of the PRC on September 4, 1997 and an indirect wholly owned subsidiary of our Company
“Tang Palace Shenzhen Dongdaoming”	深圳東道明唐宮海鮮舫有限公司 (Shenzhen Dongdaoming Tang Dynasty Seafood Restaurant Co., Ltd.), a cooperative joint venture enterprise jointly established by us and an Independent Third Party under the laws of the PRC on June 3, 1997 and an indirect subsidiary of our Company prior to its dissolution on October 21, 2010.
“Tang Palace Shenzhen WE”	深圳維華盛世唐宮飲食有限公司 (Shenzhen Well Excellent Tang Palace F&B Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on July 25, 2007 and an indirect wholly owned subsidiary of our Company
“Tang Palace Suzhou WE”	蘇州維華唐宮海鮮舫有限公司 (Suzhou Well Excellent Tang Palace Seafood Restaurant Co., Ltd), a wholly foreign owned enterprise established under the laws of the PRC on October 21, 2009 and an indirect wholly owned subsidiary of our Company
“Track Record Period”	the period comprising the years ended December 31, 2008, 2009 and 2010
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States

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“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“we”, “us” or “our”	our Company or our Group (as the context may require)
“%”	percentage or per cent

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC government authorities or the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purpose only.

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“Cool Kitchen”(清涼廚房)	a management practice (which is not an industry standard) adopted by our Group, which aims to make kitchen reach 3C namely, cool, clean and control standards and develop a pleasant working environment by means of creating an environmentally friendly kitchen layout, ventilation design, green equipments and facilities
“DIY”	do it yourself, a term used to describe doing something without the aid of someone else
“ERP”	enterprise resource planning, a company-wide information system that integrates all aspects of a business into one computer system
“high-end spending class customers”	customers with average spending for more than RMB250
“IT”	information technology
“mid-end spending class customers”	customers with average spending from RMB80 to RMB150
“5S management system (5S 管理系統)”	a common management practice adopted by our Group, comprises the five pillars of “Sort”, “Systemize”, “Shine”, “Standardize”, and “Self-discipline” and it is a management system which aims to reduce wasteful activity and optimize productivity through standardizing operational processes and maintaining an orderly workplace

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “expect,” “believe,” “plan,” “intend,” “estimate,” “project,” “anticipate,” “seek,” “may,” “will,” “would” and “could” or similar words or statements in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. These forward-looking statements include, without limitation, statements relating to:

- our anticipated growth and growth strategies;
- fluctuation and unpredictability of costs related to our restaurant operations;
- changes in the laws of the country in which our restaurant operations are located;
- competition from other restaurant companies;
- our failure to anticipate and respond in a timely manner to changes in consumer tastes and preferences;
- our efforts to diversify our food and beverage business;
- development of a public trading market for our securities; and
- the other factors referenced in this prospectus, including, without limitation, under the sections headed “Risk Factors,” “Business,” and “Financial Information.”

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

You should carefully read and consider all of the information in this prospectus, including the material risks and uncertainties described below before deciding to make any investment in our Shares and other related parts of this prospectus. Our business, financial condition or results of operations could be materially and adversely affected by any of these material risks and uncertainties. The trading price of our Shares could decline due to any of these material risks and uncertainties and you may lose all or part of your investment as a result.

RISKS RELATING TO OUR BUSINESS

Our business and results of operations could be adversely affected if there is any negative publicity associated with our restaurants or food products

We adopt a multi-branding strategy for our restaurant business targeting at different markets with different consumer groups. As of the Latest Practicable Date, we operated our restaurant business under seven brands, namely, *Tang Palace Seafood Restaurant* (唐宮海鮮舫), *Tang's Cuisine* (唐宮壹號), *Excellent Tang Palace* (盛世唐宮), *Tang Palace Restaurant* (唐宮膳), *Ninja House Japanese Restaurant* (忍者居日本料理), *Tanggong Jiangnan Cuisine* (唐宮江南一號) and *Pepper Lunch* (胡椒廚房). We have invested efforts and financial resources to establish brand recognition. For the years ended December 31, 2008, 2009 and 2010, we incurred approximately RMB955,000, RMB1.4 million and RMB3.1 million, respectively, on sales and marketing, such as advertising, promotion and marketing campaigns. The success of our business partly relies on the public perception of our brands. If there is any negative publicity or review associated with any of our restaurants or if brand recognition is not as good as we anticipate, the results of our business operations could be adversely affected.

Our business may also be adversely affected by negative publicity resulting from the publication of industry findings or research reports, health concerns concerning any of our food products, any allegations of poor standards of hygiene or cleanliness. Any such complaints and negative publicity, regardless of their validity, may reduce the number of consumers of our food products. Depending on the severity of such complaints, the relevant government authority may suspend the business of the relevant restaurant, which could adversely affect our other restaurants of the same brand and hence our profitability. The results of our operations may therefore be materially affected.

Our efforts to promote and diversify our food and beverage business may not be successful

We intend to diversify and expand our food and beverage business to broaden our customer base and increase our sources of revenue. Opening new restaurants and launching new brand names involve inherent business risks, such as making incorrect judgments as to the anticipated levels of demand and pricing. We may also lack sufficient experience in the management of non-Cantonese restaurant business and fast food business, such as operating, marketing, sales, site selection and market positioning. There is no assurance that we will be successful in operating our non-Cantonese restaurant business and fast food business. In the event that the operation of our new restaurants business, such as non-Cantonese restaurant business and fast food business, are not successful, our non-Cantonese restaurants and fast food restaurants may not contribute to our results in the manner that we anticipate and our profitability may be adversely affected.

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Our profitability could be adversely affected by the lack of commercially attractive locations and the increasing rental expenses for our restaurant business

The availability of commercially attractive locations for our Group's restaurants are important to our business. Our restaurants are mainly located in hotels, shopping malls and residential areas with dense population. We will select different locations in some of the first-tier cities and second-tier cities in the PRC to open new restaurants. However, there is no assurance that we would be able to find suitable premises for our restaurants with reasonable commercial terms. In such event, our plan for opening new restaurants may be delayed or cannot be implemented at all, which could have an adverse impact on our growth.

As we operate all of our restaurants on leased properties, we are exposed to the retail rental market. For the years ended December 31, 2008, 2009 and 2010, our rental expenses amounted to approximately RMB24.9 million, RMB31.2 million and RMB44.3 million, respectively, representing approximately 6.3%, 6.9% and 7.3% of our revenue. Under our current lease agreements, all the leases for our existing restaurants are with fixed rentals and the lease terms range from about two years and five months to 10 years (among those leases, the lease term for our leases with connected persons is two years and five months, whereas the lease term of our leases with Independent Third Parties generally range from five years to 10 years) with a 3% to 10% fixed annual increase rate in rental. Our rental expenses increased by approximately RMB6.3 million and RMB13.1 million or by approximately 25.3% and 42.0% in 2009 and 2010, respectively, due to the opening of our new restaurants, the renewal of our tenancy agreements and rental increment of our existing leases.

Upon expiry of each of the leases of our restaurants, we have to negotiate the terms of renewal with the landlord. We compete with other retailers and restaurants for sites in the highly competitive market for retail real estate. Therefore, there is no assurance that we would be able to renew such lease agreements on terms acceptable to us or lease premises at strategic locations on comparable terms. In the event that we need to relocate a restaurant at the end of a lease, our services may be disrupted and we may incur extra costs for such relocation. Failure to secure leases at commercially attractive locations could also adversely affect our sales and profitability. Even if we are able to renew or extend our leases, it may involve substantial rent increases, which could adversely affect our profitability. During the Track Record Period and up to the Latest Practicable Date, we had not failed to renew or extend our leases.

The operation of our fast food restaurants are subject to the terms of the Master Franchise Agreement (Shanghai area), Master Franchise Agreement (Beijing and Tianjin area) and the unit franchise agreements thereunder

As of the Latest Practicable Date, we as franchisee operated two *Pepper Lunch* (胡椒廚房) fast food restaurants, however, the operation of our fast food restaurants in the PRC under the brand name of *Pepper Lunch* (胡椒廚房) is subject to the terms of the Master Franchise Agreement (Shanghai area), the Master Franchise Agreement (Beijing and Tianjin area) and the unit franchise agreements thereunder between SFBI as franchisor and the respective operating subsidiary of our Group as franchisee. Under the Master Franchise Agreement (Shanghai area) and the Master Franchise Agreement (Beijing and Tianjin area), an exclusive franchise was granted to us in Shanghai, Beijing and Tianjin for a term of 10 years commencing from November 12, 2010 and April 12, 2010,

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respectively, with an option to extend for a further term of 10 years subject to fulfillment of certain pre-conditions for renewal. Individual franchises may continue to operate for the remaining term under their respective unit franchise agreements notwithstanding expiry of the Master Franchise Agreement (Beijing and Tianjin area) or Master Franchise Agreement (Shanghai area) (as the case may be). In addition, under the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area), SFBI agrees to offer us the right of first refusal to negotiate for exclusive development and operation of the fast food restaurants in case franchisor wishes to continue to develop the fast food restaurants in Beijing, Tianjin and Shanghai after 20 years from the date of the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area), subject to the fulfillment of certain pre-conditions. There is no assurance that we will be able to renew the Master Franchise Agreement (Shanghai area) and the Master Franchise Agreement (Beijing and Tianjin area) with the franchisor after the term of 20 years. If we fail to do so, our results of operations may be adversely affected. The Master Franchise Agreement (Shanghai area) and the Master Franchise Agreement (Beijing and Tianjin area) may be terminated in the event that we fail to comply with some of the terms therein, including opening and operating prescribed minimum number of *Pepper Lunch* (胡椒廚房) fast food restaurants in Shanghai, Beijing and Tianjin during the term of the Master Franchise Agreement (Shanghai area) and the Master Franchise Agreement (Beijing and Tianjin area). If the Master Franchise Agreement (Shanghai area) and the Master Franchise Agreement (Beijing and Tianjin area) are terminated, we will be unable to continue operating our *Pepper Lunch* (胡椒廚房) franchise fast food restaurants and as a result, there will be a material adverse effect on our profitability.

Any fire and environmental claims, or failure to comply with any existing or future laws and regulations on fire and environmental protection, may subject us to significant related costs or expenses

We are subject to fire and environmental laws and regulations that affect our operations, facilities and products in each of the regions in which we operate. Any failure to comply with existing regulations, or future legislative changes, could cause us to incur significant compliance costs or expenses or result in the assessment of damages, the imposition of fines against us or a suspension of any part of our business, which could materially and adversely affect our financial condition and results of operations.

Under the relevant PRC fire and environmental laws and regulations, we must apply for registration or obtain approvals from the relevant authorities for an environmental impact assessment (環境影響評價批覆) of any proposed restaurant renovation or refurbishment before commencement of the construction work. Following completion of the renovation or refurbishment work, we must respectively apply for fire and environmental acceptance from the relevant regulatory authorities. Otherwise, we may be required to pass the fire safety inspections by the relevant fire authorities before we commence the operation of our restaurants and obtain pollutant discharge permits (排放污染物許可證/排放污染物申報登記注冊證). In addition, we are subject to aperiodic inspections by the relevant fire and environmental authorities during our operation.

For the years ended December 31, 2008, 2009 and 2010, our cost of compliance with the applicable PRC environmental protection laws and regulations were approximately RMB41,000, RMB32,000 and RMB356,000, respectively. Going forward, we expect that our cost of compliance will be approximately RMB571,000 in the next two years.

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As of the Latest Practicable Date, we had obtained all the relevant approvals for our restaurant operations in accordance with the relevant PRC fire and environmental laws and regulations. However, there is no assurance that we will be able to continue to comply with the existing or future laws and regulations on fire and environmental protection and to pass the inspections conducted by the relevant fire and environmental authorities and obtain the relevant approvals in the future. If such non-compliance occurs, our business operations could be disrupted and our results of operations may be adversely affected.

We require various approvals, licenses and permits to operate our business and the loss of or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our business

In accordance with the laws and regulations of the PRC, we are required to maintain various approvals, licenses and permits in order to operate our restaurants business. Please refer to the section headed “Business — Licenses and Approvals” in this prospectus. Each of our restaurants in the PRC as well as our Shanghai Food Plant are required to obtain the relevant hygiene permit or food service license, and some of our restaurants which sell wine and tobacco are required to make further registration or obtain additional approvals. These licenses and registrations are achieved upon satisfactory compliance with, amongst others, the applicable food safety, hygiene, wine and tobacco laws and regulations. Most of these licenses are subject to periodic or aperiodic examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation. As of the Latest Practicable Date, we had obtained all the licenses required for the operations of all our restaurants and Shanghai Food Plant in the PRC. However, if we are unable to meet the relevant requirements or found in material breach of any laws or regulations, and as a result unable to pass the examination or verification, we could be penalized according to the relevant laws and regulations or our licenses could be revoked. While we have passed the examinations and verifications in the past and have not been penalized before, we cannot assure you that we will be able to pass every examination or verification in the future. There can be no assurance that we will be able to renew all of the licenses when they are expired. If we cannot obtain and maintain all licenses required by us to operate our business, our business could be interrupted or the continued operations of our restaurants may be subject to fine and penalty. In addition, we need new licenses for our new restaurants. Opening new restaurants is our principal growth driver. If we are not able to obtain new licenses for our new restaurants, our business expansion plan may be disrupted.

Unauthorized usage of leased property occupied by us in the PRC may affect our ability to use such property and adversely affect our restaurant operations

We have used one of our leased properties in Beijing with an aggregate gross floor area of approximately 809 sq.m. for the operation of our restaurant, namely, Beijing Haoyuan Jianguo Restaurant. The usage of such leased property as specified in its house ownership certificate is for office use. Although the actual usage of the property is inconsistent with the designated usage under the house ownership certificate, as advised by our PRC legal advisors, the lease agreement is valid and enforceable and we are not subject to any penalty, as the legal consequences for such inconsistent use are not specified under the relevant laws and regulations in the PRC. However, we may not use the leased property for restaurant operations if the relevant authorities request us to conform to the designated usage under the house ownership certificate. For the years ended December 31, 2008, 2009

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and 2010, the total revenue we generated from the restaurant located on such property were approximately RMB27.2 million, RMB27.9 million, and RMB30.3 million, respectively, representing approximately 6.9%, 6.2% and 5.0% of our total revenue, respectively. If we are requested by the PRC government authorities to conform to the designated usage under the house ownership certificate, we may be forced to relocate our affected restaurant, which will cause us to incur related expenses and may disrupt our business and operations.

We have not fully paid social insurance premiums for certain employees and have not contributed in full to housing provident fund for our employees in the PRC during the Track Record Period, which may lead to the imposition of fines and penalties and adversely affect our Group's business

In accordance with the relevant PRC national labor laws and regulations, we are required to contribute to a number of employee social welfare schemes for the benefit of our employees. Such schemes include social insurance and housing provident fund contributions. We have not fully paid all social insurance premiums for certain employees in the PRC during the Track Record Period, the majority of whom were paid on an hourly basis and were employed by us for less than six months. Due to high labor turnover, there are significant practical difficulties in completing the necessary social security registration within the short period of their employment. We may be required by the relevant PRC authorities to make such outstanding payments in the future. If this occurs, and if we fail to make such payments within the time period specified by the authorities, a daily fine of 0.2% on any delinquent payments may be imposed on us. Due to our lack of comprehensive understanding of the relevant social securities policies and laws and regulations, we have not made in full housing provident fund for some of our employees. As such, we may be required by the relevant authorities to pay such outstanding amounts in the future. If this occurs, and if we fail to make such contributions within the time period specified by the relevant PRC authorities, such relevant PRC authorities may apply to court for compulsory execution. For details of such unpaid social insurance and housing provident fund, please refer to the section headed “Business — Non-compliance of our Group — Non-compliance of our Group as of the Latest Practicable Date — Social Insurance and Housing Provident Fund Contributions” in this prospectus. We can give no assurance that we will not be ordered to rectify any of these incidents of non-compliance in the future. Provisions for such outstanding social insurance premiums and housing provident fund contributions have been made in our financial statements for the Track Record Period. In addition, our Controlling Shareholders have agreed to indemnify us to the extent such provisions are inadequate to cover any claims, demands, fines and penalties we incur as a result of such incidents of non-payment.

If there is any adverse incident associated with the quality of our food and services provided or if our hygiene standards do not meet the relevant statutory requirements, our restaurant business could be adversely affected

We may be subject to complaints or claims from customers as a result of consuming the products we sell or the food served in our restaurants. During our ordinary course of business operations, we received complaints from our customers, which were mainly related to the quality of our food or services at our restaurants during the Track Record Period. For example, in the past, a small number of customers have complained about the quality of our food products or the standard of services offered by us. To maintain and improve our food quality and standard of services, we have set up a

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general hotline in August 2010 to receive and handle all customers' complaints. As of the Latest Practicable Date, we received six complaints through the general hotline. These complaints in general relate to unsatisfactory services provided to our customers at our restaurants, the prolonged time in serving food to our customers and the taste and style of preparing a particular dish. All of these six complaints were resolved and each of these customers was satisfied with our reply or the proposed improvement measures to be taken by us and no follow-up complaints have been made by such customers since then. The 5S management system implemented by us also helps us to maintain our quality of food and services by providing standardized rules and procedures for each operational process. While we have been dedicating efforts in maintaining the quality of our food and services, such complaints are unpreventable as they may represent certain customers' subjective view. Nevertheless, any complaints, regardless of their nature and validity, may affect our reputation in the future, thereby adversely affecting the results of our operations. If there is any material incident associated with the quality of the food and services provided at our restaurants, it may give rise to potential product liability to the affected customers and may adversely affect our business reputation. Customers may lose confidence in us. This can have a profound impact not only on the business of the relevant restaurants, but also our other restaurants of the same brand. In such event, we could experience long term declines in our sales, resulting in losses which we may not be able to recover. Further, such product liability claims or complaints could result in the imposition of penalties by relevant authorities or compensation awarded by courts against us. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material product liability claim against our Group.

Instances of food contamination could materially harm our reputation and negatively impact our business

Our business is susceptible to the risk of food contamination. To avoid contamination, we have implemented the 5S management system throughout our restaurant operations, which provided guidelines regarding the storage of raw materials, pursuant to such guidelines, our raw materials and products must be properly stored according to the prescribed temperatures and conditions. We also conduct regular inspections on our restaurant environment, personal hygiene of our staff and food storage facilities to avoid food contamination. While we have taken the above measures to avoid the risk of food contamination, we cannot guarantee that those measures taken by us can fully prevent food contamination. Furthermore, food contamination incidents can be caused by third party food suppliers or for reasons which are beyond our control or multiple locations may be affected rather than a single restaurant. Reports in the media of one or more instances of food contamination in our restaurants could negatively affect our restaurant sales, force the closure or suspension of some of our restaurants and conceivably have a large impact if highly publicized. This risk exists even if it were later determined that the contamination had been wrongly attributed to our restaurant. A decrease in customer traffic as a result of these concerns or negative publicity could materially harm our business, results of operations and financial condition. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any claim regarding food contamination from our customers against our Group.

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Historically, we have primarily relied on cash generated from our restaurant operations and advances from our related parties to fund our working capital requirements. We intend to seek more external financings in the future, and our continuing indebtedness may result in net current liabilities

Historically, we have primarily relied on cash generated from our restaurant operations and advances from our related parties to fund our working capital requirements, such as financing of daily operations, renovation of restaurants and opening of new restaurants. For the years ended December 31, 2008, 2009 and 2010, our net cash used in our investing activities were approximately RMB54.1 million, RMB26.1 million, and RMB48.0 million, respectively, while our net cash generated from restaurant operating activities were approximately RMB47.8 million, RMB65.1 million, and RMB80.8 million, respectively. As of December 31, 2008, 2009 and 2010, our total borrowings from our related parties were approximately RMB46.4 million, RMB52.2 million, and RMB263,000, respectively. As of December 31, 2008 and 2009, we had net current liabilities of approximately RMB17.4 million and RMB5.1 million, respectively, primarily due to the amounts due to related parties resulting from financing of daily operations, renovation of restaurants and opening of new restaurants. Since 2010, we have substantially repaid the amounts due to related parties and as of December 31, 2010, we had net current assets of RMB24.7 million. Going forward, we intend to diversify our sources of funding by seeking more external financings such as bank loans. However, we cannot assure you that sufficient financing will be available to us. Without sufficient liquidity, we will be forced to curtail our operations and expansion plans. Disruptions, uncertainties or volatilities in the capital markets or credit markets may limit our access to capital for our operations and for the expansion of our business, decrease our profitability and significantly reduce our financial flexibility. Furthermore, our liquidity also depends on cash generated from operating activities and our cash and cash equivalents. The higher level of our indebtedness will require us to allocate a higher portion of our cash flow from operating activities to fund repayments of our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditure and other general corporate purposes. As a result, our business, financial position and results of operations may be materially and adversely affected.

The prices of raw materials may continue to rise and fluctuate

Our restaurant business depends on reliable sources of large quantities of raw materials such as seafood, vegetables, meat and poultry. Our raw materials are subject to price volatility caused by any fluctuation in aggregate supply and demand, or other external conditions, such as climate and environmental conditions where weather conditions or natural events or disasters may affect expected harvests of such raw materials. As a result, the prices of raw materials consumed by us have fluctuated during the Track Record Period. Due to such fluctuations in the prices of some of the major raw materials consumed by us, for the years ended December 31, 2008, 2009 and 2010, our total purchases amount of seafood represented approximately 21.5%, 19.4% and 19.9%, respectively, our total purchases amount of vegetable represented approximately 7.9%, 8.1% and 8.8%, respectively, and our total purchases amount of meat and poultry represented approximately 19.9%, 20.6%, and 19.6%, respectively, of our total cost of sales. For the years ended December 31, 2008, 2009 and 2010, our cost of inventories consumed accounted for approximately 47.6%, 43.2%, and 42.9%, respectively, of our total revenue. However, we cannot assure you that our key suppliers will continue to provide us with raw materials at reasonable prices, or that our raw materials prices will remain stable in the future, and if we are unable to manage these costs or to increase the prices of our products, it may have adverse impact on our future profit margin.

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Our future success depends on our ability to anticipate and respond in a timely manner to changes in customer tastes and preferences

Our Directors believe that our success depends on the level of acceptance by the market of our existing and new products and menus. In the past, we have launched a number of new products and menus with a view to cater to our customers' changing tastes and preferences as well as their dietary habits. We cannot assure that our existing and new products and menus will continue to be accepted by our customers in the future. Our new products and menus may fail to meet the particular tastes or preferences of our customers. Our failure to anticipate, identify or react to these particular tastes or changes could adversely affect the level of acceptance of our new products and menus, which could in turn cause us to be unable to recover our development, production and marketing costs, thereby leading to a decline in our profitability.

Our business and prospects may be materially and adversely affected if we are not able to manage our growth successfully

Our continued growth depends on our ability to open new restaurants and to operate these new restaurants profitably. During the Track Record Period, we have steadily expanded our restaurant network in our target market. Our revenues for the years ended December 31, 2008, 2009 and 2010 were RMB393.3 million, RMB449.9 million and RMB606.5 million, respectively. The number of restaurants operated by us as of December 31, 2008, 2009 and 2010 were 13, 15 and 20, respectively. We plan to open about 27 new restaurants (including *Pepper Lunch* (胡椒廚房) fast food restaurants) in the coming two years. However, our anticipated growth will require significant management and operational resources and sufficient working capital. Our ability to successfully open new restaurants may also be subject to a number of risks and uncertainties, including but not limited to difficulties in locating suitable new restaurant sites or securing leases on commercially reasonable terms, delay or difficulties in obtaining required governmental approvals and licenses, difficulties in hiring and training sufficient numbers of qualified personnel to keep pace with any future growth in the number of our customers, and construction delays or difficulties in upgrading, developing and expanding our operational facilities to accommodate any future growth. In practice, each new restaurant will generally take several months to reach planned operating levels. If we are not able to manage future growth successfully, our business and prospects may be materially and adversely affected.

Our profitability could be adversely affected if we are not able to sustain the business for sale of tea related products in our restaurants

During the Track Record Period, we have entered into contracts with three Independent Third Parties suppliers for sale of tea related products in our restaurants. For the years ended December 31, 2008, 2009 and 2010, approximately 21.8%, 20.8% and 19.3%, respectively, of our profit and total comprehensive income was generated from the commission income from sale of tea related products. As these contracts for sale for tea related products are generally entered into for a term of one year, we cannot assure that such contracts will be extended after its expiration date or on commercial terms acceptable to us. Our income to be generated from the sale of tea related products may be decreased if we are unable to sustain such business. As such, our profitability could be adversely affected.

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We rely on key management

We believe our success is, to a significant extent, attributable to the experience and expertise in restaurant industry of our key management personnel, including Mr. Yip, Mr. Chan and Mr. Ku. Together with other senior management, they have been playing a critical role in determining and implementing our strategy and have been fundamental to our achievements to date. Our future performance will depend significantly upon contributions of such persons. We do not maintain any insurance for losses caused by business disruption due to the discontinuation of services of our key management personnel. If one or more of our key management personnel is unable or unwilling to continue to serve us in their present positions, we may not be able to find competent and suitable replacements easily or at all. The loss of services of any of such key management personnel for any reason could have a material adverse effect on our business and our financial performance.

Our results of operations may fluctuate due to seasonality and certain major events in China

Our sales are subject to seasonality. For example, we typically experience higher sales during traditional Chinese festivals and holiday seasons, including Chinese New Year, Christmas and Mid-Autumn festival. A high proportion of sales is typically recorded between January and February and between September and December which covers major Chinese festivals and holiday seasons, as there are more family and friends gatherings during Chinese festivals and holiday seasons, and customers dine out more frequently during such periods of time. For the years ended December 31, 2008, 2009 and 2010, the aggregated sales of our restaurants in January, September and December represented approximately 26.8%, 28.5% and 27.8% of our total revenue of that particular year. Depending on the location of some of our restaurants, the results of our operations may be affected by certain major regular and specific events in China, such as the annual meetings held by the National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC) in Beijing each year. As a result of these fluctuations, comparisons of sales and operating results within a financial year cannot be relied on as indicators of our future performance. Any seasonal fluctuations reported in the future may not match expectations of our investors.

Our self-developed dishes may face competition from imitation dishes

In order to keep up with the competition in the Chinese restaurant industry, our management together with our senior chefs constantly review and adjust the menu offerings of our restaurants and develop new dishes for our restaurants. We usually launch five to six new dishes every month in our restaurants and some of them have been named as our signature dishes. We did not apply for registration of any intellectual property rights for our self-developed dishes and our competitors may imitate our self-developed dishes and offer them at a competitive price, thereby affecting our profitability.

We have no long-term contract with our suppliers for the constant supply of quality food ingredients

The ability to source quality food ingredients at competitive prices in a timely manner is crucial to our business. The stable supply of quality food ingredients is crucial to the preparation of our menus. However, we have no long-term contract with our suppliers. Under the current arrangement,

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we enter into supply contracts with our authorized suppliers on an annual basis. For the years ended December 31, 2008, 2009 and 2010, the total purchases from our five major suppliers accounted for approximately 19.3%, 23.3% and 23.8%, respectively, and the total purchases from our largest supplier accounted for approximately 7.8%, 6.7% and 6.1%, respectively, of our total purchases.

There can be no assurance that we will be able to maintain long-term business relationships with our suppliers, and in particular, our five major suppliers. If our suppliers are not able to supply food ingredients to us or the quality of their food ingredients deteriorates or are affected by other factors out of our control, we may not be able to locate alternate supply promptly and on comparable commercial terms. In such event, our performance could therefore be adversely affected.

We may be unable to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business

We believe that our brand is essential to our success and our competitive advantage. Although we have registered trademarks in the PRC and Hong Kong and have trademark applications pending in the PRC, there is no assurance that third parties will not infringe our intellectual property rights or that any of our trademark applications will not be challenged by third parties and will be successfully granted. For more details, please refer to the section headed “Appendix V — Statutory and General Information — Further information about the business of our Company” in this prospectus. In the event that we are unable to adequately protect or safeguard our intellectual property rights or fail to secure the registration of any trademarks under application, our results of operations may be adversely affected.

We rely on a single market in developing our restaurant business and our restaurant business in the PRC may not contribute to our results in the manner that we anticipate

For the years ended December 31, 2008, 2009 and 2010, income derived from our restaurant sales in the PRC accounted for approximately 100%, 99.9% and 99.8%, respectively, of our total turnover. Our Directors anticipate that income derived from our restaurant sales in the PRC will continue to be our principal source of income in the near future. We solely rely on the PRC market in operating and expanding our restaurant business. The restaurant industry in the PRC is affected by the spending power of its population and the general state of its economy and political and social conditions in the PRC. Any uncertainty resulting from the developing nature of the legal system could limit our business expansion plan or if there is any dispute, the legal protections available to us. There can be no assurance that the economic, political and social conditions, as well as government policies, would not adversely affect our business in the PRC. In such event, our restaurants in the PRC may not contribute to our results in the manner that we anticipate.

Unforeseeable business interruptions could adversely affect our business

Our operations are vulnerable to interruption by fires, floods, earthquakes, power failures and power shortages, hardware and software failures, computer viruses and other events beyond our control. In particular, our business is dependent on prompt delivery and reliable transportation of our food products by our logistics partners. Unforeseeable events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays, non-cooperation of our logistics partners, and

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labor strikes, could lead to delay or lost deliveries to our restaurants, which may result in the loss of revenue or customer claims. There may also be instances where the conditions of fresh, chilled or frozen food products, being perishable goods, deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our logistics partners. This may result in a failure by us to provide quality food and services to customers, thereby affecting our business and damaging our reputation. Any such events experienced by us could disrupt our operations and we do not carry business interruption insurance to compensate us for losses that may occur as a result of such events.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties

As we are in the retail business, we usually receive and handle large amounts of cash in our daily operations. In addition, we authorize certain employees to make purchases of raw materials and kitchen supplies and utensils on our behalf within certain allowed limit. There have been instances of fraud, theft and other misconducts involving employees, customers and other third parties against other large restaurant chains in previous years. Such instances can be difficult to fully detect, deter and prevent, and could subject us to financial losses and harm our reputation if the same incidents happen to us. In order to avoid misappropriation and illegal uses of cash, we have further implemented internal procedures on cash custody, such as segregation of duties and daily reconciliation of the cash receipt with the cash sales record. We have also installed infrared security alarms, surveillance cameras monitored by security companies engaged by us or the local police and/or internal surveillance camera inside the cashier office in most of our restaurants to ensure the safety of our undeposited cash. For details of the security measures implemented by us to prevent such fraud or other misconduct, please refer to the section headed “Business — Sales and Marketing — Settlement and cash management” in this prospectus. Although we consider our internal control policies and procedures to be adequate, we may be unable to prevent, detect or deter all such instances of fraud, theft or other misconduct. While we were not aware of the occurrence of any instances of fraud or theft in our restaurants during the Track Record Period and up to the Latest Practicable Date, any such fraud or other misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business, results of operations and financial condition.

Our historical dividend may not be indicative of our future dividends

For the years ended December 31, 2008, 2009 and 2010, we had declared dividends of approximately RMB13.7 million, RMB22.4 million and RMB24.5 million, respectively, to our Shareholders. We cannot assure you that we will pay dividends in the future, and potential investors should be aware that the amount of dividends that were paid in the past should not be used as a reference or basis upon which future dividends will be determined. Whether dividends will be distributed and the amount to be distributed will depend on factors such as our profitability, financial condition, business development requirements, future prospects and cash requirements. Any declaration and payment, as well as the amount of dividends, will be subject to our constitutional documents and the Cayman Islands laws, including the approval of our Shareholders or our Directors. We cannot assure you that we will make any dividend payments on our ordinary Shares in the future.

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RISKS RELATING TO OUR INDUSTRY

Continued increases in the prices of raw materials in the PRC could adversely affect our business and operations

Prices in the PRC for the raw materials that we use for our restaurant operations such as vegetable and meat have fluctuated over the Track Record Period. For details of the price movements of these raw materials during the Track Record Period, please refer to the section headed “Industry Overview” in this prospectus. Raw material costs have been generally rising in the PRC in 2010. According to the National Bureau of Statistics of China, the PRC consumer price index, its key inflation indicator, rose by 3.3% in 2010 as compared to 2009, driven primarily by rising food prices. According to the National Bureau of Statistics of China, food prices, as compared to 2009, increased by 7.2% in 2010 while vegetable, meat, poultry and processed products and aquatic products prices rose by approximately 18.7% and 2.9% and 8.1% in 2010, respectively. We expect that our raw material costs will continue to fluctuate and be affected by inflation in the future. Price changes to our raw materials may result in unexpected increases in the cost of products we sell or the food served in our restaurants, and if we are unable to manage these costs or to increase the prices of our products, it may cause our operating margin to be adversely affected in the future. If raw material costs continue to increase at similar rates in the future, our business operations and results of operations could be adversely affected.

Restaurant business is a highly competitive industry in the PRC, if we are not able to compete with our competitors, our results could be adversely affected

The food and beverage industry in the PRC market is highly competitive. There are numerous Chinese restaurants in the PRC offering different cuisine with their own unique features. Restaurants in the PRC also offer non-Chinese cuisine, such as Japanese, Korean, Vietnamese, Indian, American, French and Italian foods. Different market segments, for example, fast food outlets and Hong Kong-style cafés all provide food and beverage services and offer a variety of choices to consumers. We compete directly with certain other Chinese restaurants and indirectly with operators in other market segments in the restaurant business in terms of location, pricing, services, food quality and variety, restaurant decoration and financial resources. This level of competition could have a material adverse impact on our future growth and profitability if we are not able to maintain our competitive advantages.

As our competitors expand their operations and new competitors emerge, including through acquisitions or otherwise, we expect competition to intensify. Some of our competitors have substantially greater financial and other resources than we do, which may allow them to react to changes in pricing, marketing and other industry trends in general more efficiently and effectively than we can. To the extent that one of our existing or future competitors offer items that are better priced or more appealing to consumer tastes or a competitor increases the number of restaurants it operates in one of our key markets, we may be unable to compete successfully and our business and results of operations may be adversely affected. We also compete with other restaurant chains and other retail businesses for quality site locations and restaurant employees, and if we are unable to compete successfully, our business, operations and results of operations could be adversely affected.

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Any significant economic downturn in the PRC will adversely affect the restaurant business in the PRC

Our core business is operating Chinese restaurants in the PRC, the performance of which is in turn closely correlated with the economic performance of the PRC. Our business may be adversely affected by reductions in consumer spending power as a result of economic downturn. Factors such as the deterioration of the economy, decrease in disposable consumer income, fear of a recession and changes in consumer confidence, may affect consumer preferences and spending. Spending power on food will be substantially reduced in the event of an economic downturn. If consumer demand for our food is reduced or if there occurs any significant economic downturn in the PRC, our revenue, profitability and business prospects will be materially affected.

Our results of operations and financial condition may be affected by the occurrence of epidemics and natural disasters

Our business can be affected by major natural disasters, or widespread outbreaks of infectious diseases in China. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China. For example, in 2003, certain Asian countries and regions, including the PRC, Hong Kong and Taiwan, encountered an outbreak of Severe Acute Respiratory Syndrome, or SARS, a highly contagious form of atypical pneumonia. Recurrence of SARS or an outbreak of any other epidemics in China, such as influenza A (H1N1) and avian flu (H5N1), may cause disruption of regional or national economic activity, which can affect consumers' spending power and dining habit in the affected areas, therefore, our business would be adversely affected. Such event may also result in disruption of raw material supplies, as well as temporary closure of our manufacturing facilities for quarantine or for preventive purposes, which in turn may materially and adversely affect our business, financial condition and results of operations.

The financial crisis to the global credit and capital markets and their impact on the PRC economy may materially and adversely affect our financial condition and cash flows and results of operations, prospects and future expansion plans

The recent global financial crisis has adversely affected the global credit and capital markets, particularly in the United States and Europe, which have experienced difficult conditions. As the financial crisis has broadened and intensified, the growth of the overall global economy has been negatively impacted. These challenging market conditions have resulted in reduced liquidity, greater volatility, a reduction in available financing and a lack of market confidence. These factors combined with declining consumer confidence and increased unemployment around the world, have precipitated a global economic slowdown and could lead to a decrease in consumer spending power in China and change of dining-out habit of our customers, which in turn could result in a decline in our sales revenue, and a decline in our gross profit margin. All our businesses are conducted in the PRC and there is no direct impact on our business due to the global financial crisis. As an indirect effect resulting from the tightening of credit control policy, we may need to take out loan facilities with relatively higher interest rates in the future. Further, if there is any deterioration in the global

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economy, we may consider to scale back our original business expansion plans, and postpone the renovation plan for our restaurants. Given the dramatic change in the overall credit environment and economy, it is difficult to predict how long these conditions will exist and the extent to which we may be affected.

In addition, we cannot assure you that measures implemented by governments around the world to stabilize the credit and capital markets will improve market confidence and the overall credit environment and economy. Upon Listing, the price and trading volume of our Shares may likely be subject to similar market fluctuations which may be unrelated to our operating performance or prospects. Moreover, these recent and developing economic and governmental factors may have a material adverse effect on our financial condition, cash flows, results of operations, prospects and future expansion plans and could cause the price of our Shares to decline significantly, and you may lose a significant portion of your investment.

RISKS RELATING TO THE PRC

Our operations may be adversely affected by changes in the PRC's economic, political and regulatory environment

Our current and proposed future restaurant operations are located in China. Accordingly, our results of operations, financial condition, and future prospects are linked to a significant degree to economic, political and social conditions in China. The PRC economy differs from the economies of most developed countries in many respects,

- the amount and degree of government involvement;
- growth rate and degree of development;
- uniformity in the implementation and enforcement of laws;
- content of and control other capital investment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. In addition, the PRC government continues to pay a significant rate in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and

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social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity, and in turn have a material and adverse impact on our business and financial condition.

The political and economic policies of the PRC government may affect our business operations

The PRC economy differs from the economies of other countries in a number of aspects, including the degree of government involvement, control of capital investment and the overall level of development. Before the beginning of its adoption of “reform and open door” policies from 1978, the PRC was primarily a planned economy. In recent years, the PRC government has been reforming the PRC economic system and has also begun reforming the government structure. These reforms have emphasized the use of market mechanisms which have resulted in significant economic growth and social progress. Changes in China’s political, economic and social conditions, laws, regulations and policies may have an adverse effect on our current or future business operations.

Our business, financial condition and results of operations could be adversely affected by the uncertainty of and changes to the PRC legal system

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is based on the PRC constitution and is made up of written laws, regulations, rules and directives. In the event of a breach of any of the foregoing due to an act or omission by our PRC subsidiaries, they will be subject to prescribed penalties.

The PRC legal system is a civil law system based on written statutes, and prior court decisions have little if any precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. The PRC government is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investment. As a result, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are, therefore, subject to changes. Depending on the governmental agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. Further, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are limited, and court decisions in the PRC do not have any binding effect. Accordingly, the outcome of dispute resolutions may not be as consistent or predictable as in the other more developed jurisdictions and it may be difficult to obtain swift enforcement of the laws in the PRC, or to obtain enforcement of a judgment by a court of another jurisdiction.

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We are subject to the laws and regulations of the PRC, changes in the PRC governmental rules and regulations may have a significant impact on our business, financial condition and results of operations

Our business and operations are subject to the laws and regulations of the PRC. Although we have used our best endeavor to fully comply with all applicable laws and regulations, there is no assurance that we will continue to be able to do so should there be any amendment to the existing regulatory regime or implementation of any new laws and regulations.

In addition, our business and operations in the PRC entail the procurement of licenses and permits from the relevant authorities. Thus, our business and operations in the PRC are subject to the PRC government rules and regulations. Any changes in such government rules and regulations may have a negative impact on our business, financial condition and results of operations. Difficulties or failure in obtaining the required permits, licenses and certificates will result in our inability to continue our business in the PRC. Accordingly, our business, financial condition and results of operations may be adversely affected.

We may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income

Under the new PRC Enterprise Income Tax Law that took effect on January 1, 2008, enterprises established outside of the PRC whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate on their worldwide income. The State Council of the PRC has promulgated implementation rules of this new tax law which defines “de facto management body” as an organization that exercises substantial and overall management and control over an enterprise’s manufacturing or business operations, finance and property. While substantially all of our management is currently based in the PRC, and we expect them to continue to be located in the PRC for the foreseeable future, it is unclear when PRC tax authorities will start the determination process. In the event that we are treated as a “resident enterprise” for enterprise income tax purposes, our worldwide income, excluding dividends received from our China subsidiaries, will be subject to PRC enterprise income tax. Please refer to “—Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws” below.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws

Under the new PRC Enterprise Income Tax Law and implementation regulations issued by the State Council, except for the application of any relevant income tax treaty that the PRC has entered into, PRC enterprise income tax at the rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises” (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject

RISK FACTORS

to 10% PRC enterprise income tax if such gain is regarded as income derived from sources within the PRC. If we are considered to be a “resident enterprise,” the dividends we pay with respect to our Shares would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax.

We currently enjoy certain PRC tax incentives, some of which are due to expire at the end of 2011. Expiration of, or changes to, these incentives could materially and adversely affect our results of operations and financial condition

Compared with the regular national enterprise income tax rate of 25%, three of our companies in the PRC, namely Tang Palace Shenzhen, Tang Palace Ninja House, and Tang Palace Shanghai Pudong, are currently entitled to a preferential enterprise income tax rate of 24% under the Income Tax Law of the People’s Republic of China on Foreign-invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法), its implementing rules, and the Notice of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies (國務院關於實施企業所得稅過渡優惠政策的通知) practically implemented by the PRC government and the tax incentive policy of Shanghai Pudong New Area. According to the said regulations, the tax incentive policy of Shanghai Pudong New Area and the practical treatment, the enterprise income tax rate applied to Tang Palace Shenzhen, Tang Palace Ninja House and Tang Palace Shanghai Pudong shall be 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011, and 25% in 2012. The total tax savings accounted for approximately RMB1.0 million. The term of the said tax incentives will expire by the end of the year 2011, and we will be subject to a regular tax rate of 25% thereafter. Our Directors are of the view that the expiration of the tax incentives may have an adverse effect on our business, financial condition and results of operations.

Under current provisions, we will not be entitled to these incentives any more after the year of 2012. Neither can we ensure the relevant tax policies will not change before 2012. Expiration of, or unfavorable changes to, these incentives in the future will adversely and materially affect our business, financial condition and results of operations.

PRC regulations on loans to and direct investment by offshore holding companies in the PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries

As an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to the PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also determine to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be approved by the Ministry of Commerce of the PRC or its local counterpart. We cannot assure you that we can obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to finance our PRC subsidiaries. If we fail to receive relevant registrations or approvals, our ability to use the proceeds of the Global Offering and to capitalize our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

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We are a holding company and rely on dividend payments from our operating subsidiaries

We are a holding company and conduct all of our business through our operating subsidiaries in the PRC. As a result, our ability to pay dividends depends on dividends and other distributions received from our operating subsidiaries. If our subsidiaries incur debt or losses, it may impair their ability to pay dividends or other distributions to us, which could adversely affect our ability to pay dividends to our Shareholders.

Under the current PRC laws, dividends of the PRC companies can be paid only out of the after-tax profit calculated according to the PRC accounting principles, which differ in many respects from generally accepted accounting principles in other jurisdictions. Furthermore, the PRC law requires foreign invested enterprises, such as our operating subsidiaries in the PRC, to set aside part of their net profit as statutory reserves. Our PRC subsidiaries are required to set aside each year at least 10% of its after-tax profits for such year, as reported in its PRC statutory financial statements, to the statutory surplus reserve of such PRC subsidiaries. Such reserve may not be discontinued until the accumulated amount has reached 50% of the registered capital of the PRC subsidiaries. These statutory reserves are not available for distribution to us, except in liquidation. The calculation of distributable profits under the PRC Accounting Standards and Regulations differs in certain aspects from the calculation under HKFRS. As a result, our subsidiaries in the PRC may not be able to pay any dividend in a given year to us if they do not have distributable profits as determined under the PRC Accounting Standards and Regulations, even if it has profits for that year as determined under HKFRSs.

Limitations on the ability of our PRC subsidiaries to remit their entire after-tax profits to us in the form of dividends or other distributions could adversely affect our ability to grow, make investments that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. We cannot assure you that our subsidiaries will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to us to enable us to pay dividends to our Shareholders.

In addition, restrictive covenants in bank credit facilities, joint venture agreements or other arrangements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to pay dividends or make distributions to us. These restrictions could reduce the amount of dividends or other distributions we receive from our subsidiaries, which in turn would restrict our ability to pay dividends to our Shareholders.

Our labor costs may increase as a result of the PRC Labor Contract Law

The PRC Labor Contract Law, which became effective on January 1, 2008, imposes requirements on employers concerning, among others, the types of contracts to be executed between an employer and an employee, and establishes time limits for probation periods and for fixed-term employment contracts. It also requires the employer to contribute to social insurance and housing funds on behalf of its employees. For details of the staff costs, please refer to the section headed “Business — Employee” in this prospectus.

RISK FACTORS

As a result of the PRC Labor Contract Law, our labor costs may increase, which would in turn lead to an increase in our overall operating expenses. We may not be able to pass these increases on to our customers due to competitive pricing pressures. If we are subject to large penalties or fees related to the PRC Labor Contract Law or our labor costs increase, our business, financial condition and results of operations may be materially and adversely affected.

For the years ended December 31, 2008, 2009 and 2010, our staff costs represented approximately 20.4%, 21.8% and 22.0% of our revenue, respectively. We expect that our staff cost will increase in the future as we hire additional personnel in connection with the expansion of our business. Should we fail to manage the staff costs effectively, our operation result will be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile

Prior to the Global Offering, no public market for the Shares existed. The initial price range disclosed in this prospectus was the result of negotiations among our Company and the Underwriters, and the Offer Price may differ significantly from the market price for the Shares following the Global Offering. We have made an application to the Stock Exchange for the Listing. There is no assurance that a listing on the Stock Exchange will result in the development of an active, liquid public trading market for the Shares after the Global Offering. In addition, the price and trading volumes of the Shares may be volatile since factors such as variations in our revenue, earnings and cash flows or any other developments may affect the volume and price at which the Shares will be traded.

You will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price of the Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, you and other subscribers of the Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value of approximately HK\$0.64 per Share (based on an Offer Price of HK\$1.25 per Share) or HK\$0.73 per Share (based on an Offer Price of HK\$1.65 per Share), and holders of our Shares will receive an increase in net tangible asset value per share of their Shares. If we issue additional Shares or equity-linked securities in the future, you and other subscribers of our Shares may experience further dilution in the net tangible asset value per Share if we issue additional Shares at a price lower than the net tangible asset value per Share at the time of their issuance.

We have adopted the Pre-IPO Share Option Scheme under which options to subscribe in aggregate for 4,000,000 Shares at 50% of the final Offer Price were outstanding as of the date of this prospectus, representing approximately 0.99% of the issued share capital of our Company immediately after completion of the Global Offering and the Capitalization Issue and as enlarged by issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme assuming that all such options are exercised in full, but without taking into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme. Details of the Pre-IPO Share Option Scheme and the options

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granted thereunder are set out in the section headed “Other Information — Pre-IPO Share Option Scheme” in Appendix V to this prospectus. We have also adopted the Share Option Scheme, under which options may be granted after the listing of the Shares on the Stock Exchange, and the Share Award Plan, pursuant to which we may, among other means, allot and issue additional Shares in order to satisfy award of Shares to be granted thereunder.

Issuance of Shares to satisfy awards to be granted under the Share Award Plan or pursuant to the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme will result in an increase in the number of Shares in issue after the issuance and thereby will cause dilution to the percentage of ownership of the existing Shareholders, the earnings per Share and net asset value per Share.

Under the HKFRS, the fair value of services received as determined by reference to the fair value of share options granted to employees of our Group is recognized as an employee costs with a corresponding increase in equity. The fair value is measured at grant date. Based on valuation by our valuer, Jones Lang LaSalle Sallmanns Limited, the fair value of the options granted under the Pre-IPO Share Option Scheme as of March 25, 2011 being the date of grant of these options, was approximately RMB3.7 million. Where the employees have to meet vesting conditions before becoming unconditionally entitled to these options, the total estimated fair value of the options is spread over the vesting period. We estimate additional employee costs in connection with these options to be approximately RMB1.8 million in 2011.

Subject to the accounting practices then prevailing and applicable to us at the time of grants, any future grants of share options and/or awards to our employees under the Share Option Scheme or, as the case may be, the Share Award Plan, may also be recognized as our staff costs, and may thereby have adverse effect on our profitability in the financial years during the applicable vesting period of these share options and/or awards.

Our Controlling Shareholder(s) have substantial control over our Company and their interests may not be aligned with the interests of our other Shareholders

Immediately following the Global Offering, our Controlling Shareholders will collectively beneficially own approximately 75% of our Shares, or approximately 72.3% if the Over-allotment Option is exercised in full.

As a result, by virtue of their controlling ownership of our share capital, our Controlling Shareholders will be able to exert significant influence over our business and otherwise on matters of significance to us and other Shareholders by voting at the general meetings of Shareholders, including:

- election of Directors;
- selection of senior management;
- amount and timing of dividend payments and other distributions;
- acquisition of or merger with another entity;

RISK FACTORS

- overall strategic and investment decisions;
- issuance of securities and adjustment to our capital structure; and
- amendments to our Articles of Association.

The interests of our Controlling Shareholders may differ from the interests of our other Shareholders and they are free to exercise their votes according to their interests. Our Controlling Shareholders will have the power to prevent or cause a change in control of our Company. Without the consent of our Controlling Shareholders, we may be prevented from entering into transactions that could be beneficial to us and our other Shareholders.

Forward-looking information may prove inaccurate

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would” and “will”. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources. Purchasers and subscribers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our Company’s plans or objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

Investors should not place undue reliance on industry and market information and statistics derived from various publicly-available government and official sources contained in this prospectus

This prospectus contains information and statistics, including but not limited to information and statistics relating to the PRC and the industry and markets. The information and statistics related to the industry and markets are derived from various publicly-available government and official sources generally believed to be reliable. While our Directors have taken reasonable care in extracting and reproducing such information, such information has not been independently verified by us, or any of our affiliates or advisors, or by, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any other party involved in the Global Offering, or their respective affiliates or advisors. We cannot ensure the accuracy of the information derived from such government and official sources, and such information derived from government or official sources may not be consistent with other information publicly available or available from other sources. Prospective investors should not place undue reliance on any information and statistics derived from government and official sources contained in this prospectus.

RISK FACTORS

Future issues, offers or sales of our Shares may adversely affect the prevailing market price of our Shares

Future issue of the Shares by our Company or the disposal of the Shares by any of its Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. Moreover, future sales or perceived sales of a substantial amount of our Shares or other securities relating to our Shares, could adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings. The Shares held by the Controlling Shareholder(s) are subject to certain lock-up undertakings for a period of up to 12 months after the Listing Date. Details of such lock-up undertakings are set out in the paragraph headed “Undertakings” in the “Underwriting” section in this prospectus. We cannot give any assurance that they will not dispose of their Shares they may own now or in the future.

The price of our Shares may be volatile, which could result in substantial losses for investors subscribing for or purchasing our Shares pursuant to the Global Offering

The market price of our Shares may fluctuate significantly and rapidly as a result of, inter alia, the following factors, some of which are beyond our control:

- perceived prospects and future plans for our business and the general outlook of our industry in various geographical regions to which we sell our products;
- changes in general economic and stock market conditions;
- changes in our operating results;
- technological innovation;
- changes in securities analysts’ estimates of our financial performance and recommendations;
- differences between our actual financial operating results and those expected by investors and securities analysts;
- announcements by our competitors or ourselves of gain or loss of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or losses of key personnel; and
- our involvement in litigation.

RISK FACTORS

Investors may experience difficulties in enforcing their shareholder’s rights because our Company is incorporated in the Cayman Islands, and Cayman Islands law may provide protection and remedies to minority shareholders which are different from those available under the laws of Hong Kong or other jurisdictions

Our Company is incorporated in the Cayman Islands and its affairs are governed by its memorandum and articles of association, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of Cayman Islands law on protection of minorities is set out in the paragraph “Protection of minorities” in Appendix IV to this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions with our connected persons which would constitute continuing connected transactions of our Company under the Listing Rules after the Listing:

- (i) trademark transfer and license agreements between us and HK Well Excellent for the transfer and license of trademarks to us by HK Well Excellent;
- (ii) tenancy agreements between us and Meco Group or (as the case may be) Dongguan Well Excellent for the lease of properties by us from Meco Group or (as the case may be) Dongguan Well Excellent; and
- (iii) master agreement between us and Chiu Kwun for our purchase of kitchen equipment from and the engagement of Chiu Kwun for manufacture, installation and maintenance of kitchen equipment.

The transactions set out in item (i) above are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the relevant announcement requirements set out in Chapter 14A of the Listing Rules for the transactions set out in items (ii) and (iii) above. Please refer to the section headed "Continuing connected transactions" in this prospectus for further details of the above continuing connected transactions.

ISSUE OF ANNUAL REPORT AND ACCOUNTS UNDER THE LISTING RULES

Pursuant to Rule 13.46(2) of the Listing Rules, an issuer is required to send a copy of its annual report and accounts or summary financial report to its shareholders within four months after its financial year-end.

As the financial year end of our Company falls on December 31, we would be required to publish our annual report for the year ended December 31, 2010 by April 30, 2011. Given that our financial information in respect of the financial year ended December 31, 2010 has been included in the Prospectus and the extremely short time between the date of the Listing and the deadline for issue of the annual report, our Directors consider that strict compliance with the requirements of Rule 13.46(2) of the Listing Rules will not provide further material information to our Shareholders but will incur unnecessary financial and administrative resources for us. Our Directors, having made all reasonable enquiries and taken into account the advice of the legal advisors to our Company, confirmed that the departure from strict compliance with Rule 13.46(2) of the Listing Rules will not be in breach of the constitutional documents or laws and regulations of the Cayman Islands or other regulatory

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

requirements regarding our obligation to distribute annual reports and accounts. In addition, a short statement as to whether we will comply with the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules after the Listing has been set out in the paragraph headed “Corporate Governance” under the section headed “Directors and Senior Management” in this prospectus.

On the above basis, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 13.46(2) of the Listing Rules in respect of the issue of an annual report for the financial year ended 31 December 2010.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering will be underwritten by the Hong Kong Underwriters. The Global Offering comprises the Hong Kong Public Offering of initially 10,000,000 Offer Shares and the International Offering of initially 90,000,000 Offer Shares subject, in each case, to reallocation on the basis described in the section headed "Structure of the Global Offering" in this prospectus. For applicants under the Hong Kong Public Offering, this prospectus and the **WHITE, YELLOW, PINK** and **GREEN** Application Forms set forth the terms and conditions of the Hong Kong Public Offering.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement among the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, April 12, 2011 and, in any event, not later than Friday, April 15, 2011. If, for whatever reason, we and the Sole Global Coordinator are not able to agree on the Offer Price, the Global Offering will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue, the Offer Shares (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme and any Shares, up to 10% of the Shares in issue as of the Listing Date, which may be issued upon exercise of the options which may be granted under the Share Option Scheme. The number of Shares which may be allotted under the Share Award Plan will be decided after Listing). None of our Shares or loan capital is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, our Shares on any other stock exchange.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek advice from your stockbrokers or other professional advisors.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

No stamp duty is payable by applicants in the Global Offering.

Dealings in our Shares registered on our Company's register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

If you are unsure about the taxation implications of subscribing for the Offer Shares, or about purchasing, holding or disposing of or dealing in them, you should consult an expert. Our Company,

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

the Sole Sponsor, the Sole Global Coordinator, and the Underwriters, all of their respective directors, officers, employees, agents, advisors, representatives or any other persons involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, or purchasing, holding or disposing of or dealing in the Offer Shares.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in the Offer Shares or exercising any rights in relation to the Offer Shares. Neither our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, officers, employees, agents, advisors, representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in or exercise of any rights in relation to the Offer Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

EXCHANGE RATE CONVERSION

For the purpose of illustration only and unless otherwise specified in this prospectus, the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.85093 to HK\$1.00, the exchange rate set by PBOC for foreign exchange transactions prevailing on December 31, 2010. All translations from HK dollars into US dollars were made at the rate of US\$1.00 to HK\$7.775, the exchange rate for foreign exchange transactions prevailing on December 31, 2010. We make no representations and none should be construed as being made, that any of the Renminbi, HK dollar or US dollar amounts contained in this prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Executive Directors		
Yip Shu Ming (葉樹明)	Flat B, 8th Floor Tower 8, One Beacon Hill 1 Beacon Hill Road Kowloon Hong Kong	Chinese
Chan Man Wai (陳文偉)	Flat C, 7th Floor Block 2, Grandeur Villa 21 Tat Chee Avenue Kowloon Tong Kowloon Hong Kong	Chinese
Ku Hok Chiu (古學超)	Flat C, 9th Floor Wai Kee House 89-91 Sai Yee Street Mong Kok Kowloon Hong Kong	Chinese
Weng Peihe (翁培禾)	Flat A, 10th Floor Block C, The Grandville No. 2 Lok Kwai Path Fo Tan New Territories Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Independent non-executive Directors		
Kwong Chi Keung (鄺志強)	Flat 22, 3rd Floor, Block A Fontana Gardens 8 Ka Ning Path Tai Hang Hong Kong	Chinese
Kwong Ping Man (鄺炳文)	Flat G, 29th Floor, Block 2 Aqua Marine 8 Sham Shing Road Cheung Sha Wan Kowloon Hong Kong	Chinese
Cheung, Kin Ting Alfred (張堅庭)	Falcon Lodge 67 Block A, Perkins Road Tai Hang Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor and Sole Global
Coordinator**

ICBC International Capital Limited
Levels 17 & 18
Three Pacific Place
1 Queen's Road East
Hong Kong

Joint Bookrunners

ICBC International Capital Limited
Levels 17 & 18
Three Pacific Place
1 Queen's Road East
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Joint Lead Managers

ICBC International Securities Limited
Levels 17 & 18
Three Pacific Place
1 Queen's Road East
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Legal Advisors to our Company

As to Hong Kong law:

Chiu & Partners
40th Floor
Jardine House
1 Connaught Place
Hong Kong

As to PRC law:

Jingtian & Gongcheng
34th Floor, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing 100025
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
Legal Advisors to the Sole Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> Sidley Austin Level 39 Two International Finance Center 8 Finance Street Central Hong Kong</p> <p><i>As to PRC law:</i> Zong Heng Law Firm Room 500 Building of Textile Industry Bureau No.12 East Chang-An Avenue Beijing 100742 PRC</p>
Auditors and Reporting Accountants	<p>Deloitte Touche Tohmatsu Certified Public Accountants 35th Floor, One Pacific Place 88 Queensway Hong Kong</p>
Property Valuer	<p>Jones Lang LaSalle Sallmanns Limited 6th Floor Three Pacific Place 1 Queen's Road East Hong Kong</p>
Receiving Bankers	<p>Industrial and Commercial Bank of China (Asia) Limited 33rd Floor ICBC Tower, 3 Garden Road Central Hong Kong</p> <p>Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong</p>

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Unit 3, 10th Floor Greenfield Tower Concordia Plaza No.1 Science Museum Road Kowloon Hong Kong
Company website	www.tanggong.cn (<i>information contained in this website does not form part of this prospectus</i>)
Compliance advisor	Cinda International Capital Limited 45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Company secretary	Leung Wai Chuen <i>HKICPA, FCCA, ACS, ACIS</i>
Authorized representatives	Chan Man Wai Flat C, 7th Floor Block 2, Grandeur Villa 21 Tat Chee Avenue Kowloon Tong Kowloon Hong Kong Leung Wai Chuen Flat 4301, 43rd Floor Tower B, Galaxia Diamond Hill Kowloon Hong Kong
Audit committee	Kwong Ping Man (Chairman) Kwong Chi Keung Cheung, Kin Ting Alfred
Remuneration committee	Kwong Chi Keung (Chairman) Cheung, Kin Ting Alfred Kwong Ping Man

CORPORATE INFORMATION

Nomination committee	Cheung, Kin Ting Alfred (Chairman) Kwong Ping Man Kwong Chi Keung
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Cayman Islands share registrar and transfer office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal bankers	Bank of China (Hong Kong) 1 Garden Road Hong Kong Wing Hang Bank 161 Queen's Road Central, Hong Kong Industrial and Commercial Bank of China Huacheng Branch 1st Floor, Wenyu Building Jiefang Road Luohu District Shenzhen, PRC

INDUSTRY OVERVIEW

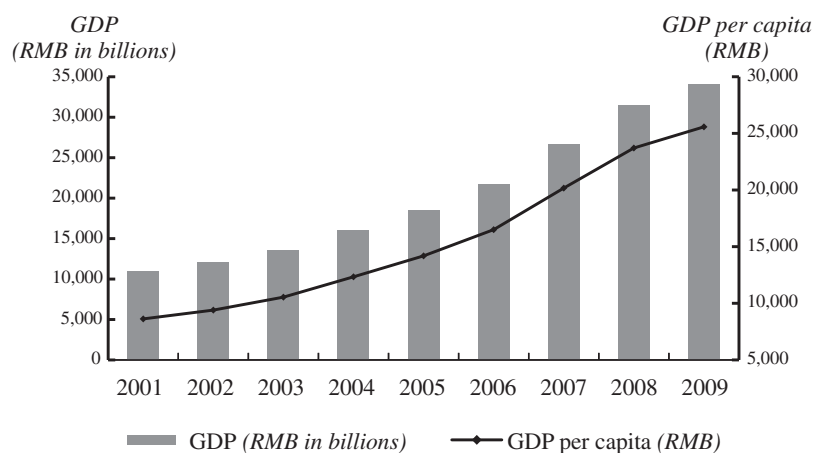
We have extracted and derived the information and statistics in this section from various publicly-available government and official sources. We believe that the sources of the information in this section are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, neither we, nor the Sole Sponsor, Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers and any of the Underwriters, nor any of our respective affiliates or advisors, nor any party involved in this Global Offering have/has independently verified such information and statistics directly or indirectly derived from such sources or make any representation as to the accuracy, completeness or fairness of such information and statistics, which may not be consistent with information and statistics available from other sources within or outside the PRC. Accordingly, you should not unduly rely on such information and statistics.

In this section, certain information regarding the relevant industries has been recited or extracted from certain articles, reports or publications which are generally and/or publicly-available, and their preparations were not commissioned nor funded by our Company or our connected persons and/or the Sole Sponsor. Geographical regions appeared in this section shall have the same meanings as used in the respective sources from which the corresponding information has been recited or extracted.

THE PRC ECONOMY

Since the PRC government adopted the “Open Door Policy” in 1978, the PRC economy has been experiencing rapid growth. According to the China Statistical Yearbook 2010 compiled by the National Bureau of Statistics of China, the GDP of the PRC increased from approximately RMB10,965.5 billion in 2001 to approximately RMB34,050.7 billion in 2009, representing a CAGR of approximately 15.2% between 2001 and 2009, with the GDP per capita increasing from approximately RMB8,622 to approximately RMB25,575 during the same period. The following chart sets forth the historical GDP and GDP per capita in the PRC from 2001 to 2009:

The GDP and GDP per Capita in the PRC from 2001 to 2009



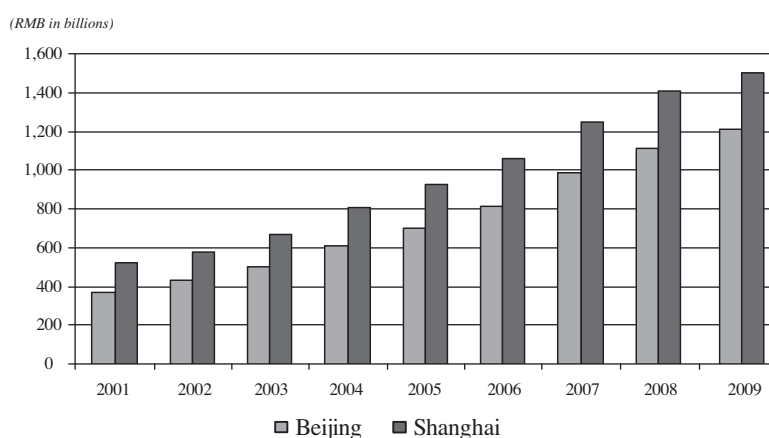
Source: China Statistical Yearbook 2010

INDUSTRY OVERVIEW

Beijing and Shanghai

Beijing and Shanghai are the two major financial and economic centers in the PRC. According to the China Statistical Yearbook 2006 and the China Statistical Yearbook 2010, the GDP of Shanghai increased from approximately RMB521.0 billion in 2001 to approximately RMB1,504.6 billion in 2009, whereas the GDP of Beijing increased from approximately RMB371.1 billion in 2001 to approximately RMB1,215.3 billion in 2009, representing a CAGR of approximately 14.2% and 16.0%, between 2001 and 2009, respectively. The following chart sets forth the historical GDP of Beijing and Shanghai in the PRC from 2001 to 2009:

GDP of Beijing and Shanghai from 2001 to 2009



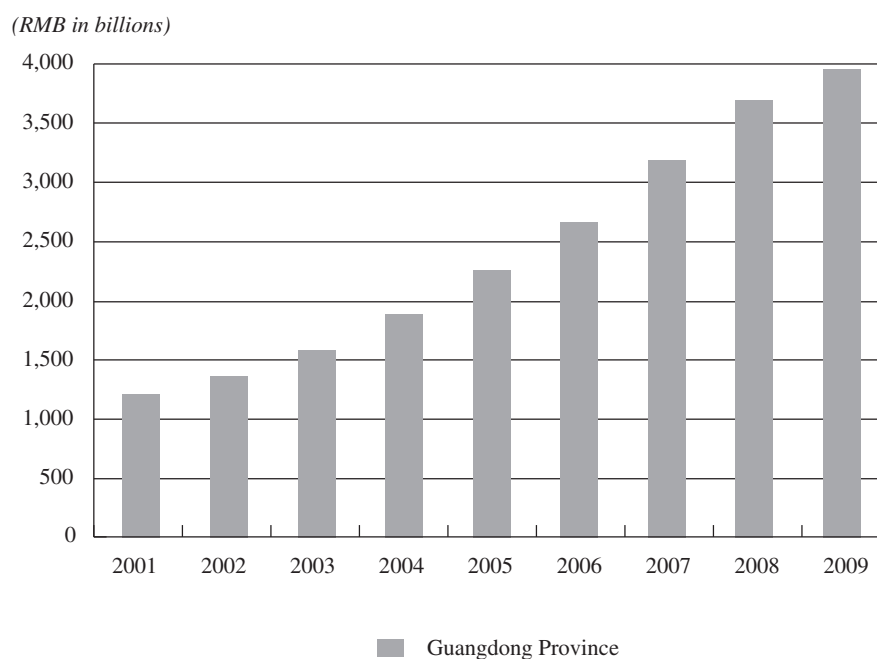
Sources: China Statistical Yearbook 2006 and China Statistical Yearbook 2010

INDUSTRY OVERVIEW

Guangdong Province

The Guangdong Province contributed approximately 11.6% of the total GDP in China in 2009, making it one of the fastest growing regions in China. According to the China Statistical Yearbook 2006 and China Statistical Yearbook 2010, the GDP in Guangdong Province increased from approximately RMB1,203.9 billion in 2001 to approximately RMB3,948.3 billion in 2009, representing a CAGR of approximately 16.0% between 2001 and 2009. The following chart sets forth the historical GDP in Guangdong Province from 2001 to 2009:

GDP in Guangdong Province from 2001 to 2009



Sources: China Statistical Yearbook 2006 and China Statistical Yearbook 2010

INDUSTRY OVERVIEW

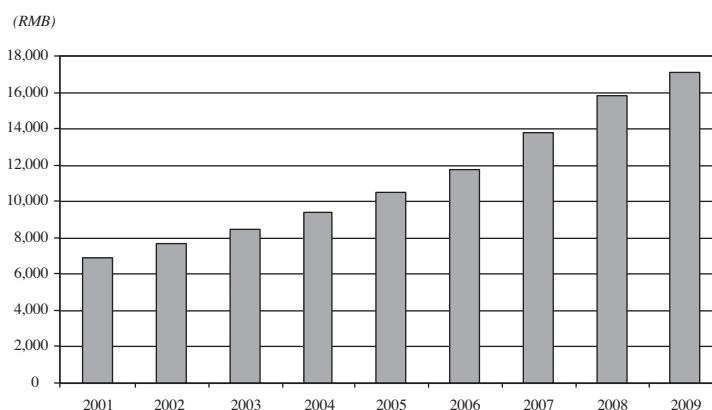
Accelerating Urbanization and Growing Urban Household Income

Rapid economic development in the PRC has given rise to better living standards and improved affluence of its population. Coupled with accelerating urbanization, consumer spending has been growing in the PRC.

Industrialization in the PRC has accelerated the urbanization in the PRC through the migration of rural populations towards urban areas and the transformation of towns into cities. The total urban population in the PRC has increased by approximately 141.3 million, representing a CAGR of approximately 3.3%, from approximately 480.6 million in 2001 to approximately 621.9 million in 2009, according to the China Statistical Yearbook 2010. The urban population as a percentage of total population has increased from approximately 37.7% in 2001 to approximately 46.6% in 2009.

As a result of the PRC's rapid economic development, urban households have been enjoying better living standards. The per capita annual disposable income of urban households in the PRC has increased from approximately RMB6,860 in 2001 to approximately RMB17,175 in 2009, representing a CAGR of approximately 12.2%, according to the China Statistical Yearbook 2010. The following chart sets forth the per capita annual disposable income of urban households in the PRC from 2001 to 2009:

Per Capita Annual Disposable Income of Urban Households in the PRC from 2001 to 2009

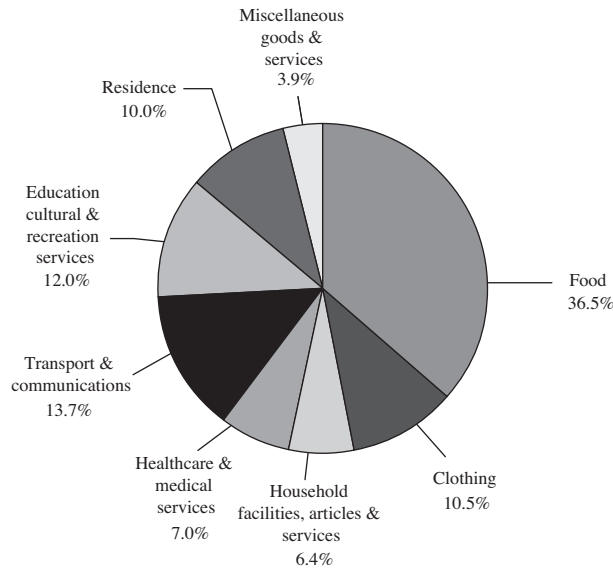


Source: China Statistical Yearbook 2010

INDUSTRY OVERVIEW

In 2009, most urban households spent their disposable income on food consumption, which represented approximately 36.5% of the per capita annual expenditure of urban households in the PRC, according to the China Statistical Yearbook 2010. The following chart sets forth the per capita annual expenditure mix in the PRC in 2009:

Per Capita Annual Expenditure Mix in the PRC in 2009



Source: China Statistical Yearbook 2010

Changing Lifestyles and Consumption Patterns in the Dining Industry

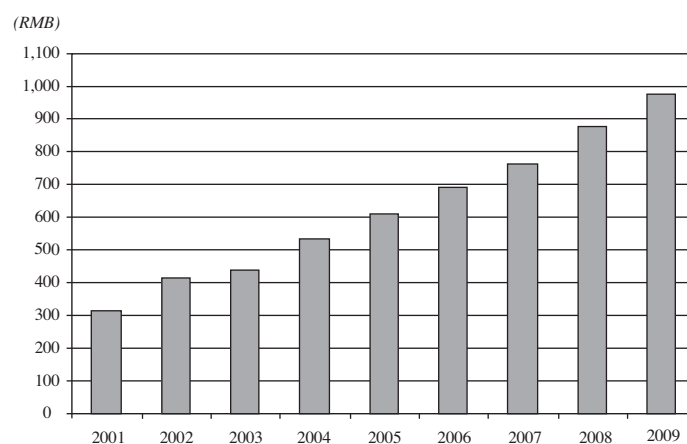
Accelerating urbanization and increase in disposable income, have, in turn, led to changes in consumption patterns including an increasing trend of dining out for convenience and experience.

For urban households, over 21.8% of the total per capita food consumption expenditure was spent on dining out in 2009. The actual amount spent on dining out increased from approximately RMB314 per capita urban household in 2001 to approximately RMB976 in 2009, representing a CAGR of

INDUSTRY OVERVIEW

approximately 15.2%, according to the China Statistical Yearbooks 2002 to 2010. The following chart sets forth the per capita urban household annual dining out consumption expenditure in the PRC from 2001 to 2009:

**Per Capita Urban Household Annual Dining Out Consumption Expenditure
in the PRC from 2001 to 2009**



Sources: China Statistical Yearbooks 2002 to 2010

THE PRC CATERING INDUSTRY

Following decades of development and market competition, the catering industry in the PRC has become more diversified with different forms of restaurants (full catering service restaurants, fast food restaurants, cafe and others), different operation models (chain and independent restaurants) and different types of cuisine (Asian and Western).

Based on the China Statistical Yearbook 2005 and China Statistical Yearbook 2010, catering enterprises in the PRC which operate with an annual turnover of RMB2 million or above (“**Catering Enterprises Above Designated Size**”) and operate in the mode of chain stores (“**Chain Catering Enterprises Above Designated Size**”) have enjoyed robust growth, in terms of the number of stores,

INDUSTRY OVERVIEW

operating area, engaged persons and business revenue between the year 2003 and 2009. The following chart sets forth the basic conditions of Chain Catering Enterprises Above Designated Size from 2003 to 2009:

Basic Conditions of Chain Catering Enterprises Above Designated Size from 2003 to 2009

Year	2003	2004	2005	2006	2007	2008	2009
Total number of stores	6,127	6,968	9,748	11,360	12,743	12,561	13,739
Operating area (10,000 sq.m.)	304.6	346.6	478.1	588.2	629.3	651.9	691.6
Engaged persons (10,000 persons)	30.5	34.2	50.1	55.7	62.6	66.1	65.2
Business revenue (RMB in billions)	25.7	40.0	45.4	56.4	64.0	80.7	87.9

Sources: China Statistical Yearbook 2005 and China Statistical Yearbook 2010

In 2009, 4,291 stores operated by Chain Catering Enterprises Above Designated Size offered full catering services^(Note) with a business revenue of approximately RMB33.0 billion, represented approximately 31.2% of the total number of stores and approximately 37.5% of the total business revenue.

Note: Full catering service restaurants are sit-down restaurants with full table services provided by waiters and a variety of made-to-order food.

Chain Catering Enterprises Above Designated Size in 2009

Business categories	Number of stores	Engaged persons at year-end	Operating area of catering enterprises at year-end	Number of dining-seats	Business revenue
	(unit)	(10,000 persons)	(10,000 sq.m.)	(10,000 units)	(RMB in billions)
Full catering services restaurant	4,291	27.9	380.4	123.2	33.0
Fast food.....	7,189	29.4	227.9	93.9	45.5
Tea shop	5	0.0	0.3	0.1	0.0
Cafe	708	1.4	28.6	7.8	1.5
Others	1,546	6.4	54.5	23.9	8.0
Total	<u>13,739</u>	<u>65.1</u>	<u>691.7</u>	<u>248.9</u>	<u>88.0</u>

Source: China Statistical Yearbook 2010

INDUSTRY OVERVIEW

According to an industry report prepared by the China Cuisine Association ^(Note) in 2010 (the “CCA Report”), Chinese cuisine full catering service restaurants accounted for a large proportion of full catering service restaurants in the PRC. Based on the data published by the National Tourism Administration of the PRC, as of the end of 2008, there were 432 licensed five-star hotels in the PRC. Of these hotels, over 80% of them which served Chinese cuisine focused on Cantonese cuisine. A vast majority of high-end restaurants in the PRC served Cantonese cuisine.

Note: China Cuisine Association was established in 1987 and is registered with the Ministry of Civil Affairs of the PRC. It is a national catering association organized by industry workers with an aim to promoting the catering industry in the PRC.

CATERING INDUSTRY IN BEIJING, SHANGHAI AND GUANGDONG PROVINCE

Beijing

According to the CCA Report, in 2009, the total retail sales of consumer goods in Beijing was approximately RMB531.0 billion, with a growth of approximately 15.7% as compared with the year 2008. In the same year, the retail sales of the catering industry in Beijing was approximately RMB47.8 billion, with a growth of approximately 16.2% as compared with the year 2008, which topped the growth of all other industries.

Based on the assessment results of the 2009 Top 50 Catering Enterprises (Groups) in Beijing and Top 100 Catering Enterprises activities organized by the Beijing Cuisine Association ^(Note), full catering service restaurants serving Chinese cuisine dominated the catering market in Beijing in 2009.

Note: Beijing Cuisine Association was established in 1984 and is a social corporate legal entity. It is organized by industry workers with an aim to promoting the catering industry in Beijing.

Top 50 Catering Enterprises in Beijing in 2009

	No. of Enterprises	Percentage among Top 50	Sales	Percentage among Top 50
			<i>(RMB in billions)</i>	
Full catering services Chinese cuisine	37	74.0%	9.0	64.7%
Hot-pot	5	10.0%	0.8	5.8%
Chinese fast food	3	6.0%	1.0	7.2%
Western fast food	3	6.0%	2.8	20.1%
Casual dining	2	4.0%	0.3	2.2%
Total	50	100%	13.9	100%

Source: Beijing Business Today, the CCA Report

INDUSTRY OVERVIEW

Based on the survey conducted by Dazhong Dianping Online Review^(Note) of over 8,000 restaurants which serve the top twenty major cuisine in Beijing, the average food consumption per capita per meal was approximately RMB75 in 2009, represented an increase of approximately 6.8% from 2008. Save for Western cuisine, buffet, Jiangsu/Zhejiang cuisine and Cantonese cuisine which had relatively higher food consumption per capita per meal, the food consumption per capita per meal for other cuisine were approximately RMB40 to approximately RMB60. The following chart sets forth the food consumption per capita per meal in Beijing in 2009:

Note: Dazhong Dianping Online Review was established in April 2003 and provides guides and information on consumptions in urban cities in the PRC.

Food consumption per capita per meal in Beijing in 2009

Ranking	Cuisine	RMB
1	Cantonese cuisine	200
2	Western cuisine	150
3	Buffet	110
4	Jiangsu/Zhejiang cuisine	108
5	Beijing cuisine	59
6	Guizhou cuisine	55
7	Hot-pot	52
7	Japanese cuisine	52
7	Korean cuisine	52
8	Sichuan cuisine	51
8	Western style fast meals	51
9	Tea restaurants	46

Source: 2009 Beijing Consumption Report published by Dazhong Dianping Online Review, the CCA Report

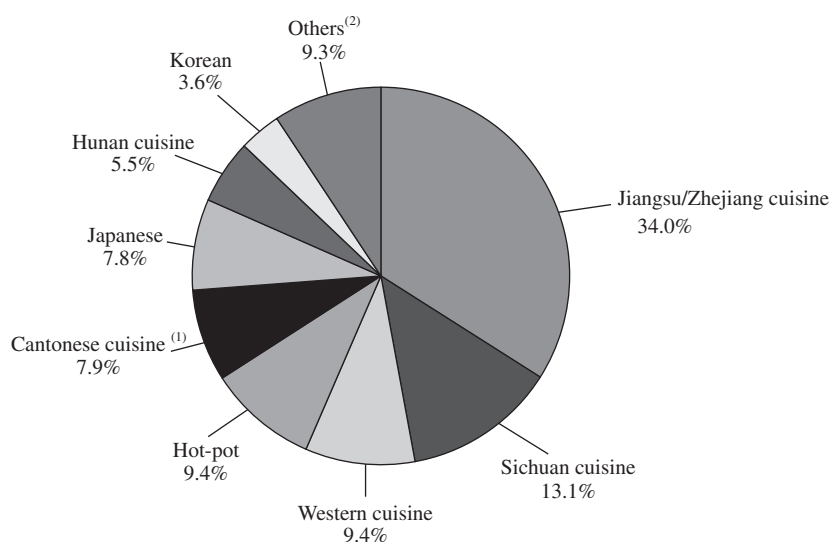
Shanghai

According to the CCA Report, the sales value of the catering industry in Shanghai in 2009 was approximately RMB76.2 billion, with a growth of approximately 13.7% as compared to the year 2008.

INDUSTRY OVERVIEW

Based on the 2009 Shanghai Consumption Report published by Dazhong Dianping Online Review in January 2010, the most popular cuisine in Shanghai include Jiangsu/Zhejiang cuisine, Sichuan cuisine, hot-pot, Western cuisine, Cantonese cuisine and Japanese cuisine. The following chart sets forth the types of cuisine in Shanghai in 2009:

Types of Cuisine by Popularity in Shanghai in 2009



Notes:

- (1) Among the restaurants which serve Cantonese cuisine, approximately 48.7% were tea shops, approximately 44.3% were traditional Cantonese restaurants and approximately 7.0% were featured restaurants serving exquisite dishes.
- (2) Others include vegetarian, Guizhou, Taiwanese, Southeast Asia, Xinjiang/Muslim, buffet and Northeast cuisine.

Source: 2009 Shanghai Consumption Report published by Dazhong Dianping Online Review, the CCA Report

INDUSTRY OVERVIEW

Based on the survey conducted by Dazhong Dianping Online Review of over 23,000 restaurants serving the most popular cuisine in Shanghai, the food consumption per capita per meal was approximately RMB78 in 2009, represented an increase of approximately 13.0% from 2008. Western cuisine, Cantonese cuisine, buffet and Japanese cuisine had relatively higher food consumption per capita per meal. The following chart sets forth the food consumption per capita per meal in Shanghai in 2009:

Food consumption per capita per meal in Shanghai in 2009

Ranking	Cuisine	RMB
1	Western cuisine	184
2	Cantonese cuisine	163
3	Buffet	125
4	Japanese cuisine	100
5	Jiangsu/Zhejiang cuisine	79
6	Hot-pot	60
7	Korean cuisine	58
8	Hunan cuisine	50
9	Sichuan cuisine	48
9	Tea shops	48
10	Western style fast meals	45
11	Cuisine from the Northeastern region	35

Source: 2009 Shanghai Consumption Report published by Dazhong Dianping Online Review, the CCA Report

Guangdong Province

Based on the Guangdong Statistical Yearbook 2010, there were 2,803 Catering Enterprises Above Designated Size in the Guangdong Province in 2009 and the total business revenue was approximately RMB40.4 billion. Among the various forms of operation, full catering service restaurants dominated the catering market in the Guangdong Province, with 2,588 units of enterprises, represented approximately 92.3% of the total number of enterprises. The business revenue from the full catering

INDUSTRY OVERVIEW

service restaurants was approximately RMB28.5 billion, represented approximately 70.6% of the business revenue of the catering industry in the Guangdong Province. The following table illustrates the development of Catering Enterprises Above Designated Size in the Guangdong Province in 2009:

Catering Enterprises above Designated Size in Guangdong Province in 2009

Type of catering services	Number of enterprises	Percentage	Revenue from restaurants	Percentage
	<i>(unit)</i>		<i>(RMB in billions)</i>	
Full catering services	2,588	92.3%	28.5	70.7%
Fast food services	121	4.3%	10.1	25.1%
Beverages and cold drink services	19	0.7%	0.3	0.7%
Other services	75	2.7%	1.4	3.5%
Total	2,803	100.0%	40.3	100.0%

Source: Guangdong Statistical Yearbook 2010

In 2009, a majority of the Catering Enterprises Above Designated Size in the Guangdong Province operated in chain model. The following table sets forth certain information relating to Chain Catering Enterprises Above Designated Size in Guangdong Province in 2009:

Chain Catering Enterprises Above Designated Size in Guangdong Province in 2009

Type of catering services	Number of general chain stores	Total sales	Operating area	Number of branch chain stores	Direct sales stores	Franchised stores
	<i>(unit)</i>	<i>(RMB in billions)</i>	<i>(sq.m.)</i>	<i>(unit)</i>	<i>(unit)</i>	<i>(unit)</i>
Full catering services	29	1.9	198,178	223	170	53
Fast food services	28	8.7	462,458	1,309	1,289	20
Beverages and cold drink services	3	0.3	18,607	264	264	—
Other services	4	0.3	10,924	44	44	—
Total	64	11.2	690,167	1,840	1,767	73

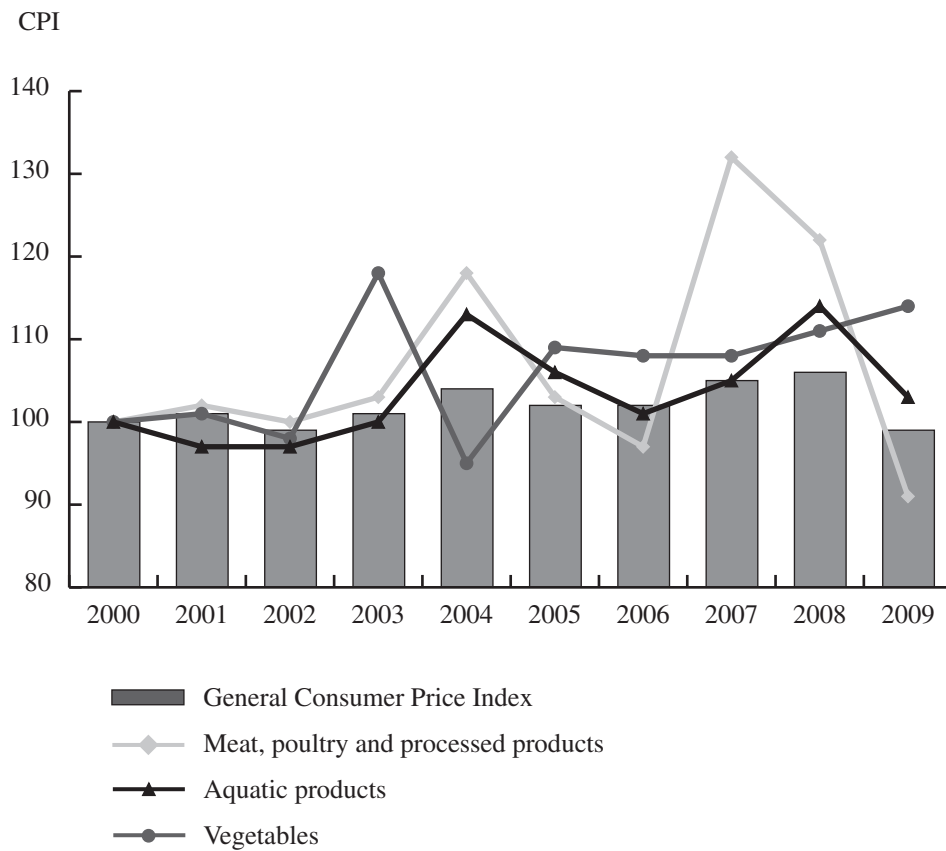
Source: Guangdong Statistical Yearbook 2010

INDUSTRY OVERVIEW

MARKET PRICE TRENDS FOR OUR GROUP'S MAJOR FOOD INGREDIENTS

The major food ingredients used in our restaurants include meat and poultry, seafood and vegetables. The prices of such food ingredients are subject to price volatility caused by fluctuations in aggregate supply and demand and other external conditions such as climate and environmental conditions or natural disasters. The following chart sets forth the year on year consumer price index changes (generally and for the major food ingredients) in the PRC from 2000 to 2009:

Consumer Price Index (CPI) in the PRC from 2000 to 2009



Source: China Statistical Yearbook 2010

REGULATORY OVERVIEW

PRC LAWS AND REGULATIONS RELATING TO THE INDUSTRY

Currently, all of our subsidiaries in the PRC are wholly foreign-owned enterprises. The businesses operated by such subsidiaries in the PRC are mainly relating to food and beverage services, restaurant management as well as food production and sales. We set out below the principal and material laws and regulations relating to such businesses operated by our subsidiaries:

Provisions on Foreign Investment

According to the Catalog for the Guidance of Foreign Investment Industries (外商投資產業指導目錄), as amended, food and beverage services and general food production and sales are classified as projects where foreign investments are allowed by the State ever since 1995.

The Law of Wholly Foreign-owned Enterprises of the PRC (中華人民共和國外資企業法) (the “Law of Foreign-invested Enterprises”), which was promulgated by the National People’s Congress on April 12, 1986 and amended on October 31, 2000, forms the fundamental legal basis for Chinese government to supervise wholly foreign-owned enterprises. According to the Law of Wholly Foreign-owned Enterprises, in order to establish a foreign-invested enterprise, the investor must apply to the Ministry of Foreign Trade and Economic Cooperation under the State Council, currently, the Ministry of Commerce, or the organs authorized by the State Council for approval. In the event of a split, merger or other major events of changes, such event must be reported to the review and approval authorities for approval, and register the change with the State Administration for Industry and Commerce. The foreign investor may remit overseas profits lawfully earned from the foreign-invested enterprise, other lawful income and funds following the liquidation of the enterprise.

The Implementation Rules for the Law of Wholly Foreign-owned Enterprises of the PRC (中華人民共和國外資企業法實施細則) were formulated in accordance with the Law of Wholly Foreign-owned Enterprises (外資企業法), as amended and came into force on April 12, 2001. According to the detailed implementation rules, a foreign-invested enterprise shall make contributions to reserve funds from its profits at a rate of no less than 10% after income tax payment. When the accumulated total amount of contributing funds is equal to 50% of the registered capital, no further contributions may be made. A foreign-invested enterprise shall not distribute any profits until any losses from prior fiscal years have been offset.

Provisions on Food Production and Food and Beverage Operations

Regulatory Provisions before 2009

Before 2009, food production operations in the PRC shall abide by the Food Hygiene Law of the PRC (中華人民共和國食品衛生法) (the “Food Hygiene Law”), which was promulgated on October 30, 1995 by the Standing Committee of the National People’s Congress (the “SCNPC”) and came into force on the same date. Pursuant to the Food Hygiene Law, enterprises engaged in food production operations must obtain in advance a hygiene license issued by the health administration authority. No one may engage in food production operations without obtaining a hygiene license.

REGULATORY OVERVIEW

Based on the Food Hygiene Law, the Ministry of Health promulgated the Administrative Measures on Food Hygiene in the Food and Beverage Industry (餐飲業食品衛生管理辦法) which came into force on June 1, 2000. The measures require all entities and individuals engaging in food and beverage operations in a fixed business venue to obtain a hygiene license in advance. No one may engage in food and beverage operations without obtaining a hygiene license.

On September 1, 2005, the Implementation Rules for the Supervision and Administration on Quality and Safety of Food Production and Processing Enterprises (Trial) (食品生產加工企業質量安全監督管理實施細則(試行)) came into force. Those who engage in food production and processing operations for sale purpose within the territory of the PRC shall abide by the rules. Pursuant to such Rules, the State adopts a market access system for food quality and safety. Enterprises engaging in food production and processing must possess the requisite production conditions that guarantee food quality and safety, and obtain the Production License for National Industrial Products (全國工業產品生產許可證) according to required procedures, and the food produced and processed must be inspected, pass the test and imprinted (or adhered) with the market access logo for food quality and safety before leaving the factory for sale. Food under the production license administration implemented by the State is prohibited from production by enterprises without obtaining the Production License for National Industrial Products, and is prohibited from leaving the factory for sale without being imprinted (or adhered) with the market access logo for food quality and safety. According to the product catalog issued by the General Administration of Quality Supervision, Inspection and Quarantine for the implementation of the production license administration system, we shall obtain the Production License for National Industrial Products for the production of our seasonings and some food products in the PRC and indicate the logo and serial number of the Production License for National Industrial Products on our products, packing materials or description.

The Administrative Measures for Food Hygiene Licenses (食品衛生許可證管理辦法) came into force on June 1, 2006. Under the measures, any entity or individual must be examined and approved by the health administration authority before engaging in food production operations, and shall be responsible for food hygiene in the food production operations. Hygiene licenses for producing food additives, healthcare food and food from new resources will be issued by provincial level health administration department. Hygiene licenses for the food production operations by other operators will be issued by the health administration departments at the provincial level, municipal level with sub-districts or county levels. The valid period of hygiene license is four years, while the valid period of hygiene licenses for entities and individuals that engage in food production operations temporarily shall not exceed half a year.

Currently Effective Regulatory Provisions

On February 28, 2009, the SCNPC promulgated the Food Safety Law of the PRC (中華人民共和國食品衛生法) (the “Food Safety Law”), which came into force on June 1, 2009 and the Food Hygiene Law was repealed concurrently. According to the Food Safety Law, it is applicable to food production and processing, food circulation and food and beverage services in the PRC. The State adopts a licensing system for food production operations. Operations in food production, food circulation, and food and beverage services must obtain food production license, food circulation license and food and beverage service license in accordance with the law.

REGULATORY OVERVIEW

On the basis of the Food Safety Law, the Administrative Measures for Food Circulation Licenses (食品流通許可證管理辦法) was promulgated by the State Administration for Industry and Commerce on July 30, 2009, which came into force with effect from the date of its promulgation. According to the measures, the local administration for industry and commerce at the county level or above is responsible for implementing the food circulation licenses. Food operators in the circulation sector should obtain food circulation licenses in compliance with the law. However, food producers who have already obtained food production licenses are not required to obtain a food circulation license when selling food produced by them at their production venues. Any food and beverage service providers who have already obtained food and beverage licenses are not required to obtain a food circulation license when selling food processed by them at their food and beverage service venues. All domestic companies in our group engaging in food operations obtain food production licenses or food and beverage service licenses, and food circulation licenses are not required in such circumstances.

On March 4, 2010, the Ministry of Health promulgated the Administrative Measures on Food and Beverage Service Licensing (餐飲服務許可管理辦法) and Administrative Measures on Food Safety Supervision in Food and Beverage Services (餐飲服務食品安全監督管理辦法). Both measures came into force on May 1, 2010, the Administrative Measures for Food Hygiene Licenses (食品衛生許可證管理辦法) and the Administrative Measures for Food Hygiene in the Food and Beverage Industry (餐飲業食品衛生管理辦法) were repealed concurrently. Pursuant to the Administrative Measures on Food and Beverage Service Licensing, the local food and drug administrations at various levels are responsible for the administration of food and beverage service licensing. Providers of food and beverage services are required to obtain a food and beverage service license and are responsible for food safety in food and beverage services in accordance with the law. One service provider providing food and beverage services at different locations or venues shall obtain separate food and beverage service licenses, respectively. In the event of any change in the operation location or venue, a new application for food and beverage service license is required. The food and beverage service license is valid for a period of three years. For those temporary food and beverage services, the food and beverage service license is valid for a period of not exceeding six months. Where renewal is required, the food and beverage service providers should submit a renewal application in writing to the original issuing department at least 30 days before the expiry date of the valid period of the food and beverage service license. Overdue renewal application may follow the same procedure as new application for food and beverage service license. The original issuing department, after accepting the renewal application of food and beverage service license, shall focus on whether there was any change to the formerly licensed operation venue, any change in the layout of flow processes, and any change to the hygiene facilities, as well as whether the applicant has satisfied the basic conditions required for license applications, and a new food and beverage service license will be issued upon successful renewal. Any transfer, alteration, lending, sale or leasing of food and beverage service licenses by food and beverage service providers are prohibited. Food and beverage service providers should operate within the scope of their licenses in accordance with the law and their food and beverage service licenses should be hung or displayed at a conspicuous position in the venue for dining. If the food and beverage service providers had already obtained a food hygiene license before the implementation date of the Administrative Measures on Food and Beverage Service Licensing, the food hygiene license shall remain effective during its valid period, and such food and beverage service providers should apply to the local food and drug supervision and administration authorities in the administrative regions where they operate for a food and beverage service license before its expiry date.

REGULATORY OVERVIEW

On April 7, 2010, the Administrative Measures on Food Production Licensing (食品生產許可管理辦法) was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine, which came into force with effect from June 1, 2010. Under such Measures, the local quality and technical supervision departments above the county level are responsible for the administration of food production licensing within their respective administrative regions according to their duties and responsibilities. And the quality and technical supervision departments at all levels shall, within their respective scope of duties and responsibilities, conduct supervision and examination at both regular and irregular intervals relating to the food production activities of enterprises in accordance with the law. To establish a food production enterprise, a food production license shall be obtained and the enterprise shall engage in food production activities within the licensed scope of food varieties, and shall not produce any type of food beyond the licensed scope of food varieties. However, food and beverage service providers that have obtained the food and beverage service license are not required to obtain a food production license as stipulated in the Measures if they generally produce or process food at their food and beverage service venues. A food production license is generally valid for three years. Where continuous production is required upon expiry of the validity period, the food and beverage service providers should file an application to the original licensing authority six months prior to the expiry date of the validity period for renewal of the food production license. Enterprises should indicate the serial number and logo of the food production license on their products or packaging materials thereof. Without the serial number or logo of the food production license, no food shall be provided outside the factory. Any lease, lending or otherwise transfer the food production license and its serial number by an enterprise is prohibited. Any violation of the Measures, such as carrying out food production activities without a license or producing food beyond the licensed scope of varieties, the competent authorities shall, according to their respective functions and responsibilities, confiscate the illegal proceeds, food illegally produced, and utensils, equipment, raw materials and other articles used for the illegal production, and may impose a fine of five times and above up to 10 times of the value of food illegally produced.

During the Track Record Period, one of our restaurants namely, Shenzhen Dongmen Jiangnan Cuisine, have not obtained the food and beverage service license before it commenced business. On January 12, 2011, Shenzhen Dongmen Jiangnan Cuisine obtained the food and beverage license. For details, please refer to the section headed “Business — Licenses and Approvals” in this prospectus.

Provisions on Tobacco Monopoly and Liquor Circulation

Our business of retail of tobacco and liquor in the PRC is regulated by provisions on tobacco monopoly and liquor circulation.

Provisions on Tobacco Monopoly

The Law of the PRC on Tobacco Monopoly (中華人民共和國煙草專賣法) (the “Tobacco Monopoly Law”), which was promulgated by the National People’s Congress, came into effect on January 1, 1992, and amended on August 27, 2009, forms the important legal basis for Chinese government to supervise tobacco monopoly.

REGULATORY OVERVIEW

According to the Tobacco Monopoly Law and the Administrative Measures for Tobacco Monopoly Licenses (煙草專賣授權管理辦法), which was promulgated by National Development and Reform Commission (國家發展和改革委員會) and came into effect on March 7, 2007, the State shall, according to such Law, exercise monopoly administration over the production, sales, import and export of tobacco monopoly commodities, and practice a tobacco monopoly license system. Any enterprise or individual which is about to engage in the retail trade of tobacco products shall file an application to the department of tobacco monopoly administration at the county level or the administrative department for industry and commerce under the people's government at the county level entrusted by the department of tobacco monopoly administration at the next higher level for tobacco monopoly retail trade license.

Under the Tobacco Monopoly Law, where an enterprise or individual that does not hold a tobacco monopoly retail license engages in the retail sale of tobacco products, the administrative department for industry and commerce shall order it or him/her to cease retail business, confiscate the illegal income derived therefrom and concurrently impose a fine.

Provisions on Liquor Circulation

The Measures for the Administration of Liquor Circulation (酒類流通管理辦法)(the "Liquor Circulation Measures"), which was promulgated by the Ministry of Commerce and came into effect on January 1, 2006, forms the important legal basis for Chinese government to supervise liquor circulation. The term "liquor circulation" as mentioned in the Liquor Circulation Measures includes the business operations like the wholesale, retail and storage and transport of liquor.

According to the Liquor Circulation Measures, the liquor operator shall, within 60 days of acquiring a business license, make the archival filing and registration formalities in the competent department of commerce at the same level as the administrative department for industry and commerce where the registration is handled according to the principle of territorial administration. Where any registered item in the Registration Form for Liquor Circulation Archival Filing is altered, the relevant liquor operator shall, within 30 days as of alteration (in the case of any item regarding the industrial and commercial registration, it shall be within 30 days as of the alteration of industrial and commercial registration), handle the formalities for alteration in the competent department of commerce.

Under the Liquor Circulation Measures, where an enterprise or individual that does not make the archival filing and registration formalities or handle the formalities for alteration in accordance with the measures, the competent department of commerce shall give it or him/her a warning and order it/him to make up for the violations within a time limit; where it or he/she refuses to correct within the prescribed term, the competent department of commerce may, based on the circumstances, fine the liquor retailer not less than RMB2,000 and may display it to the general public.

The Administrative Regulations of Shenzhen Special Economic Zone on Liquor (深圳經濟特區酒類管理條例), which was promulgated by The Standing Committee of the Shenzhen Municipal People's Congress on August 4, 1994 and amended on April 26, 2002, is the local regulation of Shenzhen Special Economic Zone in relation to the supervision of liquor circulation. According to the regulations, liquor retailers are required to obtain liquor retail licenses.

REGULATORY OVERVIEW

On July 5, 2004, the Decision on Publishing the Results of Clearance on Shenzhen Municipal Administrative Approval Items (關於發佈深圳市行政審批事項清理結果的決定) was made by Shenzhen municipal people's government and came into effect as of the same date. Pursuant to the decision, the approval item regarding liquor retail licenses was cancelled in Shenzhen and liquor retailers don't need obtain liquor retail licenses thereafter.

Provisions on Taxation

Enterprise Income Tax

Before January 1, 2008, the enterprise income tax of foreign-invested enterprises was governed by the Income Tax Law of the PRC of Foreign-invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) (the "Income Tax Law of Foreign-invested Enterprises and Foreign Enterprises"), and a tax rate of 30% in respect of the taxable income was charged. The local income tax was computed on the basis of taxable income at the rate of 3%. On January 1, 2008, the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) came into force and the Income Tax Law of Foreign-invested Enterprises and Foreign Enterprises were repealed concurrently. Income derived from the PRC by enterprises or other organizations shall be charged enterprise income tax at the rate of 25%.

Business Tax

The business tax of foreign-invested enterprises was governed by the Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例), which came into force with effect from January 1, 1994, and was amended on November 10, 2008. The amendment came into force with effect from January 1, 2009. According to the provisional regulations, enterprises in service industry shall be subject to business tax at the rate of 5% on their turnover.

Value-added Tax

The value-added tax of foreign-invested enterprises was governed by the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例), which came into force with effect from January 1, 1994, and was amended on November 10, 2008. The amendment came into force with effect from January 1, 2009. Under the provisional regulations, value-added tax is payable on the sale or import of goods and the provision of processing, repair and labor replacement services in the PRC. The value-added tax rate is generally levied at 17%, however, a tax rate of 13% is applicable to the sale or import of certain categories of necessities. Exports are exempted from value-added tax.

Provisions relating to Foreign Exchange

The Foreign Exchange Administrative Regulations of the PRC (中華人民共和國外匯管理條例) (the "Foreign Exchange Administrative Regulations"), which was promulgated and implemented since April 1, 1996 and was amended with effect from August 5, 2008, forms an important legal basis for the PRC authorities to supervise and regulate foreign exchange.

REGULATORY OVERVIEW

Under the Foreign Exchange Administrative Regulations, the foreign exchange income in the capital accounts of domestic enterprises shall be deposited, in accordance with relevant State regulations, into foreign exchange accounts opened with banks designated. Any foreign exchange payment from capital account shall, in accordance with provisions enacted by State Council foreign exchange administrative department relating to foreign exchange payments and purchases, be made out of the payer's own foreign exchange funds on the strength of valid documents or be made with foreign exchange purchased from any financial institution engaged in foreign exchange settlement and sales business. Where an approval from the relevant foreign exchange administrative authority is required in accordance with State provisions, the relevant approval formalities shall be completed before the foreign exchange payment is made. For foreign-invested enterprises wound up in accordance with the relevant laws, the amount of Renminbi that belongs to the relevant foreign investor(s) after liquidation and payment of tax pursuant to relevant State provisions may be used to purchase foreign exchange from any financial institution engaged in foreign exchange settlement and sales business in order to remit it outside the PRC.

Provisions on Environmental Protection

In China, the legal framework governing environmental protection was set up in the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "Environmental Protection Law"), which was promulgated and came into force on December 26, 1989.

According to the provisions of the Environmental Protection Law and other relevant laws and regulations of the PRC, the Ministry of Environmental Protection exercises uniform supervisory administration of environmental protection issues, while local administrative departments for environmental protection at county level or above exercise uniform supervisory administration of environmental protection issues within their own territories of jurisdiction.

According to the Environmental Protection Law, the Environment Impact Assessment Law of the PRC (中華人民共和國環境影響評價法) promulgated by the SCNPC and came into force with effect from September 1, 2003 and the Official Reply concerning the Application of Environmental Impact Assessment System to New Establishments of Food and Beverage and Entertainment Service Facilities (關於新建飲食娛樂服務設施應當執行環境影響評價制度的覆函) which came into force with effect from January 20, 1999, all the newly constructed, rebuilt (including retrofitted) and expanded food and beverage service facilities, as well as all the switched food and beverage service facilities through rebuilding or expansion of houses or plants leased from other owners of completed houses or plants, shall complete the procedure of registration or approval by the local environmental protection administration department on environmental impact.

According to the Environmental Protection Law, the Regulations on Environmental Protection Administration of Construction Projects (建設項目環境保護管理條例) promulgated by the State Council and came into force with effect from November 18, 1998 and the Administrative Measures for Environmental Protection Inspection of Completed Construction Projects (建設項目竣工環境保護驗收管理辦法) promulgated by the former State Administration for Environmental Protection and came into force with effect from February 1, 2002, installations for the prevention and control of pollution in construction projects must be designed, built and commenced operation together with the main body of the project. Upon completion of the construction project, the construction unit should file an

REGULATORY OVERVIEW

application with the original approving environmental protection administration department that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for inspection of completed construction of ancillary environmental protection facilities required by the said construction project. Acceptance inspection for completed construction of environmental protection facilities shall be carried out concurrently with the acceptance inspection for completed construction of the main body of the project, and the said construction project may only formally commence production or operation after passing the inspections. Installations for the prevention and control of pollution shall not be dismantled or left idle without authorization. Where it is necessary to dismantle any such installation or leave it idle, prior approval shall be obtained from the competent local administrative department of environmental protection.

If a food and beverage service enterprise has commenced operation before the installations for the prevention and control of pollution of its construction project have passed the inspection, according to the Official Reply on Issues Concerning Administrative Penalty on Food and Beverage and Other Service Enterprises (關於對餐飲等服務企業行政處罰有關問題的覆函) issued by the former State Administration for Environmental Protection and came into force with effect from December 19, 2003, the competent environmental protection administrative department may impose an order of business suspension. Furthermore, the official reply also stipulated the legal obligations for food and beverage service enterprises which had violated the “three concurrent system” (i.e. the installations for the prevention and control of pollution and the main body of the project must be designed, constructed and commenced operation concurrently). In the event of occurrence of the aforesaid circumstances, the competent environmental protection administrative department may order to suspend production or the use of the illegally installed facilities for the prevention and control of pollution, as well as impose a fine not exceeding RMB100,000.

The former State Administration for Environmental Protection and the former State Administration for Industry and Commerce jointly issued the Circular on Strengthening Environmental Management of Food and Beverage and Entertainment Service Enterprises (關於加強飲食娛樂服務企業環境管理的通知), which came into force with effect from February 1, 1995. According to the Circular on Strengthening Environmental Management of Food and Beverage and Entertainment Service Enterprises (關於加強飲食娛樂服務企業環境管理的通知), apart from satisfying environmental protection requirements specified in the Environmental Protection Law, food and beverage service enterprises shall also install certain facilities for absorption of oil fumes and odor for discharge through specialized chimneys. In addition, food and beverage service enterprises should also adopt measures for the prevention of noise and thermal pollution produced by air conditioners they use.

Furthermore, pursuant to the Law of Water Pollution Prevention and Control of the People’s Republic of China (中華人民共和國水污染防治法) which came into force on November 1, 1984, as amended on February 8, 2008 and effective on June 1, 2008, and the Notice on Issues Concerning Strengthening the Levying of Pollutant Discharge Fees on Village and Township Enterprises and Food and Beverage and Entertainment Service Industries issued by the State Administration for Environmental Protection (國家環境保護局關於加強鄉鎮企業和餐飲娛樂服務業排污收費有關問題的通知), food and beverage service enterprises that directly discharge pollutants into a water body shall pay pollutant discharge fees according to the type and quantity of the water pollutants discharged and the standard scale of collecting pollutant discharge fees.

REGULATORY OVERVIEW

Provisions on Fire Prevention

The Fire Prevention Law of the People's Republic of China (中華人民共和國消防法) (the "Fire Prevention Law"), which came into force with effect from September 1, 1998, as amended on October 28, 2008 and effective from May 1, 2009, provides an important legal basis for the PRC authorities to supervise and regulate fire prevention.

Pursuant to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Ministry of Public Security is responsible for implementing supervision and administration of fire prevention throughout the country. And local public security departments at county level or above shall be responsible for the supervision and administration of fire prevention work within their own regions of administration, and the fire prevention authority of the same ranking level as the public security department shall be responsible for implementation.

According to the Fire Prevention Law, upon completion of large spots with a high density of people or other particular construction projects as prescribed by the Ministry of Public Security, such projects must go through fire prevention inspection by the fire prevention authority of the public security department. Such projects will be prohibited from commencement of operation without inspection or failure to pass the inspection. Prior to the commencement of use or operation of public gathering spots, the construction unit or user unit is required to make an application to the fire prevention authority of the public security department at the county level or above at the place where the venue is situated for a fire prevention inspection.

According to the Provisions for Fire Protection Supervision and Administration of Construction Projects (建設工程消防監督管理規定) issued by the Public Security Ministry on April 30, 2009 and effective on May 1, 2009, hotel with a gross floor area exceeding 10,000 sq.m. and restaurant equipped with entertainment functions with a gross floor area exceeding 500 sq.m. are classified as high people density spots as stipulated by the Fire Prevention Law.

On the basis of the Fire Prevention Law, the Provisions for the Administration of Fire Prevention Supervision and Examination of Construction Projects (建築工程消防監督審核管理規定) were promulgated by the Ministry of Public Security on October 16, 1996 and came into force on March 1, 1997, which stipulated the technical requirements for the supervision and regulation of fire prevention for construction projects.

Pursuant to the Provisions for the Administration of Fire Prevention Supervision and Examination of Construction Projects, the construction unit to file an application to the fire prevention supervision authority under the public security department for fire prevention inspection of the project after completion of construction for acceptance of the fire prevention facilities. In the event of failure to pass the fire prevention inspection, the construction unit will be prohibited from delivering the project and the owner of the building is prohibited from taking delivery or put it into use.

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Under the Fire Prevention Law, where a construction project has been delivered for use without passing the inspection, or where public gathering spots which commenced for use or operation without being inspected for fire prevention or had been inspected but failed to satisfy the fire prevention safety requirements, an order to cease its use or production or operation may be made and a fine of RMB30,000 to RMB300,000 may be levied by the relevant authority.

Pursuant to above stipulations, whenever we build new restaurants or carry out renovation or expansion works to our restaurants in China, we must pass the fire prevention inspection and fire prevention safety examination before commencement of operations.

Provisions on Labor Services

The Labor Law of the PRC (中華人民共和國勞動法) (the “Labor Law”) was promulgated by the SCNPC and came into force on January 1, 1995. According to the Labor Law, workers are entitled to have equal opportunities in employment, selection of occupations, receiving wages and remuneration, rest days and holidays, protection of occupational safety and health, the rights to social insurance and welfare, etc. A labor worker shall not work for more than eight hours a day and no more than 44 hours a week on average. The workers must establish and improve the system for occupational safety and health, education on occupational safety and health must be provided to labor workers, and working conditions in compliance with the State regulations of occupational safety and health as well as the necessary labor protective measures must be provided to labor workers.

On June 29, 2007, the Labor Contract Law of the PRC (中華人民共和國勞動合同法), another important law concerning labor workers, was adopted by the SCNPC and came into force for implementation with effect from January 1, 2008. According to the Labor Contract Law, labor contracts must be executed in order to establish a labor relationship between the employer unit and the labor worker. When an employer unit is recruiting labor workers, it should inform the labor workers truthfully the content of work, working conditions, place of work, occupational hazards, safe production conditions, labor remuneration and other circumstances requested to be known by the labor workers. An employer unit and a labor worker shall fully perform their respective obligations in accordance with the agreed terms of the labor contract. An employer unit must make payment for labor worker remuneration timely and in full amount in accordance with the contract terms, and must strictly follow the fixed standard of labor work, labor workers must not be forced or threatened in disguise to work overtime. After the labor contract is released or terminated, the employer unit should issue a proof of release or termination of the labor contract to the labor worker, and complete the filing procedure and transfer of social insurance relationship for the labor worker within 15 days.

Our PRC legal advisors confirmed that save as disclosed in sections headed “Business — Non-compliance of our Group” and “Business — Licenses and Approvals” in this prospectus, our Group had complied with relevant laws and regulations in all material respects and obtained requisite legal permits, approvals and licenses from relevant regulatory authorities in the PRC for its operation during the Track Record Period and up to the Latest Practicable Date.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY

Business Development

Mr. Chan, Mr. Yip and Mr. Ku, the founders of our Group's restaurant business, have rich experience in the restaurant business, in particular the operation of Chinese restaurants. They have over 25 years of experience in the Chinese restaurant industry.

In 1997, we commenced our restaurant business by launching our brand, *Tang Palace Seafood Restaurant* (唐宮海鮮舫), through the opening of our first restaurant in Shenzhen, now known as Shenzhen Hongling Restaurant⁽¹⁾. In 2002, with the success of our restaurant in Shenzhen, we expanded our business and established our presence in Beijing through the opening of two new restaurants, Beijing New Century Restaurant and Beijing Chaoyang Restaurant. By the end of 2002, we operated three restaurants in Shenzhen and Beijing.

In order to enhance our brand penetration and complement our growth strategies, we launched our brand, *Ninja House Japanese Restaurant* (忍者居日本料理), and established Shenzhen Ninja House Restaurant in 2003, serving Japanese cuisine in Shenzhen. In the same year, we started to operate Beijing Minzu Restaurant in Beijing. In 2004, we opened another restaurant in Beijing, Beijing Haoyuan Jianguo Restaurant. Between 2005 and 2007, we expanded our geographical presence in the PRC and established our first restaurant in Dongguan, Dongguan Shibo Restaurant. Further, we established two new restaurants in Shanghai, Shanghai Galaxy Restaurant and Shanghai Super Brand Restaurant. We also adopted two of our brands, namely, *Excellent Tang Palace* (盛世唐宮), through Shenzhen Dongmen Restaurant in Shenzhen, and *Tang Palace Restaurant* (唐宮膳), through Shenzhen Hongling Restaurant⁽¹⁾.

In October 2008, we started to operate our food processing plant, Shanghai Food Plant, in Shanghai, which provides food production services to our restaurants. In the same year, we opened Shanghai Hongkou Restaurant in Shanghai and our fifth restaurant in Beijing, Beijing Wangjing Restaurant. We further established our brand, *Tang's Cuisine* (唐宮壹號), through the opening of Shanghai Dickson Tang's Cuisine in Shanghai. By the end of 2008, we operated our Shanghai Food Plant and 13 restaurants in Beijing, Shanghai, Shenzhen and Dongguan. We commenced the operation of Grand Coffee (格蘭咖啡) in Shenzhen in February 2008 and ceased its operation in April 2010 as it had been operating at a loss during the Track Record Period.

In 2009, we fully implemented the 5S management system (Sort, Systemize, Shine, Standardize and Self-discipline) throughout the entire operational process, starting from sourcing and processing of food ingredients, maintaining hygiene standards, staff training to daily management of each of our restaurants. Our Directors believe that the introduction of the 5S management system has further enhanced our efficiency and standards of operations.

Note:

(1) At its opening, Shenzhen Hongling Restaurant was operated under the brand of *Tang Palace Seafood Restaurant* (唐宮海鮮舫). In order to match our Group's branding policy, Shenzhen Hongling Restaurant has been operating under the brand of *Tang Palace Restaurant* (唐宮膳) since the end of 2007.

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In the same year, we continued to expand our operation in the PRC by opening our first restaurant in Suzhou, Suzhou Matro Restaurant. We started to operate Beijing Xinqiao Restaurant in Beijing.

In 2010, we further extended our presence to Hangzhou and opened our first restaurant in Hangzhou, Hangzhou MIXC Restaurant. In Shanghai, we opened Shanghai Sky Fortune Tang's Cuisine and started to operate Shanghai Metropark Restaurant. In Shenzhen, we launched our brand, *Tanggong Jiangnan Cuisine* (唐宮江南一號), through the opening of Shenzhen Dongmen Jiangnan Cuisine, serving Hangzhou Cuisine.

In order to enhance our operational efficiency and diversify our income stream, we entered into the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area) with SFBI in April 2010 and November 2010, respectively, whereby, SFBI (as franchisor) granted us an exclusive right within Beijing, Tianjin and Shanghai to develop and operate fast food restaurants under the brand name *Pepper Lunch* (胡椒廚房). We operated two Pepper Lunch (胡椒廚房) fast food restaurants in Beijing, namely Beijing Joy City Pepper Lunch and Beijing Yaojiayuan Pepper Lunch, which commenced operation in May 2010 and February 2011, respectively.

In January 2011, we commenced the operation of our Beijing Chaobei Joy City Restaurant in Beijing.

Since our establishment, we have received numerous accreditations including, for instance, the First Global Accredited 5S Certification in Beijing, Shanghai and Guangdong, which showcase the recognition of our standards of management in the industry. We have also won numerous prizes and awards including, for instance, the 2007 Top 10 Emperor Class Food Group in Hong Kong, Guangdong and Macau and the National Diet Therapy and Health Demonstration Institute.

As of the Latest Practicable Date, we operated our Shanghai Food Plant and 22 restaurants in Beijing, Shenzhen, Shanghai, Dongguan, Suzhou and Hangzhou, serving Chinese and Japanese cuisine and fast food under seven brand names.

Corporate Development

As of the Latest Practicable Date, our Group comprised our Company, Tang Palace BVI, seven Hong Kong subsidiaries and 22 PRC subsidiaries.

Our Hong Kong subsidiaries

Tang Palace HK Meco

Tang Palace HK Meco was incorporated as a limited liability company under the laws of Hong Kong on July 14, 1992 and is an investment holding company of our Group. Upon its incorporation, one subscriber share was allotted and issued to each of Mr. Chan and Ms. Au for cash at par of HK\$1.00 each.

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On May 8, 1996, through the allotment and issue of an aggregate of 9,998 new shares for cash at par, the entire issued share capital of Tang Palace HK Meco became owned as to 39.99% by Mr. Chan, 25% by Mr. Yip, 15% by Mr. Ku, 0.01% by Ms. Au, and 10% by each of Mr. Li Shing On (“**Mr. Li**”) and Mr. Hui Yiu Chuen (“**Mr. Hui**”), each of whom is an Independent Third Party.

On May 30, 1996, Ms. Au transferred her one subscriber share in Tang Palace HK Meco to Mr. Chan for cash at par of HK\$1.00. Upon completion of the transfer, the entire issued share capital of Tang Palace HK Meco was owned as to 40% by Mr. Chan, 25% by Mr. Yip, 15% by Mr. Ku, 10% by Mr. Li and 10% by Mr. Hui.

On November 30, 2001, Mr. Li transferred 500 shares in Tang Palace HK Meco, representing 5% of its entire issued capital, to Mr. Yip at an aggregate cash consideration of HK\$500. Upon completion of the transfer, the entire issued share capital of Tang Palace HK Meco was owned as to 40% by Mr. Chan, 30% by Mr. Yip, 15% by Mr. Ku, 5% by Mr. Li and 10% by Mr. Hui.

As at October 10, 2005, Mr. Li disposed of all his 500 shares in Tang Palace HK Meco, representing 5% of its entire issued capital, to Mr. Yip at an aggregate cash consideration of HK\$576,923. Upon completion of the disposal, the entire issued share capital of Tang Palace HK Meco was owned as to 40% by Mr. Chan, 35% by Mr. Yip, 15% by Mr. Ku and 10% by Mr. Hui.

On December 23, 2009, Mr. Chan acquired from Mr. Hui his 10% equity interest in Tang Palace HK Meco, and Tang Palace HK Meco became our wholly owned subsidiary on December 24, 2009 as part of the Reorganization as further described under the paragraph headed “Reorganization — Corporate restructuring” below.

Tang Palace HK

Tang Palace HK was incorporated as a limited liability company under the laws of Hong Kong on January 30, 2004 and is an investment holding company of our Group. Upon its incorporation, one subscriber share was allotted and issued to each of Mr. Chan, Mr. Yip and Mr. Ku for cash at par of HK\$1.00 each. On March 4, 2005, through the allotment and issue of an aggregate of 19,997 new shares for cash at par, Tang Palace HK became owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku. Tang Palace HK became our wholly owned subsidiary on December 24, 2009 as part of the Reorganization as further described under the paragraph headed “Reorganization — Corporate restructuring” below.

Tang Palace HK Pudong

Tang Palace HK Pudong was incorporated as a limited liability company under the laws of Hong Kong on December 30, 2005 and is an investment holding company of our Group. Upon its incorporation, an aggregate of 10,000 shares of HK\$1.00 each in the capital of Tang Palace HK Pudong were allotted and issued at par, and Tang Palace HK Pudong became owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku. Tang Palace HK Pudong became our wholly owned subsidiary on December 24, 2009 as part of the Reorganization as further described under the paragraph headed “Reorganization — Corporate restructuring” below.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Tang Palace HK Logistics

Tang Palace HK Logistics was incorporated as a limited liability company under the laws of Hong Kong on November 15, 2007 and is an investment holding company of our Group. Upon its incorporation, one subscriber share was allotted and issued to each of Mr. Chan and Mr. Yip for cash at par. On November 28, 2007, through the allotment and issue of an aggregate of 19,998 new shares for cash at par of HK\$1.00 each, Tang Palace HK Logistics became owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku. Tang Palace HK Logistics became our wholly owned subsidiary on December 24, 2009 as part of the Reorganization as further described under the paragraph headed “Reorganization — Corporate restructuring” below.

Tang Palace HK Excellent

Tang Palace HK Excellent was incorporated as a limited liability company under the laws of Hong Kong on November 15, 2007 and is an investment holding company of our Group. Upon its incorporation, one subscriber share was allotted and issued to each of Mr. Chan and Mr. Yip for cash at par of HK\$1.00 each. On November 28, 2007, through allotment and issue of an aggregate of 19,998 new shares for cash at par, Tang Palace HK Excellent became owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku. Tang Palace HK Excellent became our wholly owned subsidiary on December 24, 2009 as part of the Reorganization as further described under the paragraph headed “Reorganization — Corporate restructuring” below.

Tang Palace HK Leadwin

Tang Palace HK Leadwin was incorporated as a limited liability company under the laws of Hong Kong on August 13, 2009 and is the franchisee under the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area). On September 2, 2009, one subscriber share of Tang Palace HK Leadwin was transferred to Mr. Chan for cash at par of HK\$1.00. On October 12, 2009, through allotment and issue of an aggregate of 9,999 new shares for cash at par, Tang Palace HK Leadwin became owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku. Tang Palace HK Leadwin became our wholly owned subsidiary on December 24, 2009 as part of the Reorganization as further described under the paragraph headed “Reorganization — Corporate restructuring” below.

Tang Palace HK Prosperous

Tang Palace HK Prosperous was incorporated as a limited liability company under the laws of Hong Kong on September 14, 2009 and is the holder of our Group’s trademarks. Upon its incorporation, one subscriber share was allotted and issued to Mr. Chan for cash at par. On October 12, 2009, through allotment and issue of an aggregate of 9,999 new shares for cash at par, Tang Palace HK Prosperous became owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku. Tang Palace HK Prosperous became our wholly owned subsidiary on December 24, 2009 as part of the Reorganization as further described under the paragraph headed “Reorganization — Corporate restructuring” below.

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Our PRC subsidiaries

Tang Palace Shenzhen

Tang Palace Shenzhen was established as a sino-foreign cooperative joint venture under the laws of the PRC on September 4, 1997 with a registered capital of HK\$3 million to engage in food and beverage business. It currently operates Shenzhen Hongling Restaurant. Pursuant to the cooperative contract dated July 29, 1997 between the founding parties, Tang Palace HK Meco and 深圳市中貿發物業管理有限公司 (Shenzhen Sino Trade Development Property Management Co., Ltd., hereinafter referred to as “**Shenzhen STD**”), an Independent Third Party, (i) Tang Palace HK Meco would contribute the entire registered capital of Tang Palace Shenzhen; (ii) Shenzhen STD would perform the necessary procedures for establishment of Tang Palace Shenzhen and provide the parking lot situate in front of the operating venue for use by Tang Palace Shenzhen and the ancillary facilities at the operating venue (central air conditioning); (iii) Tang Palace HK Meco would be responsible for the daily operation of Tang Palace Shenzhen; (iv) in respect of the profit (after tax and allocations to the relevant statutory funds) of Tang Palace Shenzhen, Tang Palace Shenzhen would pay RMB20,000 to Shenzhen STD each month and, subject to such payment, any remaining profit of Tang Palace Shenzhen should belong to Tang Palace HK Meco. Tang Palace Shenzhen shall operate for a term of 10 years commencing from the date of its business license (i.e. September 4, 1997), provided that such term may be extended after obtaining approval by the relevant authorities in accordance with the terms of the cooperative contract. Upon expiration or early termination of the cooperative contract, Shenzhen STD would withdraw the cooperative conditions it provided, while Tang Palace HK Meco would take up all surplus assets of Tang Palace Shenzhen after liquidation as well as its debts and liabilities.

As the cooperation period was due to expire in September 2007, Tang Palace HK Meco and Shenzhen STD entered into an equity transfer agreement on May 31, 2007, pursuant to which Tang Palace HK Meco agreed to acquire from Shenzhen STD its entire cooperative interest in Tang Palace Shenzhen at nil consideration by the withdrawal of cooperative conditions by Shenzhen STD and the taking up of all assets and liabilities of Tang Palace Shenzhen pursuant to the cooperative contract. On July 2, 2007, such transfer became effective and Tang Palace Shenzhen became a wholly foreign owned enterprise.

Tang Palace Beijing New Century

Tang Palace Beijing New Century was established as a wholly foreign owned enterprise under the laws of the PRC on December 21, 2001 with a registered capital of RMB3 million to engage in food and beverage business. It currently operates Beijing New Century Restaurant. At the time of establishment, the entire equity interest in Tang Palace Beijing New Century was owned by HK Well Excellent. On August 3, 2010, HK Well Excellent entered into an equity transfer agreement with Tang Palace HK Excellent pursuant to which Tang Palace HK Excellent acquired the entire equity interest in Tang Palace Beijing New Century from HK Well Excellent as part of the Reorganization as further described under the paragraph headed “Reorganization — Corporate restructuring” below. Such acquisition of equity interest in Tang Palace Beijing New Century became effective on September 15, 2010.

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Tang Palace Beijing WE

Tang Palace Beijing WE was established as a wholly foreign owned enterprise under the laws of the PRC on July 12, 2002 with a registered capital of RMB5 million to engage in food and beverage business. It currently operates Beijing Chaoyang Restaurant. At the time of establishment, the entire equity interest in Tang Palace Beijing WE was owned by HK Well Excellent. On August 3, 2010, HK Well Excellent entered into an equity transfer agreement with Tang Palace HK Excellent pursuant to which Tang Palace HK Excellent acquired the entire equity interest in Tang Palace Beijing WE from HK Well Excellent as part of the Reorganization as further described under the paragraph headed “Reorganization — Corporate restructuring” below. Such transfer of equity interest in Tang Palace Beijing WE became effective on September 25, 2010.

Tang Palace Ninja House

Tang Palace Ninja House was established by Tang Palace HK Meco as a wholly foreign owned enterprise under the laws of the PRC on November 26, 2002 with a registered capital of HK\$2 million to engage in food and beverage business. It currently operates Shenzhen Ninja House Restaurant and Shenzhen Dongmen Jiangnan Cuisine.

Tang Palace Beijing Minzu

Tang Palace Beijing Minzu was established as a wholly foreign owned enterprise under the laws of the PRC on September 25, 2003 with a registered capital of RMB5 million to engage in food and beverage business. It currently operates Beijing Minzu Restaurant. At the time of establishment, the entire equity interest in Tang Palace Beijing Minzu was owned by HK Well Excellent. On August 3, 2010, HK Well Excellent entered into an equity transfer agreement with Tang Palace HK Excellent pursuant to which Tang Palace HK Excellent acquired the entire equity interest in Tang Palace Beijing Minzu from HK Well Excellent as part of the Reorganization as further described under the paragraph headed “Reorganization — Corporate restructuring” below. Such acquisition of equity interest in Tang Palace Beijing Minzu became effective on September 19, 2010.

Tang Palace Beijing Haoyuan

Tang Palace Beijing Haoyuan was established as a wholly foreign owned enterprise under the laws of the PRC on December 10, 2003 with a registered capital of RMB3 million to engage in food and beverage business. It currently operates Beijing Haoyuan Jianguo Restaurant. At the time of establishment, the entire equity interest in Tang Palace Beijing Haoyuan was owned by HK Well Excellent. On August 3, 2010, HK Well Excellent entered into an equity transfer agreement with Tang Palace HK Excellent pursuant to which Tang Palace HK Excellent acquired the entire equity interest in Tang Palace Beijing Haoyuan from HK Well Excellent as part of the Reorganization as further described under the paragraph headed “Reorganization — Corporate restructuring” below. Such acquisition of equity interest in Tang Palace Beijing Haoyuan became effective on September 27, 2010.

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Tang Palace Dongguan

Tang Palace Dongguan was established by Tang Palace HK Meco as a wholly foreign owned enterprise under the laws of the PRC on January 11, 2006 with a registered capital of HK\$3 million to engage in food and beverage business. It currently operates Dongguan Shibo Restaurant.

Tang Palace Shanghai Hongqiao

Tang Palace Shanghai Hongqiao was established as a wholly foreign owned enterprise under the laws of the PRC on January 19, 2006 with a registered capital of US\$150,000 to engage in food and beverage business. It currently operates Shanghai Galaxy Restaurant. At the time of establishment, the entire equity interest in Tang Palace Shanghai Hongqiao was owned by Mr. Chan. On October 1, 2006, Mr. Chan entered into an equity transfer agreement with Tang Palace HK pursuant to which Tang Palace HK acquired the entire equity interest in Tang Palace Shanghai Hongqiao from Mr. Chan for cash consideration of US\$150,000, representing the amount of registered capital of Tang Palace Shanghai Hongqiao. Such transfer of equity interest in Tang Palace Shanghai Hongqiao became effective on December 6, 2006.

Tang Palace Shanghai Pudong

Tang Palace Shanghai Pudong was established by Tang Palace HK Pudong as a wholly foreign owned enterprise under the laws of the PRC on July 10, 2006 with a registered capital of US\$150,000 to engage in food and beverage business. It currently operates Shanghai Super Brand Restaurant.

Tang Palace Shenzhen WE

Tang Palace Shenzhen WE was established by Tang Palace HK Meco as a wholly foreign owned enterprise under the laws of the PRC on July 25, 2007 with a registered capital of HK\$3 million to engage in food and beverage business. It currently operates Shenzhen Dongmen Restaurant.

Tang Palace Shanghai Hongkou

Tang Palace Shanghai Hongkou was established as a wholly foreign owned enterprise under the laws of the PRC on February 1, 2008 with a registered capital of RMB13.5 million to engage in food and beverage business. It currently operates Shanghai Hongkou Restaurant. At the time of establishment, the entire equity interest in Tang Palace Shanghai Hongkou was owned by HK Well Excellent. On August 3, 2010, HK Well Excellent entered into an equity transfer agreement with Tang Palace HK pursuant to which Tang Palace HK acquired the entire equity interest in Tang Palace Shanghai Hongkou from HK Well Excellent as part of the Reorganization as further described under the paragraph headed “Reorganization — Corporate restructuring” below. Such acquisition of equity interest in Tang Palace Shanghai Hongkou became effective on October 8, 2010.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Tang Palace Beijing Excellent

Tang Palace Beijing Excellent was established by Tang Palace HK Excellent as a wholly foreign owned enterprise under the laws of the PRC on April 14, 2008 with a registered capital of HK\$3 million to engage in food and beverage business. It currently operates Beijing Wangjing Restaurant.

Tang Palace Shanghai Food

Tang Palace Shanghai Food was established by Tang Palace HK Logistics as a wholly foreign owned enterprise under the laws of the PRC on October 14, 2008 with a registered capital of US\$150,000 to engage in food processing. It currently operates Shanghai Food Plant.

Tang Palace Shanghai WE

Tang Palace Shanghai WE was established by Tang Palace HK as a wholly foreign owned enterprise under the laws of the PRC on December 9, 2008 with a registered capital of US\$150,000 to engage in food and beverage business. It currently operates Shanghai Dickson Tang's Cuisine.

Tang Palace Beijing WE F&B

Tang Palace Beijing WE F&B was established as a wholly foreign owned enterprise under the laws of the PRC on January 16, 2009 with a registered capital of HK\$3 million to engage in food and beverage business. It currently operates Beijing Xinqiao Restaurant. At the time of establishment, the entire equity interest in Tang Palace Beijing WE F&B was owned by HK Well Excellent. On August 3, 2010, HK Well Excellent entered into an equity transfer agreement with Tang Palace HK Excellent pursuant to which Tang Palace HK Excellent acquired the entire equity interest in Tang Palace Beijing WE F&B from HK Well Excellent as part of the Reorganization as further described under the paragraph headed "Reorganization — Corporate restructuring" below. Such acquisition of equity interest in Tang Palace Beijing WE F&B became effective on September 27, 2010.

Tang Palace Suzhou WE

Tang Palace Suzhou WE was established as a wholly foreign owned enterprise under the laws of the PRC on October 21, 2009 with a registered capital of HK\$3 million to engage in food and beverage business. It currently operates Suzhou Matro Restaurant. At the time of establishment, the entire equity interest in Tang Palace Suzhou WE was owned by HK Well Excellent. On March 26, 2010, HK Well Excellent entered into an equity transfer agreement with Tang Palace HK pursuant to which Tang Palace HK acquired the entire equity interest in Tang Palace Suzhou WE as part of the Reorganization as further described under the paragraph headed "Reorganization — Corporate restructuring" below. Such acquisition of equity interest in Tang Palace Suzhou WE became effective on April 14, 2010.

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Tang Palace Shanghai Pepper Lunch

Tang Palace Shanghai Pepper Lunch was established by Tang Palace HK Leadwin as a wholly foreign owned enterprise under the laws of the PRC on January 4, 2010 with a registered capital of US\$150,000 to engage in the development and operation of fast food restaurants under the brand name of *Pepper Lunch* (胡椒厨房) in Shanghai. As of the Latest Practicable Date, we have not commenced operation of *Pepper Lunch* (胡椒厨房) fast food restaurants in Shanghai.

Tang Palace Beijing Pepper Lunch

Tang Palace Beijing Pepper Lunch was established by Tang Palace HK Leadwin as a wholly foreign owned enterprise under the laws of the PRC on January 5, 2010 with a registered capital of HK\$1 million to engage in the development and operation of fast food restaurants under the brand name of *Pepper Lunch* (胡椒厨房) in Beijing. It currently operates Beijing Joy City Pepper Lunch and Beijing Yaojiayuan Pepper Lunch.

Tang Palace Hangzhou WE

Tang Palace Hangzhou WE was established by Tang Palace HK as a wholly foreign owned enterprise under the laws of the PRC on April 1, 2010 with a registered capital of RMB3 million to engage in food and beverage business. It currently operates Hangzhou MIXC Restaurant.

Tang Palace Shanghai Minhang

Tang Palace Shanghai Minhang was established by Tang Palace HK as a wholly foreign owned enterprise under the laws of the PRC on April 1, 2010 with a registered capital of US\$150,000 to engage in food and beverage business. It currently operates Shanghai Sky Fortune Tang's Cuisine.

Tang Palace Shanghai Changning

Tang Palace Shanghai Changning was established by Tang Palace HK as a wholly foreign owned enterprise under the laws of the PRC on April 22, 2010 with a registered capital of HK\$3 million to engage in food and beverage business. It currently operates Shanghai Metropark Restaurant.

Tang Palace Beijing Chaobei

Tang Palace Beijing Chaobei was established by Tang Palace HK Excellent as a wholly foreign owned enterprise under the laws of the PRC on January 12, 2011 with a registered capital of HK\$3 million to engage in food and beverage business. It currently operates Beijing Chaobei Joy City Restaurant.

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Tang Palace Shenzhen Dongdaoming

Tang Palace Shenzhen Dongdaoming was established by Tang Palace HK Meco and 深圳市中海投資管理有限公司 (formerly known as 深圳海富投資管理公司 (Shenzhen Haifu Investment Management Co.)), an Independent Third Party, as a sino-foreign cooperative joint venture under the laws of the PRC on June 3, 1997 with a registered capital of HK\$3 million to engage in food and beverage business.

Tang Palace Shenzhen Dongdaoming was established with an operation term of 10 years commencing from June 3, 1997. It ceased business operations upon the expiry of its business license in June 2007. We did not suffer any material loss and did not have any significant contingent liabilities as a result of the cessation of business operations of Tang Palace Shenzhen Dongdaoming. In order to continue the business operations of Tang Palace Shenzhen Dongdaoming on our own rather than in collaboration with the former joint venture partner after the expiry of its business license with a view to increasing our Group's share of profit therefrom, in July 2007, Tang Palace Shenzhen WE was established to operate Shenzhen Dongmen Restaurant at the same premises. Tang Palace Shenzhen Dongdaoming was formally dissolved in October 2010.

REORGANIZATION

Corporate restructuring

To rationalize our Group's structure in preparation for the Listing, our Group underwent various corporate structuring as more particularly described as follows:

- (a) Tang Palace BVI was incorporated on November 12, 2009 in the BVI as a BVI business company with 50,000 authorized shares of US\$1.00 each. On December 10, 2009, an aggregate of 49,000 shares of US\$1.00 each were allotted and issued as fully paid at par by Tang Palace BVI to Mr. Chan, Mr. Yip and Mr. Ku, as a result of which the entire issued share capital of Tang Palace BVI became owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku.
- (b) On December 23, 2009, Mr. Chan acquired from Mr. Hui his 10% interest in Tang Palace HK Meco at a cash consideration of HK\$4.5 million, which had been determined by the parties at arm's length negotiation with reference to an agreed price-to-earning multiple of the unaudited combined net profit of Tang Palace HK Meco and its subsidiaries for the 11 months ended November 30, 2009. Immediately upon completion of the transfer, the entire issued share capital of Tang Palace HK Meco was owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku.
- (c) On December 24, 2009, Tang Palace BVI acquired from Mr. Chan, Mr. Yip and Mr. Ku the entire issued share capital of Tang Palace HK, Tang Palace HK Excellent, Tang Palace HK Leadwin, Tang Palace HK Logistics, Tang Palace HK Meco, Tang Palace HK Prosperous and Tang Palace HK Pudong at a total consideration of approximately HK\$8 million, which had been determined by the parties with reference to the aggregate unaudited combined net asset value of such companies and their subsidiaries as at November 30, 2009. The

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consideration was satisfied by the allotment and issue, credited as fully paid, by Tang Palace BVI of an aggregate of 700 shares of US\$1.00 each in its capital to Mr. Chan, Mr. Yip and Mr. Ku in proportion to their respective shareholding in the above Hong Kong companies.

- (d) On March 26, 2010, Tang Palace HK entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK agreed to acquire the entire equity interest in Tang Palace Suzhou WE from HK Well Excellent. A total cash consideration of HK\$3 million, which had been determined by the parties based on the registered capital of Tang Palace Suzhou WE, was paid by Tang Palace HK to HK Well Excellent. Such transfer of equity interest became effective on April 14, 2010.
- (e) On August 3, 2010, Tang Palace HK Excellent entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK Excellent agreed to acquire the entire equity interest in Tang Palace Beijing New Century from HK Well Excellent at a cash consideration of approximately RMB7.7 million, which had been determined by the parties based on the unaudited net asset value of Tang Palace Beijing New Century as at June 30, 2010. Such transfer of equity interest became effective on September 15, 2010.
- (f) On August 3, 2010, Tang Palace HK Excellent entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK Excellent agreed to acquire the entire equity interest in Tang Palace Beijing Minzu from HK Well Excellent at a cash consideration of approximately RMB16.1 million, which had been determined by the parties based on the unaudited net asset value of Tang Palace Beijing Minzu as at June 30, 2010. Such transfer of equity interest became effective on September 19, 2010.
- (g) On August 3, 2010, Tang Palace HK Excellent entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK Excellent agreed to acquire the entire equity interest in Tang Palace Beijing Haoyuan from HK Well Excellent at a cash consideration of approximately RMB8.9 million, which had been determined by the parties based on the unaudited net asset value of Tang Palace Beijing Haoyuan as at June 30, 2010. Such transfer of equity interest became effective on September 27, 2010.
- (h) On August 3, 2010, Tang Palace HK Excellent entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK Excellent agreed to acquire the entire equity interest in Tang Palace Beijing WE F&B from HK Well Excellent at a cash consideration of approximately RMB6.6 million, which had been determined by the parties based on the unaudited net asset value of Tang Palace Beijing WE F&B as at June 30, 2010. Such transfer of equity interest became effective on September 27, 2010.
- (i) On August 3, 2010, Tang Palace HK Excellent entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK Excellent agreed to acquire the entire equity interest in Tang Palace Beijing WE from HK Well Excellent at a cash consideration of approximately RMB11.6 million, which had been determined by the parties based on the unaudited net asset value of Tang Palace Beijing WE as at June 30, 2010. Such transfer of equity interest became effective on September 25, 2010.

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- (j) On August 3, 2010, Tang Palace HK entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK agreed to acquire the entire equity interest in Tang Palace Shanghai Hongkou from HK Well Excellent at a cash consideration of approximately RMB16.3 million, which had been determined by the parties based on the unaudited net asset value of Tang Palace Shanghai Hongkou as at June 30, 2010. Such transfer of equity interest became effective on October 8, 2010.
- (k) On December 31, 2010, Mr. Chan, Mr. Yip and Mr. Ku subscribed for a total of 300 shares in Tang Palace BVI, as to 150 Shares by Mr. Chan, 105 Shares by Mr. Yip and 45 Shares by Mr. Ku in cash at an aggregate subscription price of approximately RMB107.2 million, in capitalization of the amounts owed by Tang Palace BVI to the respective shareholders.
- (l) Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on March 11, 2010 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on January 24, 2011. Upon its incorporation, one nil-paid Share was allotted and issued, nil paid, to the subscriber, which was transferred to Mr. Chan on the same day. In contemplation of the Listing, on March 25, 2011, our Company acquired from Mr. Chan, Mr. Yip and Mr. Ku an aggregate of 50,000 shares of US\$1.00 each in the share capital of Tang Palace BVI, being its entire issued share capital, in consideration of and in exchange for which our Company, at the direction of each of Mr. Chan, Mr. Yip and Mr. Ku, (i) allotted and issued, credited as fully paid, an aggregate of 1,999,999 Shares, as to 999,999 Shares to Best Active Investments, 700,000 Shares to Current Success Investments and 300,000 Shares to Bright Mind Investments; and (ii) credited as fully paid at par one nil paid Share then held by Mr. Chan. On the same day, Mr. Chan transferred his one Share to Best Active Investments at nil consideration.

Upon completion of the above corporate restructuring, our Company became the holding company of the members of our Group.

Acquisition of trademarks

To protect the use of our Group's tradenames and trademarks and to rationalize the ownership of these trademarks, our Group underwent the following trademark assignments as more particularly described as follows:

- (a) On October 13, 2009, HK Well Excellent entered into a trademark transfer agreement ("Class 42 Agreement") with an Independent Third Party ("Class 42 Owner"), pursuant to which Class 42 Owner agreed to transfer the trademark 唐宮 ("Class 42 Trademark") registered under its name under class 42 (in respect of services relating to full board inn; restaurant; hotel; motel; mobile catering; pub and tea house) in the PRC to HK Well Excellent at a consideration of RMB4.18 million. Such consideration was determined by arm's length negotiation between the parties. Prior to the signing of the Class 42 Agreement, Class 42 Owner had granted a license to (i) an Independent Third Party to operate a dining hall using the Class 42 Trademark, (ii) Class 30 Owner (as defined below) to operate (with right to sub-license to other franchisees to operate) franchised restaurants

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using the Class 42 Trademark. Class 42 Owner undertook to terminate such licenses within 10 months from the date of the Class 42 Agreement (i.e. by August 12, 2010) and to provide all relevant termination agreements to HK Well Excellent. As confirmed by Class 42 Owner, the operator of the dining hall, Class 30 Owner and the franchisees had ceased to use the Class 42 Trademark. On May 13, 2010, transfer of the Class 42 Trademark was approved by the Trademark Office under the State Administration for Industry and Commerce of the PRC and since then, HK Well Excellent has been the registered owner of Class 42 Trademark.

As at the date of the aforesaid agreement, an application had also been filed in the PRC for registration of the trademark 禧宮 (“Class 30 Trademark”) under class 30 (in respect of products including baked wheaten cake; cereal; flour; fried dough twist; instant noodles; mooncake; noodles; pasta; confectionery and rice) by a company incorporated in the PRC (“Class 30 Owner”), the authorized representative of which was the spouse of Class 42 Owner. Pursuant to the trademark transfer agreement (“Class 30 Agreement”) dated October 13, 2009 between HK Well Excellent and Class 30 Owner: (i) Class 30 Owner agreed to transfer Class 30 Trademark and all rights in relation thereto to HK Well Excellent at no further consideration (since HK Well Excellent had agreed to pay a consideration of RMB4.18 million to Class 42 Owner for transfer of the Class 42 Trademark under the Class 42 Agreement); (ii) with effect from the signing of the Class 30 Agreement, Class 30 Owner shall cease production of materials bearing the Class 30 Trademark; and (iii) until publication of the approval for registration of the Class 30 Trademark (i.e. July 7, 2010), Class 30 Owner shall cease to use packaging materials bearing the Class 30 Trademark. On May 24, 2010, transfer of the Class 30 Trademark was approved by the Trademark Office under the State Administration for Industry and Commerce of the PRC. On July 7, 2010, registration of Class 30 Trademark was approved by the Trade Mark Office under the State Administration for Industry and Commerce of the PRC and since then, HK Well Excellent has become the registered owner of Class 30 Trademark.

- (b) On August 3, 2010, Tang Palace HK Prosperous entered into a trademark transfer and license agreement with HK Well Excellent, pursuant to which HK Well Excellent agreed to transfer Class 42 Trademark and Class 30 Trademark to Tang Palace HK Prosperous at a total consideration of RMB4.18 million. To ensure that our Group would be able to use the Class 42 Trademark pending completion of the transfer (which, as advised by our PRC legal advisors, would be the date on which such transfer is approved and published by the Trade Mark Office under the State Administration for Industry and Commerce of the PRC), HK Well Excellent has also granted a license to Tang Palace HK Prosperous to use and sub-license the Class 42 Trademark to other parties until the expiry of HK Well Excellent’s exclusive right to use such trademark (that is, the earlier of (a) the expiry of the registration validity period for Class 42 Trademark, which is September 6, 2020 or (b) the completion of the transfer of such trademark to Tang Palace HK Prosperous) at a total consideration of RMB3,000. On January 28, 2011, Tang Palace HK Prosperous entered into a trademark license agreement with HK Well Excellent, pursuant to which HK Well Excellent granted a license to Tang Palace HK Prosperous, at nil consideration, to use and sub-license the Class 30 Trademark to other parties until the transfer of such trademark to Tang Palace HK Prosperous is approved. As of the Latest Practicable Date, the trademark transfer and

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license agreements had been submitted to the Trademark Office under the State Administration for Industry and Commerce of the PRC for approval. Such approvals are expected to be obtained by end of April 2011. Our PRC legal advisors have advised that there is no legal impediment for us to obtain the approvals. As HK Well Excellent is owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku, who are our Controlling Shareholders and executive Directors, the trademark licenses under the trademark transfer and license agreements constitute continuing connected transactions upon the Listing. Based on the license fee of RMB3,000 payable by us under the agreement, it is expected that each of the percentage ratios (other than the profits ratio), where applicable, calculated by reference to Rule 14.07 of the Listing Rules, will be less than 0.1%, the trademark licenses will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

- (c) On January 21, 2010, Tang Palace HK Prosperous acquired from Master Strength Limited the trademark 唐宮 registered under its name under class 43 in Hong Kong at a nominal consideration of HK\$1.00, which was determined by arm's length negotiation between the parties. Master Strength Limited is owned as to 70% by Mr. Cheung Kin Ting, Alfred, an independent non-executive Director, and as to 30% by his wife.

PRC legal compliance

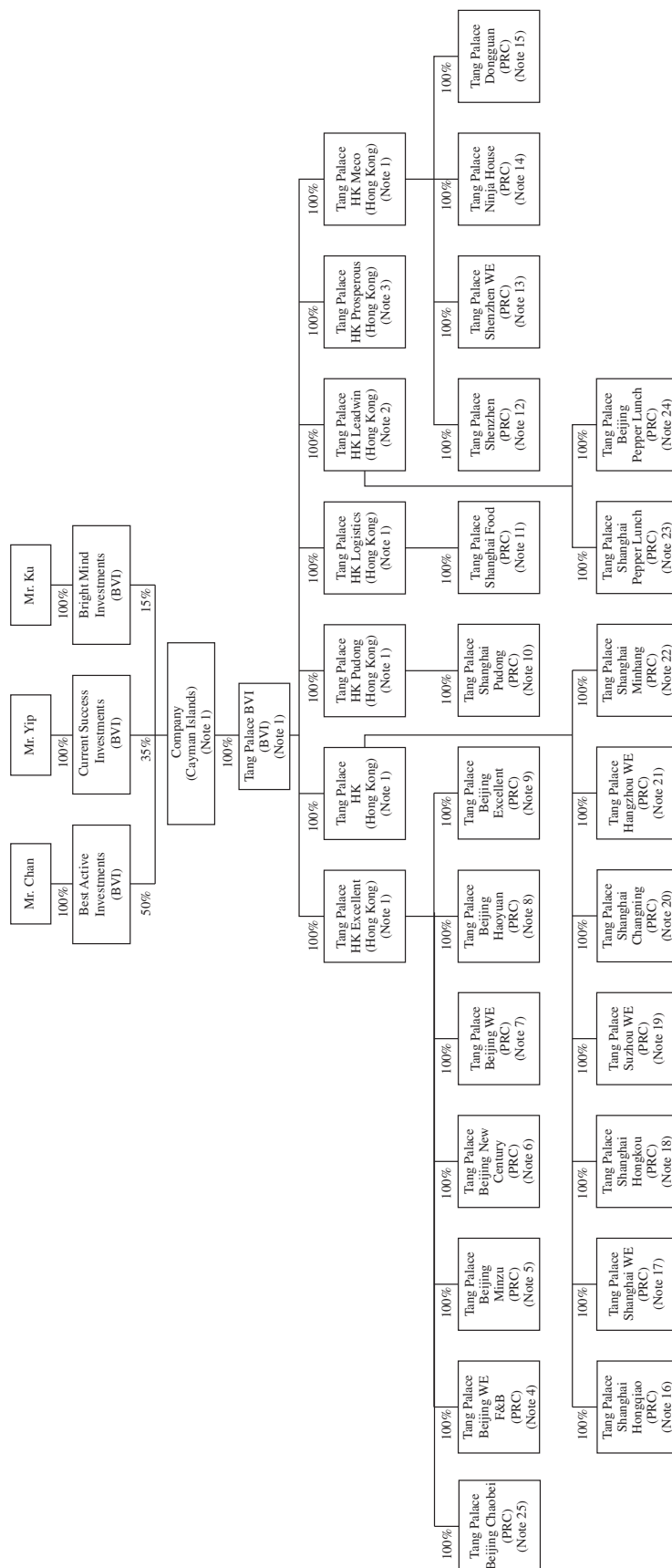
On August 8, 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the China Securities Regulatory Commission ("CSRC") promulgated a regulation, namely, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "Acquisition Regulations") (關於外國投資者併購境內企業的規定), which became effective on September 8, 2006 and was revised on June 22, 2009. The Acquisition Regulations require that an offshore special purpose vehicle formed for listing purposes and controlled, directly or indirectly, by PRC companies or individuals shall obtain approval from the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

Based on their understanding of the current PRC laws, regulations and rules, our PRC legal advisors have advised that the Acquisition Regulations do not apply to the Reorganization carried out by our Group in the PRC and that the Listing does not require approval of the CSRC, as each of Mr. Chan, Mr. Yip and Mr. Ku is a permanent resident in Hong Kong, while Provisions on Changes in Equity Interest of Investors in Foreign Investment Enterprises (外商投資企業投資者股權變更的若干規定) should govern the relevant steps in the Reorganization. As advised by our PRC legal advisors, all necessary approvals and permits from the relevant competent PRC regulatory authorities required for the implementation of the Reorganization have been obtained. As further advised by our PRC legal advisors, the Circular on Further Strengthening the Administration of Overseas Share Issuance and Listing (關於進一步加強在境外發行股票和上市管理的通知) promulgated by the State Council on June 20, 1997 does not apply to the Listing on the basis that no existing shareholder of the members of our Group is an enterprise established in the PRC.

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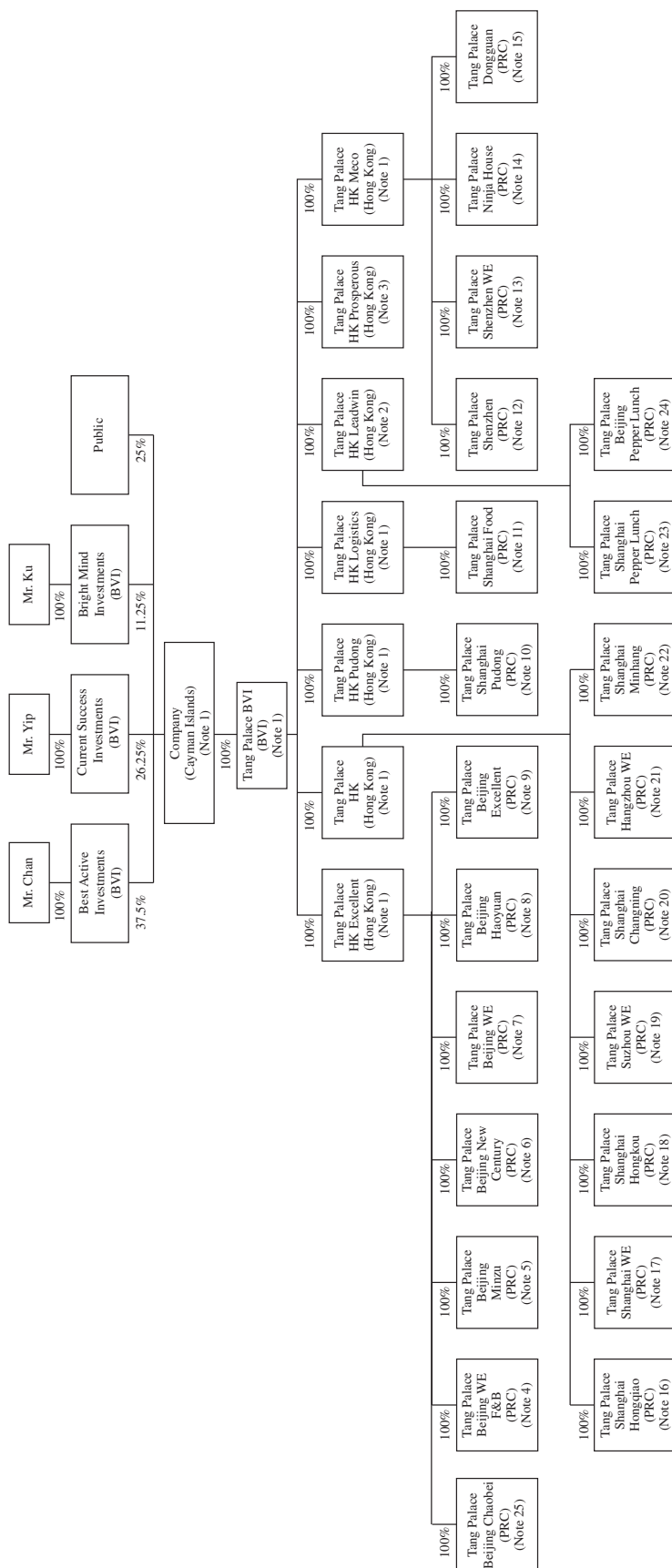
CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately before the completion of the Global Offering and the Capitalization Issue:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme):



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

1. Each of our Company, Tang Palace BVI, Tang Palace HK Excellent, Tang Palace HK, Tang Palace HK Pudong, Tang Palace HK Logistics and Tang Palace HK Meco, is an investment holding company.
2. Tang Palace HK Leadwin is the franchisee under the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai Area).
3. Tang Palace HK Prosperous is the holder of our trademarks.
4. Tang Palace Beijing WE F&B is engaged in food and beverage business. It currently operates Beijing Xinqiao Restaurant.
5. Tang Palace Beijing Minzu is engaged in food and beverage business. It currently operates Beijing Minzu Restaurant.
6. Tang Palace Beijing New Century is engaged in food and beverage business. It currently operates Beijing New Century Restaurant.
7. Tang Palace Beijing WE is engaged in food and beverage business. It currently operates Beijing Chaoyang Restaurant.
8. Tang Palace Beijing Haoyuan is engaged in food and beverage business. It currently operates Beijing Haoyuan Jianguo Restaurant.
9. Tang Palace Beijing Excellent is engaged in food and beverage business. It currently operates Beijing Wangjing Restaurant.
10. Tang Palace Shanghai Pudong is engaged in food and beverage business. It currently operates Shanghai Super Brand Restaurant.
11. Tang Palace Shanghai Food is engaged in food processing. It currently operates Shanghai Food Plant.
12. Tang Palace Shenzhen is engaged in food and beverage business. It currently operates Shenzhen Hongling Restaurant.
13. Tang Palace Shenzhen WE is engaged in food and beverage business. It currently operates Shenzhen Dongmen Restaurant.
14. Tang Palace Ninja House is engaged in food and beverage business. It currently operates Shenzhen Ninja House Restaurant and Shenzhen Dongmen Jiangnan Cuisine.
15. Tang Palace Dongguan is engaged in food and beverage business. It currently operates Dongguan Shibo Restaurant.
16. Tang Palace Shanghai Hongqiao is engaged in food and beverage business. It currently operates Shanghai Galaxy Restaurant.
17. Tang Palace Shanghai WE is engaged in food and beverage business. It currently operates Shanghai Dickson Tang's Cuisine.
18. Tang Palace Shanghai Hongkou is engaged in food and beverage business. It currently operates Shanghai Hongkou Restaurant.

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19. Tang Palace Suzhou WE is engaged in food and beverage business. It currently operates Suzhou Matro Restaurant.
20. Tang Palace Shanghai Changning is engaged in food and beverage business. It currently operates Shanghai Metropark Restaurant.
21. Tang Palace Hangzhou WE is engaged in food and beverage business. It currently operates Hangzhou MIXC Restaurant.
22. Tang Palace Shanghai Minhang is engaged in food and beverage business. It currently operates Shanghai Sky Fortune Tang's Cuisine.
23. Tang Palace Shanghai Pepper Lunch was established to engage in the development and operation of fast food restaurants under the brand name of *Pepper Lunch* (胡椒厨房) in Shanghai. As of the Latest Practicable Date, we have not commenced operation of *Pepper Lunch* (胡椒厨房) fast food restaurants in Shanghai.
24. Tang Palace Beijing Pepper Lunch is engaged in the development and operation of fast food restaurants under the brand name of *Pepper Lunch* (胡椒厨房) in Beijing. It currently operates Beijing Joy City Pepper Lunch and Beijing Yaojiayuan Pepper Lunch.
25. Tang Palace Beijing Chaobei was established to engage in food and beverage business. It currently operates Beijing Chaobei Joy City Restaurant.

Pursuant to the articles of association of Tang Palace Beijing Chaobei, its registered capital shall be paid up within six months from the date of its business license, i.e. on or before July 11, 2011. As of the Latest Practicable Date, the registered capital of Tang Palace Beijing Chaobei had been paid up. Tang Palace Beijing Chaobei has obtained a capital verification report from an Independent Third Party and is applying for an updated business license with the relevant AIC.

As advised by our PRC legal advisors, one of our PRC subsidiaries, Tang Palace Shanghai WE, had delayed in making its capital contribution for 15 days. As advised by our PRC legal advisors, if a shareholder of a wholly foreign-owned enterprise fails to make the capital contribution within the required timeframe, the administration for Industry and Commerce (the "AIC") shall order the shareholder to make rectification and have the right to revoke the business license of the wholly foreign-owned enterprise. However, Tang Palace Shanghai WE's shareholder has fully paid the registered capital of Tang Palace Shanghai WE without the AIC ordering it to make rectification. After reviewing relevant materials relating to the capital contribution submitted to it, the relevant AIC issued a new business license to Tang Palace Shanghai WE, and Tang Palace Shanghai WE has passed the annual examination thereafter. Based on the above, our PRC legal advisors have advised that Tang Palace Shanghai WE should not be subject to any penalties for the aforesaid delay.

Save for the above, the registered capital of all our other PRC subsidiaries has been fully paid up within the required timeframe. Our Controlling Shareholders have agreed to indemnify us in respect of any losses, damages, costs and expenses arising out of or in connection with the irregularity in the contribution of registered capital of Tang Palace Shanghai WE, details of which are set out in the section headed "Other information — Estate duty, tax and other indemnities" in Appendix V to this prospectus.

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OVERVIEW

We are a restaurant chain group in China, providing a wide selection of food and beverage and table services in the PRC. Our restaurants under our own brand names serve a variety of Chinese and Japanese cuisine, and our fast food restaurant under the franchise name of *Pepper Lunch* (胡椒廚房) serves fast food by adopting a DIY cooking method, a concept originated from Japan, which allows our customers to complete the cooking process of their meals on the metal hotplate. We operate our chain restaurants in selected first-tier and second-tier cities in the PRC. As of the Latest Practicable Date, we operated 22 restaurants across Beijing, Shanghai, Shenzhen, Dongguan, Suzhou and Hangzhou and one food plant in Shanghai with an estimated production capacity of 3,240 tons of food products per annum, which was primarily established to provide food production services to our restaurants. Currently, we focus our presence mainly in Beijing and Shanghai, in which we operate a total of nine and six restaurants, respectively. We operate our restaurants under seven brand names: *Tang Palace Seafood Restaurant* (唐宮海鮮舫), *Tang's Cuisine* (唐宮壹號), *Excellent Tang Palace* (盛世唐宮), *Tang Palace Restaurant* (唐宮膳), *Tanggong Jiangnan Cuisine* (唐宮江南一號), *Ninja House Japanese Restaurant* (忍者居日本料理) and *Pepper Lunch* (胡椒廚房) (a franchise name used by us as franchisee to operate our fast food restaurant pursuant to the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area)). Over the years, we have maintained our reputation in regions of the PRC where we operate through our quality food and catering services, as well as our trained and experienced staff. Since the opening of our first restaurant in the PRC in 1997, we have successfully built up our restaurant network and reputation in the PRC, and currently we have a total of approximately 3,800 employees.

We position ourselves to target mid- to high-end spending class customers and business customers as well as to offer wedding banquet services. We generally target different classes of customers in different geographical zones, such as mid-end spending class customers in Guangdong Province, mid- to high-end spending class customers in Beijing and Shanghai. We mainly offer Chinese and Japanese cuisine, and we tailor our menu offerings for different geographical regions according to our understanding of local customers' preferences and consumption patterns. We also offer seasonal menu and special dishes to attract more customers and to gain a larger market share. Moreover, given the recent trend of healthy dining habit, we have also introduced healthy menus to cater to our customers' change of dietary habit.

In order to diversify our business lines, we as franchisee have entered into the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area) with SFBI as franchisor in relation to the development and operation of our fast food restaurants under the brand name of *Pepper Lunch* (胡椒廚房) in Beijing, Tianjin and Shanghai. Currently, we plan to focus on our franchise network in Beijing, Tianjin and Shanghai.

Pursuant to the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area), SFBI as franchisor has granted us, the franchisee, an exclusive right within Beijing, Tianjin and Shanghai to develop and operate fast food restaurants under the brand name of *Pepper Lunch* (胡椒廚房). The Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area) have an initial term of 10 years from April 12, 2010 and November 12, 2010, respectively, which may be extended upon satisfaction of certain conditions by us. As the franchisee under each of the Master Franchise Agreement (Beijing and Tianjin area) and

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the Master Franchise Agreement (Shanghai area), we have paid a lump sum territory fee of US\$300,000 for the initial franchise period of 10 years, subject to renewal. In addition, we are required to pay the franchisor a unit franchise fee of US\$15,000 for each *Pepper Lunch* (胡椒廚房) fast food restaurant we open, and a monthly royalty fee calculated based on prescribed percentage rates ranging from 3% to 5% of the monthly gross turnover of the fast food restaurants, where the percentage rate shall progressively decrease with reference to the increase in our monthly gross turnover, under the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area).

We will continue to expand our restaurant network strategically as we believe that scale and broad geographical coverage promote brand recognition. We plan to focus our efforts on opening new restaurants in larger and more developed cities in the PRC, where we expect future growth to be concentrated. Subject to market conditions and other factors, we are currently targeting to open about 27 new restaurants (including *Pepper Lunch* (胡椒廚房) fast food restaurants) in the coming two years.

We have adopted modern management techniques in operating our restaurant business. In this connection, our Directors have implemented the 5S management system (Sort, Systemize, Shine, Standardize and Self-discipline), a common management practice adopted by our Group throughout the entire operational process, starting from sourcing and processing of food ingredients, maintaining hygiene standards, staff training to daily management of each of our restaurants.

Our revenues for the years ended December 31, 2008, 2009 and 2010 were approximately RMB393.3 million, RMB449.9 million and RMB606.5 million, respectively. Our profit and total comprehensive income for the years ended December 31, 2008, 2009 and 2010 were approximately RMB25.9 million, RMB32.0 million and RMB46.5 million, respectively, representing a CAGR of approximately 34.1%.

OUR COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

We have strategic cooperation arrangements with certain well-known hotel groups

Given our reputation in terms of high quality in food and services, we were able to maintain a long-term cooperation relationship with some well-known hotel groups in the PRC. We have operated our restaurants under our brand names inside the hotels owned or controlled by those hotel groups in the PRC, including Shanghai Jin Jiang International Hotels (Group) Company Limited (上海錦江國際酒店(集團)股份有限公司) (“**Jin Jiang Hotel Group**”) since 2006 and Beijing Capital Tourism Group Co., Ltd. (北京首都旅遊股份有限公司) (“**Beijing Tourism Group**”) since 2001.

In order to further strengthen our business relationship, we have entered into strategic cooperation framework agreements with Jin Jiang Hotel Group and Beijing Tourism Group. Pursuant to the strategic cooperation framework agreement dated October 26, 2010 entered into between us and Jin Jiang Hotel Group, Jin Jiang Hotel Group granted us a priority over other competitors to (i) open restaurants under our brand names inside hotels or premises owned by Jin Jiang Hotel Group and (ii)

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recommend our restaurants to the owners of hotels managed by Jin Jiang Hotel Group. Pursuant to the strategic cooperation framework agreement dated October 18, 2010 entered into between us and Beijing Tourism Group, Beijing Tourism Group granted us a priority over other competitors to (i) open and operate Chinese restaurants under our brand names inside hotels owned by Beijing Tourism Group and (ii) select our desired premises for the opening of our restaurants inside hotels owned by Beijing Tourism Group. The term of the strategic cooperation framework agreement with Beijing Tourism Group is for a minimum of 10 years from the date of entering of the agreement. We have not yet agreed with Jin Jiang Hotel Group on the duration of the strategic cooperation framework agreement. Under both strategic cooperation framework agreements, we can open new restaurants at our discretion under our different brand names in hotels or premises owned or controlled by Jin Jiang Hotel Group and Beijing Tourism Group according to the different grades of the hotels or premises. Save for the above strategic cooperation framework agreements, up to the Latest Practicable Date, we had not entered into other similar strategic or long-term cooperation agreements with our existing and potential strategic cooperation partners.

Given the success of our operation of restaurants under the strategic cooperation arrangement, we plan to enter into other similar long-term cooperation agreements with our existing and potential strategic cooperation partners to open new restaurants under our different brand names inside hotels or premises owned by them. We believe such arrangement would offer competitive advantages for the development of our restaurant business and increase our market share, in particular, the strategic location of our restaurants inside those hotels would enhance our corporate image and brand recognition, and allow us to secure more business customers as well as large enterprise customers, hence, we can stably expand our restaurant network in our target market and at the desired locations.

We strategically located our restaurants with multi-branding strategy

We target at mid- to high-end spending class customers, therefore, we strategically identify suitable locations for our restaurants. We open our restaurants in selected locations in first-tier and second-tier developed cities in China. Our restaurants are generally located in high-class hotels and popular shopping malls to attract high-spending business customers and general spending customers, respectively. We also consider other factors such as location, consumers spending habit, competitors, and geographical characteristics before opening any new restaurant. We locate different branded restaurants in different locations according to our understanding of local customers' preferences and spending power. For instance, in Shanghai, we located our brand *Tang's Cuisine* (唐宮壹號) inside Jin Jiang Dickson Center, a high-class shopping mall in Shanghai to target at high-spending business customers. In Beijing, we located our brand *Excellent Tang Place* (盛世唐宮) in Wang Jing residential area in Chaoyang District to attract mid-end spending class family diners.

Each of our brand features a distinctive brand image. Apart from offering different food themes or cuisine, our restaurants under different brand names have different styles of decoration, tableware and staff uniform, in order to provide different dining experiences to our customers. For example, the decoration in our Shanghai Galaxy Restaurant was designed by an architecture company operated by a world-class architect. Featuring the theme of "water", innovative building materials (such as carpets and glass walls with water pattern printed) were used to create curve structure and provide a comfortable and spacious environment. On the other hand, our Beijing Wangjing Restaurant was decorated with simple and traditional patterns in Tang Dynasty theme (such as partition walls, ceiling

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and door handles with sculptures and paintings of Tang Dynasty) and our Dongguan Shibo Restaurant has 39 VIP rooms with different themes and a diamond banquet hall to accommodate 80 tables to specifically target wedding banquet services. We believe that this multi-branding strategy facilitates the expansion of our restaurants under different brand names in different locations according to the local customers' spending power and allows us to capture additional market share.

We have a long operating history and established our reputation within the regions where we operate, and we serve Cantonese cuisine with innovative ideas

With 14 years of operating experience in the Chinese restaurant industry in the PRC, we have established our reputation for our quality food and catering services in certain regions of the PRC where we operate. We adopt a consistent level of quality control to ensure quality in food and services is to our customers' satisfaction. We seek to differentiate ourselves from our competitors by developing new and healthy dishes and serving a variety of Cantonese cuisine that cater to the different tastes and preferences of our customers. Our food is innovative and health-conscious.

As a result of our brand recognition and reputation in the regions where we operate, we have been able to attract a broad customer base and enhance customer loyalty. In order to maintain our competitiveness and enhance our market position, we continuously strive to expand and improve our product offerings, and to present a new concept of Cantonese cuisine to our customers. We believe that our focus on innovation has enabled us to differentiate our food products and strengthened our brand recognition and market share, which will continue to drive the growth in sales of our food products.

We have implemented the 5S management system and put strong emphasis on the quality of food and services

The 5S management system is a common management practice that we have adopted to improve our overall efficiency in our business operations, which is not an industry standard in the food and beverage industry. The concept of 5S management system is to ensure operating safety, maintain cleanliness, standardize our operations and improve our production efficiencies. We have implemented the 5S management system throughout our entire operational process to control on the quality of our food, services and environment by strict observance of the systemic quality standard and procedure. We have adopted the 5S management system in operating our restaurants and Shanghai Food Plant. We have an internal manual for 5S management system and all of our staff are required to receive on-going training on 5S management system to ensure all rules and procedures are adhered to.

Our Directors believe that quality is the key to our success. We therefore place strong emphasis on quality control of our food and services. We developed a centralized procurement strategy to ensure quality products at competitive prices, and we established a quality control system to monitor the food production process to ensure the quality of food provided by us at each restaurant. Further, our food products are prepared in accordance with our standard recipes. As a result, we can better maintain the standards of our food products. Our human resources department has set up a training and assessment system, pursuant to which our mid-level managerial staff are trained to enhance their managerial and interpersonal capabilities, while training for junior staff concentrates on quality of services and professional operational skills. We believe that the implementation of our comprehensive internal training system would enhance the quality of services provided at our restaurants.

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We have a systematic restaurant management and business model which can be easily adopted in other regions of the PRC

With 14 years of operating experience in the Chinese restaurant industry in the PRC, our management team has developed a management and business model which we believe would allow us to easily expand our restaurant business to other regions in the PRC. We have established and implemented a set of systematic procedures and management guidelines for opening new restaurants under our brands. We have organized our Group such that our restaurants are managed and operated by regional management offices in their respective areas. Currently, we have three regional management offices in Beijing, Shanghai and Guangdong. Our head office is responsible for the management of these three regional management offices to ensure smooth and consistent operation of all of our restaurants. The opening of new restaurant in different region is centrally organized and arranged by our regional operations department (地區營運部) and regional project department (地區工程部), with the supervision and support from our head office. We designate and allocate our experienced chefs and staff to each newly-opened restaurant to ensure a smooth operation and a standardized service quality. Our training department also provides standard training to our staff on service quality and offers exchange programs to our staff to work across our restaurants in different regions. We believe this business and operational model will allow us to expand at a faster and more efficient pace since these regional management offices will have the local expertise in facilitating our expansion plans, while maintaining a unified standard of our restaurants. We intend to replicate our management model in running all our new restaurants.

Our complementary business can diversify our business lines

Our Group has different lines of business, including the operation of Chinese and Japanese restaurants under our own brand names and operation of fast food restaurants under the franchise name *Pepper Lunch* (胡椒廚房). Our accumulated experience in operating Chinese restaurants and our financial strength allows us to diversify our business lines. Our Directors believe that our own branded restaurant business will provide an ongoing income stream while the fast food business provides an additional source of income to our Group from another market segment. The various business lines of our Group share resources, where possible, and help our Group to reduce risks associated with the operation of a single line of business.

We have a management team with both experienced and youthful managerial personnel and we provide continuous staff training and career development opportunities

We have a management team with both experienced and youthful managerial personnel. Three of our executive Directors, namely, Mr. Yip, Mr. Chan and Mr. Ku have over 25 years of experience in the Chinese restaurant industry and with a wealth of experience in corporate, strategic, financial, logistics and business management. We have a senior management team with members having experience in different aspects of the Chinese restaurant industry. Our management team also consists of young members who are working under the leadership of our senior management. Our Directors believe that a management team with both experienced and youthful managerial personnel is

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beneficial to our business, as our senior management team members could share their experience in operating our restaurants, while the young management team members could bring in passion and energy to our Group. Please refer to the section headed “Directors and Senior Management” in this prospectus for more information on our management team.

We have invested resources to recruit, retain and motivate qualified managerial personnel, including restaurant-level management and mid-level personnel, to assist us in managing our restaurants. We have also entered into arrangements with certain hotel management schools, including but not limited to, Haikou Vocational Tourism School (海口旅遊職業學校), Guangdong Industry Technical College (廣東輕工職業技術學校) and Guangxi Guilin Commerce and Trade Tourism and Technical School (廣西桂林商貿旅遊技工學校) for the recruitment of qualified employees as well as maintaining a stable source of supply of employees to our restaurants. Please refer to the section headed “Business — Employees” in this prospectus. We offer a three-month comprehensive training program to all new staff and continuous training to all of our employees on providing quality services. We also offer ongoing training and attractive career development opportunities to our senior management.

OUR BUSINESS STRATEGIES

Our goal is to become one of the most highly regarded restaurant groups in the PRC which provides quality food, services and dining experience. We plan to accomplish our goal through the following strategies:

Increase the number of group restaurants in our network

Our restaurants are mainly located in three regions in the PRC: Northern PRC, Eastern PRC and Southern PRC. We will continue to focus on our core business by increasing the number of restaurants to achieve overall revenue growth. Our future development plan will mainly focus on the expansion of our restaurant network across northern, eastern and southern regions of the PRC. We will select different locations in some of the first-tier cities in the PRC to open new restaurants under our different brand names according to the surrounding environment and local customers’ spending power, although we may also consider to further expand our restaurant business to other second-tier cities in the PRC in the coming years, depending on our overall growth. The above expansion is expected to be financed out of our net proceeds from the Global Offering and internal resources generated from our operating activities from time to time and, if our Directors consider necessary and appropriate, through external financing from debt and equity financing.

Subject to market conditions and other factors, we are currently targeting to open about 27 new restaurants (including *Pepper Lunch* (胡椒廚房) fast food restaurants) by the end of 2012 with a total investment of approximately RMB124.6 million. As of the Latest Practicable Date, we had committed a capital expenditure of approximately RMB1.6 million for the two *Pepper Lunch* (胡椒廚房) fast food restaurants out of the 27 new restaurants to be opened by us. In order to manage our overall growth, we will strengthen our management and efficiency of our operations. We will continue to recruit qualified managerial personnel to assist in the management of our restaurants and improve the service quality of our staff through systematic and comprehensive training programs. Through our arrangements with various hotel management schools, we believe that we can maintain a stable source

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of supply of qualified employees for our growing needs. We also plan to upgrade our IT and ERP systems for achievement of higher operational efficiency. We believe the enhancement of our operation systems will enable our management team to closely monitor the business performance of our restaurants.

Before the opening of any new restaurant, we will consider factors such as the anticipated sales growth to be provided by the new restaurant and our customers' dining preferences. We operate under seven brand names and each brand name is targeted at different customer groups. We determine the branding of the restaurant in different areas based on the location and the surrounding environment of the chosen city. For example, our brand *Tang's Cuisine* (唐宮壹號) mainly targets at high-spending business customers and our choice of location for this branded restaurant will be inside high-end hotels or shopping malls, whereas our brand *Tang Palace Seafood Restaurant* (唐宮海鮮舫) mainly targets at mid-end spending class customers and family diners and this branded restaurant will usually be located within residential areas with dense population, large shopping malls and commercial districts. We will also conduct market survey to collect feedbacks from our potential customers on their expectations of food choices and spending levels.

Further diversifying our food products to cater to our customers' changing tastes and preferences

We plan to offer a more diverse choice of dishes to cater to our customers' changing tastes and preferences as well as attract new customers. In particular, we plan to launch five to six new dishes in each of our restaurants every month based on discussion and sharing with industry experts, recommendations from our customers, as well as our observation of the customers' preferences. Our product output department (出品部) is responsible for the central planning of new food product offerings focusing on research and development flow, production procedure, product standard, quality testing and production training. We note that our customers' tastes and preferences are constantly evolving and the demand for variety is constantly growing as lifestyle changes. We revamp our main menu every two years and our seasonal menu every six months to cater to our customers' changing tastes and preferences. We have introduced two sets of seasonal healthy menus to cater to our customers' change of dietary habit. We have also started to purchase organic vegetables, tea leaves and Chinese mitten crabs from organic farms located in Shanghai, Suzhou and Anhui to be used as our food ingredients. In addition, our product output department in Shanghai Food Plant has been focusing on providing a diversified range of seasonal food products to our customers. We will further enhance our customers' confidence in our food by continuing to improve and upgrade our existing menus.

Increase and enhance our brand marketing activities

We plan to strengthen our national marketing efforts in terms of brand-building, advertising and other means of promotion, taking into consideration the different characteristics of our geographical markets and customer segments. Our national brand marketing efforts will focus on strengthening our reputation for high quality, healthy and delicious Cantonese cuisine. We expect to increase our marketing activities through various promotional campaigns and activities at the restaurants, as well as engaging in certain promotional activities organized in shopping malls.

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Strengthen our operational infrastructure and activities and upgrade our existing facilities

A key component of our strategy to improve restaurant performance is to strengthen the management and efficiency of our operations. We have implemented measures to enhance restaurant cleanliness and safety standards, improve food freshness, provide better customer services and improve our performance. We are also introducing measures to achieve higher staff utilization and efficiency rates, greater standardization of our restaurant practices and more centralized operational management.

Further, we have been and will continue to upgrade our restaurant facilities, in order to promote efficiency of our restaurant operations. Given the raising public awareness of environmental protection, we plan to adopt the “Cool Kitchen” management practices. It is not a standard industry term, but a management practice which aims to make kitchen to reach cool, clean and control (collectively, “3C”) standards and develop pleasant working environment by means of creating an environmentally friendly kitchen layout, ventilation design, green equipment and facilities, which will not only provide a more pleasant working environment but will also enhance the competitiveness of our restaurants. We plan to modify our current kitchen layout and ventilation design, and replace our existing operational equipment with green equipment or facilities, which can save energy and resources, enhance work safety and staff morale, ultimately raising the efficiency and competitive edge of our restaurants.

Business diversification in fast food industry

Although our main focus will be on the expansion of restaurants under our own brand names in the PRC market, we believe that the operation of franchised restaurants will complement our growth strategies and enhance operational efficiency, as well as diversify our income stream. We as franchisee have entered into the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area) with SFBI as franchisor in relation to the development and operation of our fast food restaurants under the brand name of *Pepper Lunch* (胡椒廚房) in Beijing, Tianjin and Shanghai. Currently, we plan to focus on our franchise network in Beijing, Tianjin and Shanghai. We have opened two *Pepper Lunch* (胡椒廚房) fast food restaurants as of the Latest Practicable Date. We aim to establish eight additional *Pepper Lunch* (胡椒廚房) fast food restaurants by 2011 and another 11 by 2012.

In order to ensure the consistency of the quality of food and services throughout our *Pepper Lunch* (胡椒廚房) fast food restaurant network, we will implement a standardized system to support the growth of our *Pepper Lunch* (胡椒廚房) fast food restaurants. The franchisor has developed a training and support system to provide professional training to us to ensure the quality of food and services at our *Pepper Lunch* (胡椒廚房) fast food restaurants.

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We believe that the operation of our *Pepper Lunch* (胡椒廚房) fast food restaurants is commercially beneficial to us for the following reasons. First, it has a simple business model. The opening of the fast food restaurants only requires a small start-up capital, and it has a fast pay-back period. Second, it will diversify our product portfolio, in order to adapt to the current market trend of youthization.

Further enhance our centralized procurement system and centralized production system to achieve efficiency and price competitiveness

Currently, we have a centralized procurement system for high-value food ingredients which allows us to standardize and control the quality of the food ingredients as well as ensure a competitive price. Our Shanghai Food Plant has also adopted a centralized procurement system for providing food production services to our restaurants within Eastern PRC. In view of the benefits brought to us in terms of food quality and production efficiency, we plan to enhance our current centralized procurement system to broaden the variety of food purchasing and strengthen our logistics channels, and further develop our centralized food production system in Shanghai Food Plant. In particular, we plan to purchase additional food production equipments to be used in our Shanghai Food Plant for centralized production of self-packed high value food products (including but not limited to abalone and sea cucumber), dim-sums and seasoning sauces, which are to be supplied to our restaurants across Northern, Eastern and Southern PRC. We believe that the above arrangement will further promote efficiency as it integrates our purchasing and food-producing process, promote standardization in the food preparation process and quality control, and allow us to negotiate a bulk-purchasing discount in order to lower our overall purchasing costs.

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OVERVIEW OF OUR RESTAURANT OPERATIONS

OUR BRANDED RESTAURANTS

As of the Latest Practicable Date, we operated 22 restaurants in the PRC serving Chinese and Japanese cuisine, and fast food under the following seven brands:

- (i) *Tang Palace Seafood Restaurant (唐宮海鮮舫)*
 - (1) Shanghai Metropark Restaurant
 - (2) Beijing New Century Restaurant
 - (3) Beijing Chaoyang Restaurant
 - (4) Beijing Minzu Restaurant
 - (5) Beijing Haoyuan Jianguo Restaurant
 - (6) Beijing Chaobei Joy City Restaurant
 - (7) Dongguan Shibo Restaurant
 - (8) Shanghai Galaxy Restaurant
 - (9) Shanghai Super Brand Restaurant
 - (10) Suzhou Matro Restaurant
 - (11) Beijing Xinqiao Restaurant
 - (12) Hangzhou MIXC Restaurant

- (ii) *Tang's Cuisine (唐宮壹號)*
 - (13) Shanghai Dickson Tang's Cuisine
 - (14) Shanghai Sky Fortune Tang's Cuisine

- (iii) *Excellent Tang Palace (盛世唐宮)*
 - (15) Shenzhen Dongmen Restaurant
 - (16) Beijing Wangjing Restaurant

- (iv) *Tang Palace Restaurant (唐宮膳)*
 - (17) Shenzhen Hongling Restaurant
 - (18) Shanghai Hongkou Restaurant

- (v) *Tanggong Jiangnan Cuisine (唐宮江南一號)*
 - (19) Shenzhen Dongmen Jiangnan Cuisine

- (vi) *Ninja House Japanese Restaurant (忍者居日本料理)*
 - (20) Shenzhen Ninja House Restaurant

- (vii) *Pepper Lunch (胡椒廚房)*
 - (21) Beijing Joy City Pepper Lunch
 - (22) Beijing Yaojiayuan Pepper Lunch

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The following table sets out the operating data of each of our restaurants.

Restaurants	Brand	Year of ⁽¹⁾ commencement of operation	Seating capacity	Gross floor area	Type of cuisine served	Target customer group
			<i>(seats)</i>	<i>(sq.m.)</i>		
Beijing New Century Restaurant	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	2002	280	1,700.00	Cantonese cuisine	mid- to high-end spending class business and family customers
Beijing Chaoyang Restaurant	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	2002	212	1,100.00	Cantonese cuisine	mid- to high-end spending class business and family customers
Beijing Minzu Restaurant	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	2003	296	1,366.80	Cantonese cuisine	mid- to high-end spending class business and family customers
Beijing Haoyuan Jianguo Restaurant	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	2004	154	809.00	Cantonese cuisine	mid- to high-end spending class business and family customers
Dongguan Shibo Restaurant	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	2006	1,500	6,370.06	Cantonese cuisine	mid- to high-end spending class business and family customers
Shanghai Galaxy Restaurant	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	2006	400	1,605.00	Cantonese cuisine	mid- to high-end spending class business and family customers
Shanghai Super Brand Restaurant	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	2006	622	2,461.85	Cantonese cuisine	mid- to high-end spending class business and family customers
Suzhou Matro Restaurant	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	2009	340	1,960.00	Cantonese cuisine	mid- to high-end spending class business and family customers
Beijing Xinqiao Restaurant	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	2009	326	1,507.48	Cantonese cuisine	mid- to high-end spending class business and family customers

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Restaurants	Brand	Year of ⁽¹⁾ commencement of operation	Seating capacity (seats)	Gross floor area (sq.m.)	Type of cuisine served	Target customer group
Hangzhou MIXC Restaurant	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	2010	320	3,248.00	Cantonese cuisine	mid- to high- end spending class business and family customers
Shanghai Metropark Restaurant	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	2010	741	3,100.00	Cantonese cuisine	mid- to high- end spending class business and family customers
Beijing Chaobei Joy City Restaurant	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	2011	472	2,666.00	Cantonese cuisine	mid- to high- end spending class business and family customers
Shanghai Dickson Tang's Cuisine	<i>Tang's Cuisine</i> (唐宮壹號)	2008	230	1,806.00	Cantonese cuisine	high-end spending class business customers
Shanghai Sky Fortune Tang's Cuisine	<i>Tang's Cuisine</i> (唐宮壹號)	2010	470	1,369.29	Cantonese cuisine	high-end spending class business customers
Shenzhen Dongmen Restaurant	<i>Excellent Tang Palace</i> (盛世唐宮)	2007	402	1,444.80	Cantonese cuisine	mid- to high- end spending class business and family customers for banquet and social functions
Beijing Wangjing Restaurant	<i>Excellent Tang Palace</i> (盛世唐宮)	2008	336	2,456.00	Cantonese cuisine	mid- to high- end spending class business and family customers for banquet and social functions
Shenzhen Hongling Restaurant	<i>Tang Palace Restaurant</i> (唐宮膳)	1997	400	1,313.00	Cantonese cuisine	mid-end spending class family customers and friends gathering
Shanghai Hongkou Restaurant	<i>Tang Palace Restaurant</i> (唐宮膳)	2008	470	2,592.71	Cantonese cuisine	mid-end spending class family customers and friends gathering

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Restaurants	Brand	Year of ⁽¹⁾ commencement of operation	Seating capacity	Gross floor area	Type of cuisine served	Target customer group
			(seats)	(sq.m.)		
Shenzhen Dongmen Jiangnan Cuisine	<i>Tanggong Jiangnan Cuisine</i> (唐宮江南一號)	2010	284	1,157.18	Jiangnan cuisine	mid-end spending class business and family customers
Shenzhen Ninja House Restaurant	<i>Ninja House Japanese Restaurant</i> (忍者居日本料理)	2003	180	788.63	Japanese food	young diners
Beijing Joy City Pepper Lunch	<i>Pepper Lunch</i> (胡椒廚房)	2010	58	132.00	Fast food	young diners
Beijing Yaojiayuan Pepper Lunch	<i>Pepper Lunch</i> (胡椒廚房)	2011	60	174.79	Fast food	young diners

Note 1: As of December 31, 2008, 2009 and 2010, we had operated 13, 15 and 20 restaurants, respectively, excluding Grand Coffee. Grand Coffee (格蘭咖啡) commenced operation in 2008 and generated an aggregate revenue of less than approximately RMB200,000 for the year ended December 31, 2010. As Grand Coffee had been operating at a loss during the Track Record Period, it eventually ceased operation in April 2010. Apart from Grand Coffee, we have not ceased the operation of any restaurant operated by the companies within our Group.

The following table sets out the average spending per customer, average daily revenue and percentage of revenue contributed to our Group of each of our restaurants by brands during the Track Record Period.

Brands	Average spending per customer (RMB)			Average Daily Revenue (RMB'000)			Percentage of revenue contributed to our Group		
	for the year ended December 31,			for the year ended December 31,			for the year ended December 31,		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	142.3	144.2	142.9	756	882	1,193	70.3%	64.9%	66.6%
<i>Tang's Cuisine (唐宮壹號)</i>	187.4	249.2	270.7	32	69	182	0.2%	5.6%	9.6%
<i>Excellent Tang Palace (盛世唐宮)</i> ..	79.7	85.0	80.5	132	156	168	10.8%	12.7%	10.1%
<i>Tang Palace Restaurant (唐宮膳)</i> ...	92.9	92.5	89.7	185	182	190	16.3%	14.8%	11.4%
<i>Tanggong Jiangnan Cuisine</i> (唐宮江南一號).....	—	—	42.5	—	—	15	—	—	0.4%
<i>Ninja House Japanese Restaurant</i> (忍者居日本料理)	35.7	42.4	51.3	26	24	22	2.4%	1.9%	1.3%
<i>Pepper Lunch (胡椒廚房)</i>	—	—	35.8	—	—	8	—	—	0.3%

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Although our brand *Tang Palace* (唐宮) is generally used in our advertisement and promotional materials, we adopt different brands for different restaurants targeting at different customer groups and provide different dining experiences. Our brands are distinctive from each other. Our restaurants under our different brands have different styles of decoration, theme and tableware. We believe this multi-branding strategy allows us to increase our market share and to provide additional choices to our customers.

Strategic locations of our restaurants

We operate our chain restaurants in selected cities in the PRC, currently focusing on Beijing, Shanghai, Shenzhen and other second-tier cities in the PRC. All of our restaurants are strategically located in popular residential, commercial or financial areas. The following map illustrates the locations of our restaurants in the PRC as of the Latest Practicable Date:



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The following table shows selected operating data for our restaurants based on a breakdown by region for the year ended December 31, 2010:

Region	Number of restaurants as of December 31, 2010	Total area (sq.m.)	Number of customer visits	Seat turnover ⁽¹⁾	Table turnover rate ⁽²⁾
Northern PRC	7	9,071.28	1,115,032	598,568	186%
Eastern PRC	8	18,142.85	1,897,723	1,117,735	170%
Southern PRC	5	11,073.67	1,821,204	949,950	192%
Total	20	38,287.80	4,833,959	2,666,253	181%

Notes:

- (1) Seat turnover is the multiple of seats available and number of operation day.
- (2) Table turnover rate is defined as the number of visits from January 1, 2010 to December 31, 2010 divided by the seat turnover for such period. The term of “table turnover rate” is not an industry standard, but a calculation method to demonstrate the operational information.

(i) *Tang Palace Seafood Restaurant* (唐宮海鮮舫)

The brand *Tang Palace Seafood Restaurant* was created by us in 1997. Our restaurants under this brand name are located in popular commercial and residential districts to attract mid- to high-end spending class business and family customers. The restaurants mainly serve seafood, dim sum and a wide range of Cantonese cuisine. We established our first *Tang Palace Seafood Restaurant* in Shenzhen⁽¹⁾. Since the establishment of our first *Tang Palace Seafood Restaurant* in 1997, we have expanded the network of this branded restaurant into other cities in the PRC. As of the Latest Practicable Date, we operated 12 restaurants under the brand name of *Tang Palace Seafood Restaurant* in Beijing, Shanghai, Dongguan, Suzhou and Hangzhou, respectively.

Our restaurants under the brand name of *Tang Palace Seafood Restaurant* adopt a variety of decoration styles with a view to creating an atmosphere for business dining, as well as providing our customers with a comfortable and relaxed dining experience. For example, our restaurant Shanghai Galaxy Restaurant was designed by an architecture company operated by a world-class architect. With the theme of “Water”, innovative building materials were used in making curve structure and

Note:

- (1) At its opening, Shenzhen Hongling Restaurant was operated under the brand of “*Tang Palace Seafood Restaurant*”. In order to match our Group’s branding policy, Shenzhen Hongling Restaurant has been operating under the brand of “Tang Place Restaurant” since the end of 2007.

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providing a comfortable and spacious environment. Carpets and glass walls have been printed with water pattern. The curve frame of the restaurant has been decorated with glazed tiles. All VIP rooms are decorated with glass walls separated by bamboos. Our restaurant Hangzhou MIXC Restaurant, located on the top floor of Hangzhou MIXC Mall, is also designed by an architecture company operated by a world-class architect. A huge hollow bamboo roof made by bamboo stripes extends from the wall to the ceiling, featuring a fluctuation of waves. The individual dining rooms are fixed to the ceiling of the hall, which create a multi-layer dining environment with a view to enriching the visual sensation of our customers. The individual dining rooms vary in designs and connected by bridges and bypasses and decorated with semi-transparent walls. Our restaurant Dongguan Shibo Restaurant has a total area of about 6,000 sq.m. in the city center of Dongguan. The restaurant specifically provides catering services with a maximum capacity of 180 tables. It also has a diamond banquet hall to accommodate 80 tables for banquet services. Its 39 VIP rooms are decorated with different themes, such as Regent-Milan, Monalisa, Bali-Indonesia, Windsor Castle-London, Sailing-Dubai, Manhattan-New York, Tang Dynasty and Tang Golden Palace.

(ii) *Tang's Cuisine* (唐宮壹號)

We started operating our restaurant under the brand name of *Tang's Cuisine* in 2008. We launched this brand to target high-end spending class business customers and our restaurants under this brand name are located inside high-class hotel and shopping mall in central business district and prime commercial district. The restaurants mainly serve high quality seafood dishes, signature tonic soup and delicate Cantonese cuisine made with quality ingredients. Our first *Tang's Cuisine* restaurant had its grand opening in Shanghai in 2008, namely, Shanghai Dickson Tang's Cuisine. We opened our second *Tang's Cuisine* restaurant in 2010, namely, Shanghai Sky Fortune Tang's Cuisine. Our restaurants under the brand name of *Tang's Cuisine* make extensive use of metal materials and colored glasses as decoration materials with a view to providing a modern and grand dining experience to our customers. As of the Latest Practicable Date, we operated two restaurants under the brand name of *Tang's Cuisine* in Shanghai.

(iii) *Excellent Tang Palace* (盛世唐宮)

Excellent Tang Palace was founded by us in 2007. Our restaurants under this brand name are located in well established residential and commercial districts. The restaurants mainly provide banquet dining services and hold social functions, in addition to serving mid- to high-end spending class business and family customers. The restaurants provide banquet set meals and a wide variety of Cantonese cuisine. In 2007, we opened our first restaurant under the brand name of *Excellent Tang Palace*, namely, Shenzhen Dongmen Restaurant. We opened our second restaurant under this brand name in 2008, namely Beijing Wangjing Restaurant. Each restaurant has a spacious dining hall, a multi-function room with audio and visual systems for holding wedding banquets and social functions. As of the Latest Practicable Date, we operated two restaurants under the brand name of *Excellent Tang Palace* in Beijing and Shenzhen.

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(iv) *Tang Palace Restaurant (唐宮膳)*

Tang Palace Restaurant was created by us in 2007. Our restaurants under this brand name are located in well established residential areas to target at mid-end spending class family customers and friend gatherings. The restaurants mainly serve Cantonese cuisine with health preserving concepts and at a competitive price to cater the needs of our family customers. In 2007, we opened our first restaurant under the brand name of *Tang Palace Restaurant*, namely, Shenzhen Hongling Restaurant. We opened our second restaurant under this brand name in 2008, namely, Shanghai Hongkou Restaurant. Our restaurants under the brand name of *Tang Palace Restaurant* are decorated with traditional Chinese elements, making use of colors, lightings and furnitures with a view to creating a cozy and casual dining environment to our customers. As of the Latest Practicable Date, we operated two restaurants under the brand name of *Tang Palace Restaurant* in Shanghai and Shenzhen.

(v) *Tanggong Jiangnan Cuisine (唐宮江南一號)*

We opened our first restaurant under the brand name of *Tanggong Jiangnan Cuisine* in 2010. We have located our restaurant under this brand name in a well established commercial district, targeting at mid-end spending class business customers as well as family customers. This restaurant mainly serves contemporary Jiangnan-style cuisine. The restaurant is decorated with selected materials, colors, furniture, and natural scene pictures of Jiangnan. The restaurant consists of VIP rooms with various decoration styles with a view to providing an enjoyable Jiangnan-style dining experience to our customers. As of the Latest Practicable Date, we operated one restaurant under the brand name of *Tanggong Jiangnan Cuisine* in Shenzhen.

(vi) *Ninja House Japanese Restaurant (忍者居日本料理)*

We opened our first Japanese restaurant under the brand name of *Ninja House Japanese Restaurant* in 2003, with the aim of offering Japanese cuisine to cater to the taste of our local customers, especially youngsters. We have located our restaurant under this brand name inside a large shopping mall in Southern China to attract young diners. This restaurant serves popular Japanese cuisine, sushi and buffet. It adopts the open-kitchen concept to allow our customers to witness the food preparation process. Our Shenzhen Ninja House Restaurant is decorated in Japanese theme to provide our customers with Japanese dining experience. As of the Latest Practicable Date, we operated one restaurant under the brand name of *Ninja House Japanese Restaurant* in Shenzhen.

(vii) *Pepper Lunch (胡椒廚房)*

In order to diversify our customer base, we as franchisee entered into the Master Franchise Agreement (Shanghai area), the Master Franchise Agreement (Beijing and Tianjin area) and certain unit franchise agreements with SFBI as franchisor to develop and operate fast food restaurants under the brand name of *Pepper Lunch (胡椒廚房)* in Shanghai, Beijing and Tianjin. We have located and intend to locate our restaurants under this brand name inside large shopping malls in popular commercial districts to attract young diners. We opened our first fast food restaurant under the brand name of *Pepper Lunch (胡椒廚房)* in Joy City, a newly built shopping complex in Beijing in 2010. *Pepper Lunch (胡椒廚房)* seeks to create the atmosphere of casual dining and attract young diners by

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adopting a DIY cooking method, a concept originated from Japan, which allows our customers to complete the cooking process of their meals on the metal hotplate. As of the Latest Practicable Date, we operated two fast food restaurants under the brand name of *Pepper Lunch* (胡椒廚房) in Beijing.

Our signature Cantonese cuisine and menu

We offer contemporary Cantonese cuisine in our restaurants in the PRC. We aim to deliver our cuisine with good color, flavor, taste and nutrition.

Our main menu offers a variety of our traditional and fusion dishes including: Tang Palace roasted pigeon (唐宮乳鴿皇), roasted beef ribs (炭燒牛肋骨), abalone served with black fungus (冰鎮鮮鮑拼黑木耳) and steamed garoupa (私房堂灼星斑). We review our menu regularly and revamp it when necessary. We introduce new dishes to cater to the taste preferences of our customers in the PRC. Our menus in different regions may vary slightly in content.

To offer customers more choice and broaden our restaurants' appeal, our menu also offers a selection of Hong Kong dim-sum to complement our Cantonese dishes. We include dim-sum items in our menus with a view to broadening our customer base and attract more return customers, particularly during the lunch and non-peak hours. We observe customer orders and food ordering frequency through our customer relationship system to improve our food quality by adjusting our menu selection and food flavoring to suit local customers' preferences.

Given the recent trend of healthy dietary habit in the urban areas of China, our restaurants have also introduced healthy menus to cater to our customers' change of dietary habit. Our chefs have designed two sets of healthy menus for autumn/winter and spring/summer seasons, by applying quality ingredients and healthy cooking method to increase nutrition value. Our popular dishes on healthy menus includes organic vegetable salad (有機蔬菜沙律) and healthy whole-wheat bread (健康雜糧包).

Our regional management team together with our senior chefs regularly adjust the menu offerings of our restaurants and develop new dishes according to local customers' preferences and demand. Currently, we develop five to six new dishes every month. We believe that our effort in developing new dishes would allow us to adapt to the customers' changing taste and preferences, as well as increasing our market share.

THE PEPPER LUNCH (胡椒廚房) FRANCHISE

Pursuant to the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area), SFBI as franchisor has granted us, the franchisee, an exclusive right within Beijing, Tianjin and Shanghai to develop and operate fast food restaurants under the brand name of *Pepper Lunch* (胡椒廚房). The term of the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area) shall be for an initial term of 10 years from April 12, 2010 and November 12, 2010, respectively, with an option to extend for a further term of 10 years subject to, among others, the payment of the renewal fees by us and our Group having complied with the payment and other obligations under the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area) (including the opening and operating of a prescribed minimum number of fast food restaurants in Beijing, Tianjin and Shanghai),

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provided that individual franchises may continue to operate for the remaining term of their respective unit franchise agreements notwithstanding expiry of the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area). Under each of the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area), as a franchisee, we have paid a lump sum territory fee of US\$300,000 for the initial franchise period of 10 years for the exclusive development of the fast food restaurants in Beijing, Tianjin and Shanghai. A renewal fee of up to US\$100,000 shall be payable by us to the franchisor under the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area) upon the renewal thereof, which may be fully or partially waived by the franchisor if the number of fast food restaurants then operated by us under the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area) exceeds certain prescribed number. In addition, we are required to pay the franchisor a unit franchise fee of US\$15,000 for each *Pepper Lunch* (胡椒厨房) fast food restaurant opened in Beijing, Tianjin and Shanghai within 14 days of the opening of franchise. If the unit franchise agreement entered into between SFBI as franchisor and our PRC subsidiary as franchisee is extended after the Master Franchise Agreement (Beijing and Tianjin area) or the Master Franchise Agreement (Shanghai area) has expired, we shall pay a renewal fee of US\$7,500 to the franchisor. We are also required to pay a monthly royalty fee on or before the 14th day of the following month, calculated based on prescribed percentage rates ranging from 3% to 5% of the aggregate monthly gross turnover of all the fast food restaurants in (i) Beijing and Tianjin and (ii) Shanghai, respectively, where such percentage rate of the royalty fee shall progressively decrease with reference to the increase in aggregate monthly gross turnover.

We as franchisee are required to open and operate the following minimum number of fast food restaurants in Beijing, Tianjin and Shanghai during the term of the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area):

By the end of the anniversary of the Master Franchise Agreement (Beijing and Tianjin area) dated April 12, 2010	Minimum number of Pepper Lunch (胡椒厨房) restaurants operate in Beijing and Tianjin area (in aggregate)	By the end of the anniversary of the Master Franchise Agreement (Shanghai area) dated November 12, 2010	Minimum number of Pepper Lunch (胡椒厨房) restaurants operate in Shanghai area
First	1	First	1
Second	4	Second	4
Third	8	Third	8
Fourth	12	Fourth	12
Fifth	15	Fifth	15
Tenth	20	Tenth	20

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We need to obtain a consent from the franchisor when selecting locations for the opening of fast food restaurants. Pursuant to the Master Franchise Agreement (Beijing and Tianjin area), we are required to pay the franchisor a design supervision fee of US\$3,000 for the second *Pepper Lunch* (胡椒廚房) fast food restaurant unless we use the franchisor's appointed designer. Pursuant to the Master Franchise Agreement (Shanghai area), we are required to pay the franchisor a design supervision fee of US\$3,000 for the first *Pepper Lunch* (胡椒廚房) fast food restaurant. Save as aforesaid, no additional design supervision fee shall be payable in respect of any additional *Pepper Lunch* (胡椒廚房) fast food restaurants to be opened by us pursuant to the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area). We are also required to lease the induction cooker that is built for the fast food restaurants from the franchisor at a rental of US\$200 per month and to purchase designed equipments and designated food ingredients from suppliers designated by the franchisor. Under the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area), we as franchisee are required to comply with the franchisor's standards and instructions in setting the menu for the fast food restaurants, and maintain the proper use of the trade name and trade mark in respect of operating the business of the fast food restaurants.

In addition, under the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area), SFBI agrees to offer us the right of first refusal to negotiate for exclusive development and operation of the fast food restaurants in case franchisor wishes to continue to develop the fast food restaurants in Beijing, Tianjin and Shanghai after 20 years from the date of the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area), subject to the fulfillment of certain pre-conditions. Moreover, SFBI agrees to provide us with the necessary training and support for the opening of the fast food restaurants and on-going support.

The Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area) may be terminated under certain circumstances, for instance, if we fail to open and put in operation certain minimum number of fast food restaurants in Beijing, Tianjin and Shanghai by the respective anniversary of the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area), or if we have an administrator or receiver appointed or have filed a notice of intention to appoint an administrator or go into liquidation, become insolvent, breached any provision of the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area) and failed to remedy the breach within a stipulated period of time, or there is any change in ownership, management or effective control except for the change of control in accordance with the Reorganization and Listing. If either the Master Franchise Agreement (Beijing and Tianjin area) or the Master Franchise Agreement (Shanghai area) is terminated due to a reason attributable to us, the franchisor may, at its sole discretion, terminate the other master franchise agreement.

On May 20, 2010, we have entered into a unit franchise agreement with SFBI for the opening of our first *Pepper Lunch* (胡椒廚房) fast food restaurant in Joy City, Beijing. The terms and conditions in this unit franchise agreement are made in accordance with the Master Franchise Agreement (Beijing and Tianjin area), and the term of the unit franchise agreement is for an initial term of 10 years from May 20, 2010, with an option to extend for a further term of five years.

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On February 28, 2011, we entered into a unit franchise agreement with SFBI for the opening of our second *Pepper Lunch* (胡椒厨房) fast food restaurant on Yaojiayuan Road, Beijing. The terms and conditions in this unit franchise agreement are made in accordance with the Master Franchise Agreement (Beijing and Tianjin area), and the term of the unit franchise agreement is for an initial term of 10 years from February 28, 2011, with an option to extend for a further term of five years.

SFBI was established in Singapore and is part of the Suntory F&B International group. The Suntory F&B International group is a private food and beverage group with its headquarters in Hong Kong and is principally engaged in restaurant business management in overseas markets, provide consulting services and plan for advertising and public relations. The Suntory F&B International group manages Japanese restaurants in Singapore, Hong Kong and Shanghai. SFBI has been granted the exclusive right to develop, operate and sub-franchise the operation of fast food restaurants under the system and trademark of *Pepper Lunch* (胡椒厨房) within Asia (including the PRC and excluding North Korea and South Korea) by the owner and founder of *Pepper Lunch* (胡椒厨房), a Japanese company.

As we had only opened our fast food restaurants under the franchise name of *Pepper Lunch* (胡椒厨房) since May 2010, for the years ended December 31, 2008, 2009 and 2010, the sales generated from our fast food restaurant represented approximately nil, nil and 0.3% of our total revenue and no profit contribution had been made by the fast food restaurant to our Group during the Track Record Period.

As of the Latest Practicable Date, we were not in breach of the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area).

SHANGHAI FOOD PLANT

Shanghai Food Plant was primarily established to provide food production services to our restaurants and it seeks to integrate our purchasing, food-producing, preservation, quality checking, packing, warehousing and distribution processes. As of the Latest Practicable Date, we had one food plant in Shanghai.

We have invested approximately RMB9.4 million in Shanghai Food Plant which has a gross area of approximately 2,828 sq.m. and commenced its commercial operations in October 2008. It mainly serves as our centralized plant for food processing for our restaurants, supported by standard processing workshop, two fast cooling rooms, two freezers, one sharp freezer, three cold storage compartments and a quality control laboratory.

The food processing functions currently assumed by Shanghai Food Plant primarily include seasonal food products, such as moon cakes, sticky rice tamale, and pun-choi (盆菜) as well as Chinese barbeque and dried seafood for our restaurants. Each restaurant is required to submit to our Shanghai Food Plant a rolling estimate for food ingredients it requires, taking into account seasonal and promotional stock level patterns. In addition, some food ingredients are processed into semi-processed ingredients and are then delivered to some of our restaurants for their use. This arrangement will promote standardization in the food preparation process and quality control, and will also assist us in negotiating for a bulk purchase discount in purchasing the relevant food ingredients.

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While our Shanghai Food Plant mainly provides food production services to our own restaurants, which such intra-group sales was fully eliminated in the combined statements of our Group for the years ended December 31, 2008, 2009 and 2010, however, it also sold self-processed finished food products directly to certain Independent Third Party customers in 2009 and 2010 and contributed approximately RMB449,000 and RMB1.4 million, respectively, to our Group's combined revenue for the year ended December 31, 2009 and 2010, respectively, in respect of such sale.

Our logistics channel in Shanghai Food Plant consists of goods receipt area, rough manufacturing area, finish manufacturing area, high-temperature cooked food area, fast cooling area, weighing area, sterilizing area for kitchen ware, sterilizing area for packaging materials, and distribution area to ensure the standardization and quality of our food. We have three separate cold storage compartments for storing the raw ingredients, semi-cooked food and cooked food in order to maintain the freshness of our food products and prevent cross contamination. In addition, we possess laboratory testing facilities for quality checking of our raw materials and random testing of food produced at our individual restaurants in the Eastern PRC. For seasonal food products, we generally prepare the food products and arrange a logistics company to promptly deliver them to our restaurants in Beijing and Guangdong, while we arrange our own transportations to deliver food products to our restaurants within Eastern PRC, in order to make sure those products are fresh for consumption. In order to maintain flexibility, we do not enter into any contract with the logistics companies. We usually give verbal instructions to different logistics companies for arranging the delivery of our seasonal food products on a case-by-case basis, and so far we have not experienced any difficulties or delays in delivering our food products. For the years ended December 31, 2008, 2009 and 2010, the total amount of fees paid by us to the logistics companies were nil, RMB6,000 and RMB191,000, respectively.

The utilization rate of the facilities at Shanghai Food Plant is as follows:

	<u>Actual production period</u>	<u>Estimated capacity</u>	<u>Actual production</u>	<u>Approximate utilization rate</u>
		<i>(tons)</i> <i>(Note 1)</i>	<i>(tons)</i>	<i>(Note 2)</i>
2008	From October 14, 2008 to December 31, 2008	675	206	31%
2009	From January 1, 2009 to December 31, 2009	3,240	982	30%
2010	From January 1, 2010 to December 31, 2010	3,240	2,339	72%

Notes:

- (1) The determination of the estimated capacity of Shanghai Food Plant is based on various assumptions which include, among other things, the number of workers, the number of working hours at different food preparation process, and determined product mix.
- (2) Utilization rate represents the ratio of the actual volume of food produced to the capacity during a particular period of time.

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Our Shanghai Food Plant has the estimated production capacity of 3,240 tons per annum to support 13 restaurants, and currently it provides food production support to eight of our restaurants. We expect that the utilization rate of the facilities at our Shanghai Food Plant will gradually increase in line with the opening of our new restaurants, as we will further enhance our centralized food production process at Shanghai Food Plant to support food production for our restaurants.

We believe that food hygiene and safety is one of our key success factors. Our Shanghai Food Plant has obtained the following permits as required under the PRC Food Safety Law(s) (食品衛生法) and other relevant laws and regulations for food processing:

Name of the permits	Date of obtaining the permits	Expiry Date	Authority
National Industrial Products Manufacture Certificate (QS) (Category: Pastry) (全國工業產品生產許可證(糕點))	July 23, 2009	December 30, 2011	Shanghai Quality and Technique Supervision Bureau (上海市質量技術監督局)
National Industrial Products Manufacture Certificate (QS) (Category: Meat Products) (全國工業產品生產許可證(肉製品))	January 14, 2009	January 13, 2012	Central Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (中華人民共和國質量監督檢疫總局)
National Industrial Products Manufacture Certificate (QS) (Category: Seasoning) (全國工業產品生產許可證(調味料))	December 21, 2008	December 30, 2011	Shanghai Quality and Technique Supervision Bureau (上海市質量技術監督局)
Food Hygiene License (食品衛生許可證)	August 4, 2008 (revised on March 17, 2009)	August 3, 2012	Shanghai Quality and Technique Supervision Bureau of Minhang District (上海市閔行區質量技術監督局)

In addition, the food safety management system of our Shanghai Food Plant conforms with the principles of the Hazard Analysis and Critical Control Point (HACCP) system adopted by the Codex Alimentarius Commission, a body which was established in 1963 by the Food and Agriculture Organization of the United Nations and the World Health Organization.

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SALES AND MARKETING

Sales from our restaurants and Shanghai Food Plant

For the years ended December 31, 2008, 2009 and 2010, approximately RMB393.3 million, RMB449.9 million and RMB606.5 million, respectively, of our revenue was generated from sales from our restaurants⁽¹⁾ and Shanghai Food Plant. A breakdown of our revenue is set forth below:

	For the year ended December 31, (RMB'000)		
	2008	2009	2010
<i>Regions:</i>			
Northern PRC	147,837	172,546	220,748
Eastern PRC ⁽²⁾	128,112	158,198	266,478
Southern PRC	<u>117,360</u>	<u>119,146</u>	<u>119,303</u>
	<u>393,309</u>	<u>449,890</u>	<u>606,529</u>

Notes:

- (1) The sales of tobacco and liquor in our restaurants are merely our ancillary business.
- (2) The revenue has included the revenue contributed by Shanghai Food Plant. For the years ended December 31, 2008, 2009 and 2010, the revenue contributed by Shanghai Food Plant amounted to nil, approximately RMB 449,000 and RMB1.4 million, respectively.

Commission income from sale of tea related products

During the Track Record Period, we have entered into contracts with three Independent Third Parties suppliers for sale of tea related products in our restaurants. Pursuant to those contracts, we have formed cooperative arrangements with the tea suppliers under which the employees of these suppliers will sell tea related products such as tea leaves and teapots to our customers at our restaurants. While our employees serve our own tea to our customers in our restaurants during meals, the employees of the tea suppliers provide separate menu to our customers for tea-related products which are sold by the tea suppliers at our restaurants. Those contracts with the tea suppliers are generally entered into for a term of one year, and we are granted a priority for the renewal of such contracts after their respective expiration date. Pursuant to the contracts, the income derived from sale of tea related products are apportioned between the suppliers and us based on a percentage rate ranging between 50% and 60%, and such amount shall be settled between the suppliers and us on a monthly basis through bank transfer. For the years ended December 31, 2008, 2009 and 2010, approximately 21.8%, 20.8% and 19.3%, respectively, of our profit and total comprehensive income was generated from sales of tea related products. Over the years, we had formed a long term and stable business relationship with those suppliers. We have established business relationships with those suppliers for approximately one to four years. We expect that the commission income from the sale of tea related products will provide a considerable contribution to our future income.

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For the years ended December 31, 2008, 2009 and 2010, a total of 11, 13 and 18, respectively, of our restaurants sold tea related products. The following table sets forth the names of the restaurants which sell tea related products and the year in which they contributed to our commission income through the selling of tea related products during the Track Record Period:

	As of December 31,		
	2008	2009	2010
Southern China			
Dongguan Shibo Restaurant	✓	✓	✓
Shenzhen Hongling Restaurant	✓	✓	✓
Shenzhen Dongmen Restaurant.....	✓	✓	✓
Shenzhen Dongmen Jiangnan Restaurant			✓
Eastern China			
Shanghai Galaxy Restaurant	✓	✓	✓
Shanghai Super Brand Restaurant.....	✓	✓	✓
Shanghai Hongkou Restaurant.....	✓	✓	✓
Shanghai Dickson Tang's Cuisine Restaurant	✓	✓	✓
Suzhou Matro Restaurant		✓	✓
Shanghai Sky Fortune Tang's Cuisine Restaurant			✓
Shanghai Metropark Restaurant.....			✓
Hangzhou MIXC Restaurant.....			✓
Northern China			
Beijing Minzu Restaurant.....	✓	✓	✓
Beijing Haoyuan Jianguo Restaurant	✓	✓	✓
Beijing New Century Restaurant	✓	✓	✓
Beijing Wangjing Restaurant	✓	✓	✓
Beijing Chaoyang Restaurant		✓	✓
Beijing Xinqiao Restaurant			✓

Note: None of the abovementioned restaurants ceased the selling of tea related products during the Track Record Period and as of the Latest Practicable Date.

Pricing policy

We review our menus regularly and introduce new and seasonal dishes from time to time. Our restaurants are required to use an uniform menu adopting similar pricing of which the price of the dishes are set by our chief operating officer and approved by our chief executive officer. When determining food prices, our management takes into account, amongst other things, the general market trend, prices set by our competitors, the location of our restaurants and the price of raw materials consumed.

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The price in our menus is set by our head office as well as our product output department (出品部), and the sale price for the seasonal food products produced by Shanghai Food Plant is set by our head office, those prices may fluctuate according to the price of raw materials consumed and the price set by our competitors.

Settlement and cash management

We are in the retail business and hence, our customers generally settle their dining or banquet bills by way of cash, credit cards or checks. In order to prevent misappropriation and illegal uses of cash, we implement specific procedures on cash custody, such as segregation of duties and daily reconciliation of the cash receipt with the cash sales record to make sure that the cash is correctly stated and reported on a daily basis. Each duty manager and cashier is responsible for ensuring that the day's sales and expenses have been properly kept in the safe deposit box located in each restaurant after the close of business each day. We have also adopted a cash management and delivery system in each of our restaurants. For instance, for our restaurants in Beijing and Shanghai, all cash receipts (after a reasonable reserve amount has been deducted) from the preceding Business Day will be delivered by our designated staff from different department to the banks for deposit before noon on the following Business Day. Additional cash delivery to the banks will be arranged if there is a large amount of cash flow on that day. For our restaurants in Guangdong, all cash receipts (after a reasonable reserve amount has been deducted) from the preceding Business Day will be delivered by our designated staff from different department to the banks in the afternoon on the following Business Day. Likewise, additional cash delivery to the banks will be arranged if there is a large amount of cash flow on that day. We have also installed infrared security alarms, surveillance cameras monitored by security companies engaged by us or the local police and/or internal surveillance camera inside the cashier office in most of our restaurants to ensure the safety of our undeposited cash. The cash collected at each restaurant and the information on cash sales, as recorded in our point-of-sales system installed at each of our restaurants, will be reviewed and verified by our accounts department on the following Business Day.

In order to avoid misappropriation of cash by our employees, we have further implemented internal procedures to enhance our books and records system. Such measures include but are not limited to the segregation of duties between our wait staff and cashier, pursuant to which the wait staff is responsible for placing food orders and arranging bill settlement by our customers, then the cashier will check and deposit the cash received from our customers into our point of sale. Any cancellation of invoices require the approval from the restaurant manager and accounting department. We also have segregation of duties between the cashier who is responsible for the daily reconciliation of cash receipt to ensure the record in our point of sale is accurate and complete and matches with the cash deposited, and another accounting staff who is responsible for voucher input and ledger posting. All the transactions will be collated by our manager in the accounting department on a daily basis. We have not encountered any misappropriation of cash by our employees, customers or other relevant third parties during the Track Record Period.

For settlement via credit cards, we normally receive remittance from the relevant credit card companies, net of service charges, on the Business Day after the day on which the credit card transaction is approved. Hence, we did not have any significant receivable from credit card companies throughout the Track Record Period.

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We may receive checks from our customers for bill settlement, but we seek to make sure that our exposure on check payments which have not yet been encashed will not fall beyond an acceptable level. Generally, we accept check payment for spending amount of less than RMB100,000 from our customers. In the future, we will limit the total credit granted to each of our pre-approved customers to no more than RMB80,000.

We enter into agreements with our regular customers and pre-approved customers, such as certain state-owned enterprises, hotel guests and our landlords, pursuant to which a bill settlement credit term of generally up to one month will be provided to such customers. Under such agreements, payments for bill settlement will be made on a monthly basis or upon the check-out from the hotels (as the case may be) and customers will sign the bills after dining and settle the bills by monthly payment or when they check out from the hotels (as the case may be). In addition, one of our restaurants in Beijing, namely, Beijing Chaoyang Restaurant has entered into a supply contract with an airline company for a term from March 1, 2010 to February 28, 2011, pursuant to which we agree to provide in-flight meals produced by Beijing Chaoyang Restaurant to such airline company. According to the supply contract, we are required to provide sufficient amount of in-flight meals with quality which is acceptable to the airline company and the price of such meals shall be determined by both parties. The airline company usually notifies us in advance of the type and amount of meals to be provided and the time and venue for delivery. Due to fluctuations in the number of passengers on board, the airline company has the right to return the unconsumed meals before the expiration date for consumption. We allow a credit term of 80 days for the settlement of our bills by the airline company. From March 1, 2010 to December 31, 2010, contribution from the sales of in-flight meals produced by Beijing Chaoyang Restaurant amounted to approximately 0.3% of our total revenue. We seek to make sure that our exposure to the outstanding payments which have not been paid will not fall beyond an acceptable level. We are currently in the course of renewing the supply contract with the airline company, and we have received a signed confirmation from the airline company confirming the continuation of our business arrangement from the expiration of our previous contract till we successfully renew our supply contract with them, which is expected to be in April 2011.

Our largest customer did not account for more than 2% of our total sales in the Track Record Period.

An analysis of our revenue by cash, credit card and check during the Track Record Period is set forth below:

	For the year ended December 31,		
	<i>(RMB'000)</i>		
	2008	2009	2010
Cash	184,521	192,408	185,289
Credit Card	200,903	249,526	411,824
Check	<u>7,885</u>	<u>7,956</u>	<u>9,416</u>
Total revenue	<u>393,309</u>	<u>449,890</u>	<u>606,529</u>

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Marketing

Our Directors consider that it is important for us to continue to promote our corporate image and maintain our brand recognition amongst our target customers. In formulating our marketing strategies, we take into consideration the characteristics and the target markets of our different brands. We share resources on sales and marketing, and customer database among our restaurants. We strive to attract customers by deploying different advertising and promotional strategies for different geographical locations, including advertising campaigns, promoting new and special priced and seasonal selections. The following are our key marketing strategies to promote our restaurants:

Advertisements and promotional materials

From time to time, we publish brochures and promotional leaflets for distribution to our existing and potential customers for promoting our corporate image and restaurant business. We also market ourselves through billboard, internet, radio and magazine advertisement. We accept interviews on our restaurant business hosted by some well-known television stations and publish our advertisement on some popular newspapers and magazines to enhance our brand recognition. In addition, we send newflash on our promotional activities to our target customers through a text message platform. We maintain one website at <http://www.tanggong.cn/> for our customers, on which we present information in respect of our promotion activities at the restaurants as well as our seasonal dishes. We have also entered into agreements with certain food and restaurant marketing websites for promoting our branded restaurants and offering diners discount vouchers to use in our restaurants.

Participating in cooking competitions and food festivals

We encourage our chefs to participate in cooking competitions so as to further develop their cooking skills and draw public attention as a marketing strategy. We host food festivals with universities and other educational institutions as a marketing strategy to draw public attention and enhance our brand image. In 2008, we successfully hosted a “Hong Kong Cultural Festival and The 3rd International Cultural Festival” with Tsinghua University and Beijing University, respectively.

Launching promotional campaigns

We adopt forerunning strategies in our pricing, variety of food and services to increase our appeal to target customers. These campaigns include special priced and seasonal selections. For example, Chinese mitten crabs and moon cakes. Additionally, we issue cash coupons to our customers, which can be used as part of cash payment in their next dining. Our Directors consider that these campaigns have been effective in arousing customers’ interest to come to our restaurants.

Loyalty program

We have introduced a customer loyalty program in our restaurants in Beijing, Shanghai and Guangdong where we issue VIP cards to customers who dine at our restaurants. The validity period of our VIP cards is one year. Our VIP card holders can enjoy a discount on our selective dining menus. Due to different market environments, there is a slight difference in the discount scheme for the VIP

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cards in Beijing, Shanghai and Guangdong. As of the Latest Practicable Date, we had approximately 7,900 VIP customers in Beijing, 5,200 VIP customers in Shanghai and 22,600 VIP customers in Guangdong. We have been advised by our PRC legal advisors that our VIP customer scheme complies with the relevant PRC rules and regulations.

We have also entered into agreements with various business customers whom purchased from us pre-paid cards that can be used in our restaurants within specified regions. As of the Latest Practicable Date, we had issued a total of approximately 2,600 pre-paid cards to our customers. Purchasers of these pre-paid cards can generally receive a cash coupon when they purchase the pre-paid cards from us and they can use them instead of cash to pay for their meals in our restaurants within specified regions. We currently offer pre-paid cards to the customers of our Chinese restaurants, and we entered into membership agreements (including the supplementary agreements, collectively the “**Membership Agreements**”) with these customers. Pursuant to the Membership Agreements, information of a cardholder is recorded when a card is purchased and updated when a card is being transferred. To use a card, the cardholder is required to sign the bill or pre-register the signatory to the card. In addition, a pre-paid card can be reported for loss and may only be used in the restaurants operated by our Group in a designated city or the restaurant where the card was purchased. Revenue from these pre-paid cards are recognized when customers utilized these cards in our restaurants. As of December 31, 2010, the aggregate outstanding balance of the pre-paid cards amounted to approximately RMB18.4 million. We have been advised by our PRC legal advisors that because the pre-paid cards issued by our Group need to be registered when a card is purchased or being transferred and can be reported for loss, and can only be used within specified geographic areas and for specified type of consumption, they do not fall into the scope of “tokens” under the “Emergency Notice on Prohibition of Issuing and Using Tokens (or Token Cards)” promulgated on January 19, 2001 and other relevant PRC laws and regulations, and the usage of these pre-paid cards do not contravene any PRC rules and regulations. During the Track Record Period, contribution from the pre-paid card sales amounted to less than 3% of our total revenue, which only constitutes an insignificant portion of our cash generated from our operating activities.

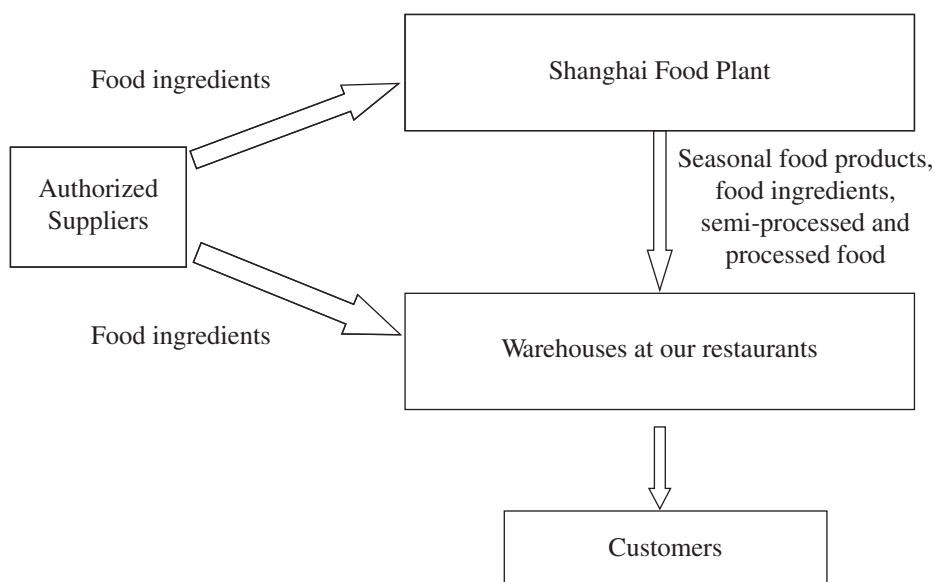
Moreover, we have made arrangements with certain banks in the PRC to promote our restaurant business, the holders of credit card accounts maintained with those banks are entitled to 20% discount on selective dining menus at our restaurants.

For the years ended December 31, 2008, 2009 and 2010, our expenses spent on sales and marketing such as advertising, promotion and marketing campaigns amounted to approximately RMB955,000, RMB1.4 million and RMB3.1 million, respectively. Our Directors aim to control the total advertising, promotion and marketing expenses at a level less than 2% of our total revenue. The actual spending will be reviewed by our marketing department and management regularly to avoid any non-budgeted item.

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FOOD PREPARATION PROCESS

We focus on the quality of our food products. The flow of our procurement and food preparation process can be illustrated as below:



Shanghai Food Plant produces, processes and delivers seasonal food products to each of our restaurants upon receiving their orders, as well as semi-processed ingredients to our restaurants.

Supply of food ingredients

Although we do not have long-term contract with our suppliers for constant supply of our food ingredients, we have maintained stable business relationships with our suppliers. We usually have at least two authorized suppliers for the supply of each type of food ingredient in each region. The principal ingredients sourced by us include meat, vegetable, poultry, beverages, frozen food, auxiliary ingredients, seafood and dried seafood. With such system of authorized suppliers implemented, we believe we can obtain a competitive price and discounts for our bulk-purchasing of food ingredients and choose from different sources of supply for the best quality of food ingredients, as well as identify the source of any defect in any of our food ingredients so supplied.

We generally settle our bills with our suppliers by check payment every month. All our suppliers have to be approved by our regional procurement department (地區採購部) before orders can be placed. Each regional office is responsible for processing settlement of that particular region. For all payments that we process, we require the original invoice together with the delivery notes duly signed and chopped by the authorized personnel before any payments can be approved.

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The procurement managers and senior chefs of our restaurants are responsible for determining the type and the amount of our daily purchase of food ingredients and arranging with our designated officers to place purchase orders to the suppliers. As the demand for each type of food ingredient may fluctuate, we do not set an upper limit on the amount of purchases by our restaurants, but the selling prices of the food ingredients are usually fixed with the suppliers before we place each purchase order, after taking into account the market prices at the time when the purchase order is placed. All invoices for purchases made by our restaurants will be submitted to our regional finance department which will request monthly statements from the suppliers to confirm the purchases. If there is no discrepancy, we make the payment upon satisfactory receipt of goods on or before the due date.

As wedding banquets usually require a large demand for food ingredients, the purchase of any dried seafood ingredient can be organized centrally in advance, and the purchase of any fresh food ingredient can be made by individual restaurant based on the actual demand in each occasion.

We enter into supply contracts with our authorized suppliers on an annual basis. As of the Latest Practicable Date, we have entered into supply contracts with approximately 128 authorized suppliers. We have established business relationships with our authorized suppliers for approximately one to five years. Over the years, we have established stable business relationships with our major suppliers. We have established business relationships with our five largest suppliers for periods ranging from approximately three to five years. The types of food ingredients supplied by our five largest suppliers mainly include dried seafood and poultry. During the Track Record Period, we did not experience any significant interruption in securing the supply of our required food ingredients. Given our established relationships with our existing suppliers, our Directors believe that we will not experience any difficulty in securing supply of ingredients from our existing suppliers. To the best of our Directors' knowledge after making reasonable enquiries, none of our suppliers during the Track Record Period were connected with our Directors, our Shareholders, our senior management or any of their respective associates.

During the Track Record Period, most of our purchases were made on open account terms which allow us to settle the aggregated purchase amount on the 15th day of each month. We had not received any rebate from the suppliers during the Track Record Period.

For the years ended December 31, 2008, 2009 and 2010, the total purchases from our five largest suppliers in aggregate accounted for approximately 19.3%, 23.3%, and 23.8%, respectively, of our total purchases, and the total purchases from our largest supplier accounted for approximately 7.8%, 6.7%, and 6.1%, respectively, of our total purchases. None of our Directors, their respective associates or any of our Shareholders which to the knowledge of our Directors owns more than five per cent. of the issued share capital of our Company has any interest in any of our five largest suppliers for the Track Record Period.

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Inventory control

We promote a “low-inventory” policy. We maintain control over the ordering, storage, retrieval and consumption of food ingredients. Designated officers at each restaurant are responsible for reviewing, on a daily basis, the consumption rate and inventory level of the food ingredients in order to maintain appropriate inventory levels for our restaurants’ operational needs and to avoid excessive inventory. They are also primarily responsible for determining the procurement amount and placing purchase orders for the required food ingredients.

We developed a centralized procurement strategy for high-value food ingredients, such as dried seafood and abalone, to ensure quality supplies at competitive prices. The purchase orders must first be approved by our central procurement department (中央採購部) and generally, those orders are placed by our procurement department in each region. We believe that this quality control system enables us to standardize and control the quality of food provided by us at each restaurant.

All food ingredients have expiry dates and as such, we do not keep excessive inventory of food ingredients. Each restaurant set the maximum and minimum inventory levels base on the anticipated consumption of food ingredients. Depending on the anticipated level of business, each restaurant generally maintains inventory of fresh food and commonly used food ingredients for one to two days. For preserved food ingredients and groceries, each restaurant generally maintains inventory for one to two weeks depending on the preservation period. Generally, there is no shortage of supply of food ingredients in our restaurants.

Developing new menus/product development

We emphasize the importance of offering new menus from time to time in order to provide an ever-changing dining experience to our loyal customers and also to attract frequent visits of our targeted customers. The menus of our restaurants are reviewed and revamped by our management and senior chefs on a regular basis taking into consideration the market trends, seasonal factors and feedback from our customers.

QUALITY CONTROL

Quality control is important to us. As part of our 5S management system, we implement control measures at different points of the entire food preparation process and the services provided, in order to make sure that our restaurants are operated effectively and efficiently and are able to provide quality food and services. The 5S management system is a common management practice adopted by us to improve our overall efficiency in our business operations, which is not an industry standard in the food and beverage industry. The 5S management system comprises the five pillars of “Sort”, “Systemize”, “Shine”, “Standardize” and “Self-discipline”. “Sort” refers to eliminating all unnecessary tools, parts and instructions and compartmentalizing the useful resources. The ideology behind “Sort” is to maintain the level of inventory as low as possible. “Systemize” refers to the proper storage of equipments and ingredients to ensure resources can be obtained as quickly as possible.

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“Shine” refers to maintaining a clean working environment. Cleaning should be done by all members of the team and each member of the team should be responsible for a specific area. “Standardize” refers to standardizing all operational procedures to ensure that all employees understand what his or her responsibilities are. “Self-discipline” refers to providing the employees with an incentive to abide the 5S management system. In executing the 5S management system, we first establish our own 5S policy covering areas such as safety, hygiene, quality control and efficiency. We also set goals throughout our entire operational process and provide three months of training to our new staff to ensure all of our employees are aware of the 5S standards and are trained to accomplish them. The execution of the 5S management system in our restaurants is monitored by a top-down approach with our Group’s 5S committee at the top of the supervisory hierarchy. Our Group’s 5S committee comprises 10 members and is responsible for setting 5S targets and policies and organizing external annual audit with the Hong Kong Environmental Resources and Safety Institute. Headed by Ms. Mo Yuan Ming (莫遠明), the project manager of our training center, our Group’s 5S committee also comprises, among others, an external consultant from ERS Institute (源全學會) which developed the 5S management system; Mr. Chen Zhi Xiong, our chief operations officer; Mr. Liu Shu Feng, the general manager of our engineering management department (工程管理部總經理); and Mr. Leung Wai Chuen, the chief financial officer and company secretary of our Company. Ms. Mo Yuan Ming had worked as assistant trainer, audit manager and human resources manager at Tao Heung Group from February 2002 to July 2008. She obtained a diploma in forest engineering from Guangxi University (廣西大學) in June 2000. Further information on the qualifications and experience of Mr. Chen Zhi Xiong, Mr. Liu Shu Feng and Mr. Leung Wai Chuen are set out in the section headed “Directors and Senior Management — Senior Management” in this prospectus. Operating below our Group’s 5S committee are regional 5S committees, which are responsible for monitoring the execution of the 5S management system and conduct monthly internal audit in their respective regions and they provide feedbacks to our Group’s 5S committee. Our regional 5S committee for Beijing is headed by Ms. He Jianmei, our regional operations general manager of Beijing (北京區營運總經理); Eastern China by Mr. Lam Kin Hung, our Group’s regional operations general manager of Eastern China (華東區營運總經理) and Guangdong by Ms. Yang Xiulan (楊秀蘭小姐), our regional operations general manager of Guangdong (廣東區營運總經理), respectively. Further information on their qualifications and experience are set out in the section headed “Directors and Senior Management — Senior Management” in this prospectus. We also have 5S teams in each of our restaurant to ensure the implementation the 5S management system by each individual employee.

Our quality control managers are responsible for the compliance of the measures that we implement in our restaurant operations. Each of our restaurants has a quality control manager for monitoring our food and service quality. The quality control managers communicate with our staff twice a day and hold meetings twice a week with our restaurant staff to discuss any feedbacks from customers on food or service quality.

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Quality control on our food

We place great emphasis on food quality and the hygiene of our food products, those being the key factors to ensuring our success in the restaurant industry. The measures adopted by us to ensure the quality of our food and the compliance with our established quality control guidelines by our staff are summarized as follows:

- Inspection of incoming ingredients: incoming ingredients are checked for their freshness and their quality to ensure the quality standards prescribed by us meet our goods receipt criteria;
- Sourcing policy on raw materials: Our raw materials are mainly sourced from local suppliers. We conduct on-site visit and business license check before contracting with any supplier to ensure they possess all the necessary license and certification on food safety and a sound business operations for the supply of raw materials. We then purchase raw materials from those qualified suppliers, and we set quality standard and criteria for the raw materials purchased and conduct regular inspections of samples of raw materials purchased. In order to enhance the quality and safety of the incoming ingredients, we have entered into a contract with Metro Jinjiang Cash & Carry Co., Ltd. Pu Tuo Branch (錦江麥德龍現購自運有限公司普陀分部) for the supply of raw materials. Metro Jinjiang Cash & Carry Co., Ltd. Pu Tuo Branch (錦江麥德龍現購自運有限公司普陀分部) is a nation-wide self-service wholesaler, which has a quality assurance system which conforms with the international HACCP (Hazard Analysis and Critical Control Point) standard, an preventive system to ensure food safety. Our procurement department and product output department (出品部) are responsible for checking and receipt of the incoming raw materials to ensure the quality standards meet our requirement.
- Storage: where ingredients are not required immediately, they are divided into different categories and carefully stored in a controlled environment at an optimum temperature and humidity to preserve their freshness and quality and to avoid contamination. To avoid any overstocking, stock levels of raw materials are closely monitored on a daily basis by an appointed member of staff;
- Disposal: some food which has been cooked but has not been sold by the end of the Business Day will be disposed of by the relevant restaurant on the same day. Clear guidelines regarding the disposal of products which passed their best consumption period are prescribed by us and we require strict compliance with them by all our staff;
- Training: employees responsible for preparing and handling the food are provided with on-the-job training on food hygiene and personal hygiene;
- Internal inspection: our senior management visit our restaurants and examine our food, services and working environment every month without giving prior notice;

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- External audit: external audit are conducted by the Hong Kong Environmental Resources and Safety Institute, an institution established to promote the use of environmentally friendly resources and safe workplace environment across Hong Kong, China, Singapore and Japan, annually to ensure the full implementation of 5S management system by us in our restaurant operations;
- Food tasting: managers and chefs of each individual restaurant conduct random food tasting twice a week to ensure the quality standard of our food. Random samples of our products are tasted twice a month by our restaurants' management and quality control staff who are familiar with our food production process and some of them hold the National Diet Therapy and Health Demonstration (全國食療養生師) license. We also have mutual visit between our restaurant management once a month to taste and discuss any new dishes, signature dishes and dishes complained by our customers;
- Centralized procurement: we have developed a centralized procurement system for high-value food ingredients to ensure quality products at competitive prices. This system enables us to standardize and control the quality of the food ingredients generally among our restaurants;
- Laboratory testing: regular inspections of samples of raw materials purchased and semi-processed food ingredients produced at Shanghai Food Plant, such as desserts and dim sum fillings, and random testing of food produced at our individual restaurant in the Eastern PRC are carried out by our quality assurance department at our internal testing center at Shanghai Food Plant.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material product liability claim regarding hygiene of our food products.

Quality control on our services

We provide comprehensive training to our staff. In the past few years, we have made efforts to improve our internal training system. Our human resources department has set up a comprehensive training and assessment system, pursuant to which our mid-level staff are trained to enhance their managerial and interpersonal capabilities, while trainings for junior staff concentrate on quality of services and professional skills. In addition, our training department visits each of our restaurants on a regular basis to monitor the provision of services to our customers, and provides advices to them for improving the quality of our services. We encourage continuing learning and individual development, and we will help our staff to establish goals and platforms for improvement and development.

From August 2010, we have engaged Tiptop Consultants (Shenzhen) Ltd. (冠天高企業管理顧問(深圳)有限公司), an external consultancy firm, for a term of 10 months to assist us in assessing the level of satisfaction of our customers of our services, the dining environment and the quality of our food. Tiptop Consultants (Shenzhen) Ltd. (冠天高企業管理顧問(深圳)有限公司) is a training and management consulting company which offers services to companies, organizations and individuals in pursuit of service quality, customer satisfaction, personal growth and managerial excellence in Hong

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Kong and Asia Pacific. Our consultant has introduced, for this purpose, programs such as “mysterious customers” (神秘顧客) program. The reports of our consultant can help us assess the level of compliance with our established quality control guidelines by our staff and identify room for improvement in respect of our food, services and environment, where appropriate.

While we are dedicating effort to maintain the quality of our food and services, we may not be able to fully satisfy the taste and demand of all of our customers at all times. During the Track Record Period, we have received certain complaints from our customers. Such complaints were mainly related to quality of the food or standard of services at our restaurants. As there was no breach of contractual obligations on the part of our Group and no incidents relating to food contamination, such complaints had not impacted on the reputation of our Group. Given that such complaints on food and services quality have minimal impact on our Group and the receipt of such complaints is not uncommon within the food and beverage industry, our Directors are of the view that the complaints received by our Group during the Track Record Period did not constitute material internal control weaknesses of our Group.

AWARD AND ACCREDITATIONS

We have obtained awards and certifications in respect of our food, services and management. The following table sets forth our recent awards and certifications:

Year of Grant	Award	Awarding and Issuing Authority	Industry
2002	Golden Award in “Chinese Famous Dishes” (“中國名菜”金獎)	China Hotel Association (中國飯店協會)	Food & Beverage
2003	National Green Food Enterprise (全國綠色餐飲企業)	China Cuisine Association (中國烹飪協會)	Food & Beverage
2005	Golden Award in National Top 10 Catering Service (全國十佳餐飲企業服務質量金獎)	Food and Beverage Association (餐飲協會)	Food & Beverage
2006	Hong Kong, Guangdong and Macau Top 10 Food and Beverage Brand in 2006 (2006年粵港澳十佳餐飲品牌)	China Hotel Association (中國飯店協會)	Food & Beverage
2006	Shanghai Famous Brand Enterprise (上海著名餐飲品牌企業)	Shanghai Restaurants Association (上海餐飲行業協會)	Food & Beverage
2007	2007 Top 10 Emperor Class Food Group in Hong Kong, Guangdong and Macau (2007年粵港澳十大天皇級飲食集團)	Food & Beverage Emperor Award Ceremony (飲食天皇頒獎典禮)	Food & Beverage
2007	National Premium Restaurant (國家特級酒家)	National Restaurant and Hotel Grading Association (全國酒家酒店等級評定委員會)	Food & Beverage

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Year of Grant	Award	Awarding and Issuing Authority	Industry
2009	Modern Weekly Best Restaurants Selection 2009 (2009年度最佳粵菜餐廳獎)	Modern Weekly International (周末畫報)	Food & Beverage
2009	National Diet Therapy and Health Demonstration Institute (全國食療養生示範單位)	Diet Therapy and Health Committee of the Tradition Chinese Medicine Research Institute (中國中醫藥研究促進會食療養生專業委員會)	Chinese Medicine
2009	Chinese Consumers Satisfaction Brand (中國消費者滿意名特優品牌)	Quality Guarantee Center in China Light Industry (中國中輕產品質保障中心)	All Industries
2009	Top 10 Specialty Dining Restaurant (最受歡迎各地風味餐廳top 10) Top 20 Popular Restaurant (最具人氣餐廳top 20)	2008 Grand Ceremony in Modern Food (食尚盛典2008)	Food & Beverage
2009	First Global Accredited 5S Certification in Beijing, Shanghai, and Guangdong (全球首家全綫北京、上海、廣東通過源全5S認證審核)	Hong Kong Environmental Resources and Safety Institute (香港環境資源及安全學會)	All Industries
2009	2009 King Award in Pigeon and Soup Making (2009年度乳鴿、靚湯天王獎)	2009 Food King Grand Ceremony (2009年度美食天王盛典)	Food & Beverage
2010	Top 10 Most Influential Food & Beverage Brand in the PRC (中國餐飲行業十大影響力品牌)	National Top 10 Most Influential Brands Committee (中國十大影響力品牌推進組織委員會)	Food & Beverage
2010	2010 ERS 5S Management Certificate (源全5S管理認證證書)	Hong Kong Environmental Resources and Safety Institute (香港環境資源及安全學會)	All Industries

LICENSES AND APPROVALS



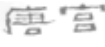
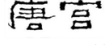
In accordance with the laws and regulations of the PRC, we are required to maintain various approvals, licenses and permits in order to operate our business. Each of our restaurants in the PRC as well as our Shanghai Food Plant are required to obtain the relevant hygiene permit or food service license, and some of our restaurants sell wine and tobacco are required for further registration or approval. These licenses and registrations are achieved upon satisfactory compliance with, amongst others, the applicable food safety, hygiene, wine and tobacco laws and regulations. All of these licenses are subject to periodic or aperiodic examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

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During the Track Record Period, one of our restaurants namely, Shenzhen Dongmen Jiangnan Cuisine, have not obtained the food and beverage service license before it commenced business, and such incident was due to the change of name of Tang Palace Ninja House, the operating entity of Shenzhen Dongmen Jiangnan Cuisine, and the extension of scope of business of Tang Palace Ninja House to include the offer of Chinese cuisine in Shenzhen Dongmen Jiangnan Cuisine. On January 4, 2011, we obtained verbal confirmation from the Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局), the relevant PRC governmental authority which is responsible for the supervision of food safety in food production and circulation, the disposition of incidents in relation to food safety and investigation of cases in relation to food safety, and the issue of food and beverage licenses for restaurants in Shenzhen, that (i) the application for the food and beverage service license filed by Shenzhen Dongmen Jiangnan Cuisine had been accepted and the license would be issued to Shenzhen Dongmen Jiangnan Cuisine in or around January 2011; and (ii) it was drawn to the attention of the Market Supervision Administration of Shenzhen Municipality that Shenzhen Dongmen Jiangnan Cuisine had begun its business operations including the offering of Chinese cuisine before obtaining the food and beverage service license but it would not impose any penalty on Shenzhen Dongmen Jiangnan Cuisine in this regard given that Tang Palace Ninja House, the operating entity of Shenzhen Dongmen Jiangnan Cuisine, has already obtained the food hygiene license to meet the basic requirements of restaurant operations, and the application of the food and beverage license by Shenzhen Dongmen Jiangnan Cuisine is in effect a renewal of the previous food and beverage license as a result of the change of name and the scope of business of Tang Palace Ninja House. On January 12, 2011, Shenzhen Dongmen Jiangnan Cuisine obtained the food and beverage service license issued by the Market Supervision Administration of Shenzhen Municipality. The Sole Sponsor, having (i) considered the role and scope of administrative power of the Market Supervision Administration of Shenzhen Municipality; (ii) reviewed and considered the application procedures of the food and beverage license as published and implemented by the Market Supervision Administration of Shenzhen Municipality and the required timeline for processing our application for the food and beverage license pursuant to such application procedures; (iii) conducted the due diligence interview with the relevant officer of the Market Supervision Administration of Shenzhen Municipality on the likelihood of Shenzhen Dongmen Jiangnan Cuisine being imposed a penalty as a result of its failure to obtain the food and beverage service license before it commenced business, and obtained the abovementioned verbal confirmation from the Market Supervision Administration of Shenzhen Municipality; and (iv) obtained the legal opinion from the PRC legal advisors to the Sole Sponsor that our Group will not be subject to penalty in this regard based on the verbal confirmation from the Market Supervision Administration of Shenzhen Municipality and the food and beverage service license that was obtained by Shenzhen Dongmen Jiangnan Cuisine on January 12, 2011, is satisfied that Shenzhen Dongmen Jiangnan Cuisine will not be subject to any fines or penalties for failure to obtain the food and beverage service license before Shenzhen Dongmen Jiangnan Cuisine commenced its business operations to include the offering of Chinese cuisine. As of the Latest Practicable Date, we had obtained all the licenses required for our restaurant operations and food production at our Shanghai Food Plant in the PRC. All licenses required for our restaurant operations in China are valid and none of them has expired.

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INTELLECTUAL PROPERTY RIGHTS

We use various trademarks in connection with our restaurant business in the PRC. As of the Latest Practicable Date, we have registered our  trademark in Hong Kong and our  trademark in the PRC. We are applying for registration of 17 trademarks in the PRC. As a pre-emptive measure against third parties from using our Chinese tradename “唐宮” in restaurant business, we have registered the trademark 唐宮 in Hong Kong. On August 3, 2010, Tang Palace HK Prosperous entered into a trademark transfer and license agreement with HK Well Excellent, pursuant to which HK Well Excellent (i) agreed to transfer Class 42 Trademark  (registered under class 42 in the PRC) and Class 30 Trademark  (registered under class 30 in the PRC) to Tang Palace HK Prosperous and (ii) until expiry of HK Well Excellent’s exclusive right to use the Class 42 Trademark, granted a license to Tang Palace HK Prosperous to use and sub-license the Class 42 Trademark to other parties. On January 28, 2011, Tang Palace HK Prosperous entered into a trademark license agreement with HK Well Excellent, pursuant to which HK Well Excellent granted a license to Tang Palace HK Prosperous to use and sub-license the Class 30 Trademark to other parties until the transfer of such trademark to Tang Palace HK Prosperous is approved. Please refer to the section headed “History, reorganization and corporate structure — reorganization — acquisition of trademarks” in this prospectus for details of the trademark transfer and license agreement. As of the Latest Practicable Date, the trademark transfer and license agreement has been submitted to the Trademark Office under the State Administration for Industry and Commerce of the PRC for approval. We have the right to use these trademarks pending completion of registrations thereof, and we are not aware of any applicable law or rule that would prevent us from completing the above registrations as contemplated. SFBI has also granted a non-exclusive license to us to use the registered trademarks 胡椒厨房 and . We have also registered our domain name in the PRC.

Please refer to the section headed “Further Information about the Business of our Company — Intellectual property rights of our Group” in Appendix V to this prospectus.

Our Directors confirm that we are not aware of there having been any material infringement of our intellectual property rights which has an adverse effect on our business nor are we aware of any pending or threatened claims against us relating to the infringement of any intellectual property rights owned by third parties.

COMPETITION

We operate in a highly competitive industry with a significant number of competitors, including Chinese restaurants chains, targeting customer groups with different demand and consumption power.

The restaurant industry in China is fragmented and diverse, with no significant players dominating the entire market. Different market segments, for example, Chinese restaurant, fast food outlets, Hong Kong-style cafes, Western dining and banquet dining, have their own leading players, but their individual market share varies from one segment to the other. Hence, whilst businesses across these various segments all provide food and beverage services, our Directors do not consider that an

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operator within one market segment can reasonably be regarded as being in direct competition with those in other market segments. Restaurant business within the same market segment compete with each other in the same market segment through their location, pricing, services, food variety and quality, restaurant decoration and financial resources.

We perceive that we need to expand our business into first-tier and second-tier cities in the PRC in order to increase our market share. Our Directors consider that we are in a prominent position in the Chinese restaurant market in the PRC relative to most of our competitors and that we should be able to maintain our position as one of the largest Chinese restaurants group in the PRC because we have the following competitive strengths:

- we have strategic cooperation arrangements with certain well-known hotel groups;
- we strategically located our restaurants with multi-branding strategy;
- we have a long operating history and established our reputation within the regions where we operate, and we serve Cantonese cuisine with innovative ideas;
- we have implemented the 5S management system and put strong emphasis on the quality of food and services;
- we have a systematic restaurant management and business model which can be easily adopted in other regions of the PRC;
- our complementary business can diversify our business lines; and
- we have a management team with both experienced and youthful managerial personnel and we provide continuous staff training and career development opportunities.

EMPLOYEES

We seek to recruit employees who share our commitment to provide quality customer services. As of the Latest Practicable Date, we employed 3,795 full-time employees. A breakdown of our full-time employees by function is shown below:

<u>Employee Function</u>	<u>Number of Employees</u>
Management and administrative staff	99
Finance	76
Quality control.	13
Sales and marketing.	6
Procurement.	12
Production/technical.	147
Restaurant staff	<u>3,442</u>
Total	<u>3,795</u>

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Each year, we employ temporary employees at our Shanghai Food Plant for the production of seasonal food products. In addition, we employ part time employees on an hourly basis during restaurant peak hours to better match our staffing levels with customer traffic. Compensation for our employees includes basic wages, variable wages, bonuses and other staff benefits. For the years ended December 31, 2008, 2009 and 2010, our staff costs were approximately RMB80.4 million, RMB98.1 million and RMB133.3 million, respectively, representing approximately 20.4%, 21.8% and 22.0% of our revenue.

We had entered into arrangements with certain hotel management schools for the recruitment of qualified employees. On May 9, 2006, Tang Palace HK entered into an agreement with Guangdong Industry Technical College (廣東輕工職業技術學院) pursuant to which, Tang Palace HK has agreed to invest a total of RMB4.0 million for the joint establishment of a hotel management school with Guangdong Industry Technical College in consideration of Guangdong Industry Technical College's agreement to provide us with 50 to 100 trained and qualified restaurant staff each year. On September 25, 2007, Tang Palace Beijing WE entered into an agreement with Haikou Vocational Tourism School(海口旅遊職業學校) and The Education Bureau of Haikou (海口市教育局) pursuant to which, Tang Palace Beijing WE donated a total amount of RMB1.0 million to Haikou Vocational Tourism School in consideration of Haikou Vocational Tourism School's agreement to provide 200 qualified trainees to our restaurants each year. On January 1, 2011, Tang Palace Shanghai Changning entered into an agreement with Guangxi Guilin Commerce and Trade Tourism and Technical School (廣西桂林商貿旅遊技工學校) pursuant to which, Tang Palace Shanghai Changning has agreed to invest a total of RMB1.4 million for the joint establishment of a hotel management school with Guangxi Guilin Commerce and Trade Tourism and Technical School in consideration of Guangxi Guilin Commerce and Trade Tourism and Technical School's agreement to provide us with more than 300 qualified trainees each year. Commencing from 2011, the total number of qualified employees guaranteed to be provided to us by the hotel management schools will be approximately 800 per annum, which ensures a stable source of supply of employees to our restaurants.

LABOR AND SAFETY

We regard labor and safety matters as one of our important social responsibilities. We must comply with the PRC Labor Law (中華人民共和國勞動法), the PRC Labor Contract Law (中華人民共和國勞動合同法), the Regulations on Work Injury Insurance (工傷保險條例), and the Provisional Regulations on Collection of Social Insurance Premiums (社會保險費徵繳暫行條例). So far as our Directors are aware, we have complied with the applicable labor and safety regulations. To the best of our knowledge and belief, none of our employees have suffered from any major injuries during their course of employment with us. All the claims arose in relation to our employees' injuries are covered by the insurance maintained by us. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material insurance claims related to employees' injuries.

INSURANCE

Insurance is important to our business. We maintain insurance policies for our assets, which cover damage caused by certain accidents and natural disasters such as fire, and insurance policies for public liabilities, which cover death and property loss of a third party caused by accidents during our operations. We also maintain insurance for employees' compensation liability for personal injury and illness, and cash policy for loss of money in our business premises.

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We maintain product liability insurance and place emphasis on quality control, food safety and environmental hygiene in order to minimize our product liability risks as well as public liability risks arising from the operation of our restaurants. Our Directors are of the view that our insurance coverage is adequate and is in line with the industry practice.

PROPERTIES

The following table sets out the details of the properties leased by our Group for restaurants operated by us as of the Latest Practicable Date.

No.	Restaurants	Address	Gross floor area <i>(sq.m.)</i>	Rental ⁽¹⁾	Validity periods	Termination/renewal clauses
1.	Shanghai Metropark Restaurant	Portions of Levels 1 and 2 on No. 1 Building No. 103 Dongzhuanbang Road Changning District Shanghai the PRC	3,100.00	RMB350,000 per month for the period between May 1, 2010 and June 30, 2010, RMB367,500 per month for the period between July 1, 2010 and June 30, 2012, RMB 385,875 per month of the period between July 1, 2012 and June 30, 2014, RMB 405,169 per month for the period between July 1, 2014 and June 30, 2016 and RMB425,427 per month thereafter exclusive of outgoing expenses	from May 1, 2010 to June 30, 2018	N/A
2.	Beijing New Century Restaurant	Level 2 Hotel Nikko New Century Beijing No. 6 Southern Road Capital Stadium Haidian District Beijing the PRC	1,700.00	RMB240,000 per month exclusive of outgoing expenses	from July, 2010 to December 31, 2015	written application for renewal three months prior to the due date under the lease agreement

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No.	Restaurants	Address	Gross floor area <i>(sq.m.)</i>	Rental ⁽¹⁾	Validity periods	Termination/renewal clauses
3.	Beijing Chaoyang Restaurant	Level 1 Xi Zang Building No. 118 North Forth Ring East Road Chaoyang District Beijing the PRC	1,100.00	RMB289,375 for the period between July 2010 and September 2010 and RMB1,215,500 for the period between October 2010 and September 2011 and RMB850,800 between October 2011 and May 2012 exclusive of outgoing expenses	from July 1, 2010 to May 31, 2012	written application for renewal three months prior to the due date under the lease agreement
4.	Beijing Minzu Restaurant	Shop Space on Level 1 and Room 213 Beijing City Minzu Hotel No. 51 Fuxingmennei Avenue Xicheng District Beijing the PRC	1,366.80	RMB2,900,000 per annum exclusive of outgoing expenses	from January 1, 2009 to December 31, 2013	application for renewal six months prior to the due date under the lease agreement
5.	Beijing Haoyuan Jianguo Restaurant	West Portion of Level 1 China Women Activity Center No. 19 Jianguomennei Avenue Dongcheng District Beijing the PRC	809.00	RMB850,900 for the period between July 2010 and January 2011 and RMB1,531,600 for the period between February 2011 and January 2012 exclusive of outgoing expenses	from July, 2010 to January 31, 2012	written application for renewal six months prior to the due date under the lease agreement
6.	Dongguan Shibo Restaurant	Shop No. 2101, 2102, 2103, 2105, 2106, 2107 and 2108 Level 2 Block H Expo Square Dongcheng District Dongguan City Guangdong Province the PRC	3,461.80	RMB104,000 per month exclusive of outgoing expenses	from August 1, 2010 to December 31, 2012	negotiation for renewal three months prior to the due date under the lease agreement

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No.	Restaurants	Address	Gross floor area <i>(sq.m.)</i>	Rental ⁽¹⁾	Validity periods	Termination/renewal clauses
		Shop No. 3106, 3107, 3108, 4106, 4107, 4108 Level 3 & 4 Block H Expo Square Dongcheng District Dongguan City Guangdong Province the PRC	2,908.26	RMB86,000 per month exclusive of outgoing expenses	from August 1, 2010 to December 31, 2012	30 days prior to the due date
7.	Shanghai Galaxy Restaurant	West Block of Level 2 Shanghai Galaxy Hotel No. 888 Zhong Shan West Road Shanghai the PRC	1,605.00	RMB2,640,000 per year for the period between January 1, 2011 and December 31, 2012 and rental to increase by 3% per year thereafter exclusive of outgoing expenses	from January 1, 2008 to December 31, 2010 and further extended to December 31, 2015	written application for renewal three months prior to the due date under the lease agreement
8.	Shanghai Super Brand Restaurant	Shop 11-13, Level 6 No. 168 Lujiazui West Road Pudong New District Shanghai the PRC	2,461.85	RMB270,000 per month for the period between March 1, 2006 and September 30, 2010 and RMB290,000 per month for the period between October 1, 2010 and September 30, 2014 exclusive of outgoing expenses	from March 1, 2006 to September 30, 2014	N/A
9.	Suzhou Matro Restaurant	Level 5 Matro Shopping Mall No. 245 Guanqian Street Pingjiang District Suzhou City Jiangsu Province the PRC	1,960.00	RMB7,197.95 per day for the period between November 1, 2009 and October 31, 2012 and rental to increase by 5% per year thereafter exclusive of outgoing expenses	from November 1, 2009 to October 31, 2019	written application for renewal six months prior to the due date under the lease agreement

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No.	Restaurants	Address	Gross floor area <i>(sq.m.)</i>	Rental ⁽¹⁾	Validity periods	Termination/renewal clauses
10.	Beijing Xinqiao Restaurant	Level 3 Block A Novotel Xinqiao Beijing No. 2 Dongjiaominxiang (now known as Chongwenmen Road North Western side) Dongcheng District Beijing the PRC	890.00	RMB85,400 per month between September 1, 2008 and December 31, 2008, RMB1,100,000 per annum till December 31, 2011 and rental to increase by 5% per annum thereafter exclusive of outgoing expenses	from September 1, 2008 to December 31, 2013	written application for renewal three months prior to the due date under the lease agreement
		Level 2 Block A Novotel Xinqiao Beijing No. 2 Dongjiaominxiang (now known as Chongwenmen Road North Western side) Dongcheng District Beijing the PRC	617.48	RMB763,200 per annum till December 31, 2012 with rental to increase 5% per annum thereafter exclusive of outgoing expenses	from November 18, 2009 to December 31, 2014	N/A
11.	Hangzhou MIXC Restaurant	Shop 688 on Level 6 MIXC Shopping Mall Jiangan District Hangzhou City Zhejiang Province the PRC	3,248.00	RMB84,369.50 per month for the period between July 5, 2010 and July 4, 2012, RMB 134,381.30 per month for the period between July 5, 2012 and July 4, 2014, RMB149,425.50 per month for the period between July 5, 2014 and July 4, 2016 and RMB 184,393.10 per month thereafter exclusive of outgoing expenses	from July 5, 2010 to July 4, 2018	written application for renewal six months prior to the due date under the lease agreement

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No.	Restaurants	Address	Gross floor area <i>(sq.m.)</i>	Rental ⁽¹⁾	Validity periods	Termination/renewal clauses
12.	Shanghai Dickson Tang's Cuisine	Level 3 Jinjiang Dickson Commercial Building No. 400, Changle Road Shanghai the PRC	1,462.00	RMB173,375 per month for the period between December 1, 2008 and November 30, 2011, RMB182,044 per month for the period between December 1, 2011 and November 30, 2014, RMB191,290 per month for the period between December 1, 2014 and November 30, 2017 and RMB200,826 per month thereafter	from August 1, 2008 to November 30, 2018	written application for renewal 60 days prior to the due date under the lease agreement
			344.00	RMB44,089 per month between June 1, 2009 and May 31, 2012, RMB46,327 per month for the period between June 1, 2012 and May 31, 2015, RMB48,634 per month for the period between June 1, 2015 and May 31, 2018, RMB51,075 per month for the period between June 1, 2018 and November 30, 2018 exclusive of outgoing expenses	from April 10, 2009 to November 30, 2018	N/A

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<u>No.</u>	<u>Restaurants</u>	<u>Address</u>	<u>Gross floor area</u> <i>(sq.m.)</i>	<u>Rental⁽¹⁾</u>	<u>Validity periods</u>	<u>Termination/renewal clauses</u>
13.	Shanghai Sky Fortune Tang's Cuisine	Levels 1-2 and a portion on Level B1 Sky Fortune Boutique Hotel Shanghai No. 358 Hongxu Road Shanghai the PRC	1,239.16 130.13 (level B1)	RMB350,000 per month exclusive of outgoing expenses RMB5,937 per month exclusive of outgoing expenses	from April 1, 2010 to February 28, 2020 from April 1, 2010 to February 28, 2020	written application for renewal three months prior to the due date under the lease agreement written application for renewal three months prior to the due date under the lease agreement
14.	Shenzhen Dongmen Restaurant	Unit 1 on Level 6 Shenzhen Cinema Zhonghai Commercial No.1 Xinyuan Road Luohu District Shenzhen the PRC	1,444.80	RMB104,000 per month exclusive of outgoing expenses	from August 1, 2010 to December 31, 2012	N/A
15.	Beijing Wangjing Restaurant	Level 3 Building No. 4 Shopping Center No. 6 Futong East Avenue Chaoyang District Beijing the PRC	2,456.00	RMB5,157 per day for the period between January 1, 2009 and March 22, 2010, RMB5,672.7 per day for the period between March 23, 2010 and March 22, 2012, RMB6,016.5 per day for the period between March 23, 2012 and March 22, 2014, RMB6,325.92 per day for the period between March 23, 2014 and March 22, 2016 and RMB6,635.34 per day thereafter exclusive of outgoing expenses	from January 1, 2009 to March 22, 2018	written application for renewal 60 days prior to the due date under the lease agreement

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No.	Restaurants	Address	Gross floor area <i>(sq.m.)</i>	Rental ⁽¹⁾	Validity periods	Termination/renewal clauses
16.	Shenzhen Hongling Restaurant	West portion of Level 1 Building 4-5 Hong Ling Building Hongling South Road Futian District Shenzhen the PRC	1,313.00	RMB170,000 per month with rental to increase by 5% per annum from January 1, 2009 exclusive of outgoing expenses	from September 1, 2007 to December 31, 2013	N/A
17.	Shanghai Hongkou Restaurant	Levels 1-4 No. 555 Dalian Road Shanghai the PRC	2,592.71	RMB150,000 per month for the period between January 1, 2008 and December 31, 2011, RMB200,000 per month for the period between January 1, 2012 and December 31, 2015 and RMB208,333.30 thereafter exclusive of outgoing expenses	from January 1, 2008 to December 31, 2017	written application for renewal three months prior to the due date under the lease agreement
18.	Shenzhen Dongmen Jiangnan Cuisine	Unit 4001 Shen Zhen Cinema Zhonghai Commercial No.1 Xinyuan Road Luohu District Shenzhen the PRC	1,157.18	RMB71,000 per month exclusive of outgoing expenses	from August 1, 2010 to December 31, 2012	N/A
19.	Shenzhen Ninja House Restaurant	Units 2008, 2018, 2028, 2038, 2048, 2058, 2068, 2078, 2088, 2098, 2248, 2258, 2308, 2318, 2348, 2358, 2418, 2428, 2438, 2448, 2458 and 2468 Shenzhen Cinema Zhonghai Commercial No.1 Xinyuan Road Luohu District Shenzhen the PRC	788.63	RMB63,082.40 per month exclusive of outgoing expenses	from June 1, 2010 to December 31, 2012	N/A

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No.	Restaurants	Address	Gross floor area <i>(sq.m.)</i>	Rental ⁽¹⁾	Validity periods	Termination/renewal clauses
20.	Beijing Joy City Pepper Lunch	Shop No. 07 Level 8 Chaoyang Joy City Chaoyang District Beijing the PRC	132.00	RMB844.8 per day for the period between May 31, 2010 and May 30, 2011, RMB929.28 per day for the period between May 31, 2011 and May 30, 2014, RMB1,021.68 per day for the period between May 31, 2014 and May 30, 2017, RMB1,124.64 per day for the period between May 31, 2017 and May 30, 2020 exclusive of outgoing expenses	from May 31, 2010 to May 30, 2020	written application for renewal six months prior to the due date under the lease agreement
21.	Beijing Chaobei Joy City Restaurant	Shop No. 2 Level 9 Chaoyang Joy City Chaoyang District Beijing the PRC	2,666.00	RMB7,544.78 per day for the first to third year, RMB7,944.68 per day for the fourth to sixth year and RMB8,451.22 per day for the last four years exclusive of outgoing expenses	from June 1, 2010 to May 31, 2020	Written application for renewal six months prior to the due date under lease agreement
22.	Beijing Yaojiayuan Pepper Lunch	Level 1, Outlets Mall No. 1, Yaojiayuan Road Chaoyang District Beijing the PRC	174.79	RMB53,166 per month for the first to second year, RMB58,483 per month for the third to fourth year, RMB64,311 per month for the fifth to sixth year, RMB70,764 per month for the seventh and eighth year, RMB77,841 per month for the ninth and tenth year exclusive of outgoing expenses.	from December 25, 2010 to December 24, 2020	written application for renewal three months prior to the due date under the lease agreement

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Note:

- (1) For the years ended December 31, 2008, 2009 and 2010, the average rental/sq.m. (including management fee) amounted to approximately RMB90.0, RMB89.1 and RMB102.0, respectively.

NON-COMPLIANCE OF OUR GROUP

Non-compliance of our Group during the Track Record Period

As all of our restaurant operations are in China, we are required to operate our business in compliance with the relevant PRC laws and regulations. However, during the Track Record Period, certain of our activities were not in compliance with the relevant PRC laws and regulations.

- *Fire Safety* - We have not obtained the fire safety approvals (消防安全檢查證明) and the fire prevention inspection report (消防驗收報告) for 14 restaurants before they commenced business. Under the relevant PRC laws and regulations, a restaurant is required to pass fire prevention inspection and obtain the fire safety approvals (消防安全檢查證明) before it commences operation. In general, a fine in the range of RMB30,000 and RMB300,000 could be imposed for failure to obtain each of the fire safety approvals (消防安全檢查證明) and the fire prevention inspection report (消防安全檢查證明). In addition, the PRC fire safety authorities have the authority to order any non-compliant restaurant to suspend its operations unless it rectified the non-compliance within a certain period of time. However, we had rectified the abovementioned non-compliance matters and had obtained the relevant fire safety approvals (消防安全檢查證明) and the fire prevention inspection report (消防驗收報告) for those 14 restaurants, and our restaurant operations have not been affected nor did we receive any notice of material administrative punishment from the competent government authority for fire safety.
- *Environmental* - We have not obtained the approval for environmental impact assessment (環境影響評價批復) and/or passed the inspections on the completed environmental protection facilities (環保設施竣工驗收) for seven restaurants before they commenced business. Accordingly, we had not obtained the pollutant discharge permits (排放污染物許可證/排放污染物申報登記許可證) within the required time limit for those seven restaurants. As advised by our PRC legal advisors, if any of our restaurants failed to obtain the pollutant discharge permits (排放污染物許可證/排放污染物申報登記許可證), a fine in the range of RMB300 and RMB3,000 could be imposed against us and the competent government authority may order us to complete the report and registration of pollutant discharges within a specified time limit, and failure to obtain approvals for environmental impact assessment (環境影響評價批復) and/or pass the inspection on the completed environmental protection facilities (環保設施竣工驗收) could result in the imposition of a fine not exceeding RMB100,000 against us and the force closure of our restaurants. However, we had rectified the abovementioned non-compliance matters and had obtained the approval for environmental impact assessment (環境影響評價批復) and/or passed the

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inspections on the completed environmental protection facilities (環保設施竣工驗收) for those seven restaurants, and our restaurant operations have not been affected nor did we receive any notice of material administrative punishment from the competent government authority of environmental protection.

- *Leased properties* - One of our leased properties was located on allocated land (劃撥地) and was used by us for restaurant operations. The affected property was leased by us in 2008 for the operation of our restaurant, namely, Shanghai Dickson Tang's Cuisine. As advised by our PRC legal advisors, the lease of such property on allocated land (劃撥地) must be approved by and registered with the appropriate government authorities in the PRC. Due to the lessor's failure to obtain the necessary approvals and complete the relevant registration, the lease of such property may be deemed invalid, and we may be forced to relocate our restaurant. However, the lessor had obtained the necessary approvals and completed the required registration with the PRC authorities for leasing such property in December 2010. Therefore, according to our PRC legal advisors, such lease is valid and our restaurant operated on such allocated land (劃撥地) will therefore not be affected.
- *Tax* - One of our restaurants in Shenzhen was fined an approximately total amount of RMB46,185 for unpaid enterprise income tax, stamp duty and related penalty fines, due to failure on the part of some of our suppliers to provide us with invoices. Our Group fully settled the overdue taxes and related penalty fines in 2008. Given that we had fully settled the overdue taxes and the related penalty fines as required by the relevant PRC tax authorities, our PRC legal advisors are of the view that we will not be subject to any further or additional fines and penalties in this regard.

We had rectified all the abovementioned non-compliance matters, and except for the matters as particularly described below under the heading "Non-compliance of our Group as of the Latest Practicable Date", we had obtained all the relevant approvals required under the PRC laws and regulations for the operation of our restaurants as of the Latest Practicable Date. As advised by our PRC legal advisors that, there is no material risk for us to be subject to any further penalty or other liability arising from such non-compliance under the applicable PRC laws.

Non-compliance of our Group as of the Latest Practicable Date

We set out below details of the non-compliance matters of our Group as of the Latest Practicable Date.

Leased Properties

As of the Latest Practicable Date, we leased 112 properties in the PRC with an aggregate gross floor area of approximately 55,369 sq.m.. These 112 properties are located in six cities in the PRC. Our leased properties are mainly used as restaurants and dormitories, and the average lease term for our restaurants in China ranges from two years and five months to 10 years.

As of the Latest Practicable Date, with respect to 70 of our leased properties, the relevant lessors had not provided us with the relevant title ownership certificates or documents evidencing that they have obtained the consent from the other co-owners or any document evidencing authorization from

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the property owners to lease the properties to us. These 70 properties are located in three cities in the PRC, used for staff dormitory purpose and have an aggregate gross floor area of approximately 8,288 sq.m., representing 15% of the total gross floor area of our leased properties in the PRC. We are dedicating effort to obtain from our lessors the relevant title ownership certificates or documents evidencing the authorization of the property owners to our lease of those properties.

Based on the advice of our PRC legal advisors, if the lessors of the relevant leased properties do not have the requisite rights to lease out the relevant leased properties, the relevant lease agreements may be deemed invalid, and as a result, we may be required to move out from the relevant leased properties and relocate our staff dormitories. Our Directors are of the view that the aforesaid leased properties are not crucial to our business, and we can easily find alternative premises for our staff dormitories.

In addition, the lessors of 99 of our leased properties as of the Latest Practicable Date had not registered the relevant lease agreements with the appropriate government authorities in the PRC. These properties are located in five cities in the PRC and have an aggregate gross floor area of approximately 37,604 sq.m.. Out of the 99 properties, 76 are used for staff dormitory purpose, two are used for office purpose, one is used as warehouse, one is used as our Shanghai Food Plant, and the remaining 19 properties are used as restaurants.

As advised by our PRC legal advisors, under the PRC laws, an executed lease agreement must be registered and filed with the relevant land and real estate administration bureau. Save as disclosed above, failure to register an executed lease agreement will not invalidate the lease agreement, and the aforesaid 99 lease agreements will not become invalid due to such non-registration. As registration of lease agreements would need to be conducted jointly by both the lessors and lessees of the lease agreements under the relevant PRC laws and regulations, we could only complete the registration with the assistance from the lessors. For costs saving reason, lessors in the retail tenancy market in the PRC are generally reluctant to assist the lessees in completing the registration. Our Directors confirm that we had tried our best endeavor to follow up with the lessors to complete the registration of the lease agreements, however, despite our repeated demands and requests, the lessors refused to assist us in completing the filling and registration procedure, the registration of these lease agreements had not yet been completed as of the Latest Practicable Date.

We have been advised by our PRC legal advisors that, as the lessees under the unregistered lease agreements, we are not subject to any penalty for the lessor's failure to file and register the lease agreements. According to our PRC legal advisors, the non-registration does not affect the validity of the lease agreements and they consider that the risks of force closure or relocation of our affected restaurants are low.

As of the Latest Practicable Date, we leased 58 properties in Shanghai with an aggregate gross floor area of approximately 8,224 sq.m. for use as staff dormitories, our Shanghai Food Plant and warehouse. Out of the 58 properties, two of these leased properties are located on allocated land (劃撥地) and are used by us as staff dormitories. As advised by our PRC legal advisors, the lease of such properties on allocated land (劃撥地) must be approved by and registered with the appropriate government authorities in the PRC and as of the Latest Practicable Date, the lessors had not obtained the necessary approvals nor completed the registration. Due to the lessors' failure to obtain the

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necessary approvals and complete the relevant registration, such leases may be deemed invalid. If this occurs, we may be forced to relocate our affected staff dormitories. Our Directors are of the view that the aforesaid leased properties are not crucial to our business, and we can easily find alternative premises for our staff dormitories.

We have used one of our leased properties in Beijing with an aggregate gross floor area of approximately 809 sq.m. for the operation of our restaurant, namely, Beijing Haoyuan Jianguo Restaurant. As advised by our PRC legal advisors, the usage of such leased property specified in its house ownership certificate is for office use. Although the actual usage of the property is inconsistent with the designated usage under the house ownership certificate, as advised by our PRC legal advisors, the lease agreement is valid and enforceable and we are not subject to any penalty, as the legal consequences for such inconsistent use are not specified under the relevant laws and regulations in the PRC. However, we may not use the leased property for restaurant operations if the relevant authorities request us to conform to the designated usage under the house ownership certificate. For the years ended December 31, 2008, 2009 and 2010, the total revenue we generated from the restaurant located on such property were approximately RMB27.2 million, RMB27.9 million, and RMB30.3 million, respectively, representing approximately 6.9%, 6.2% and 5.0% of our total revenue, respectively. If we are requested by the PRC government authorities to conform to the designated usage under the house ownership certificate, we may be forced to relocate our affected restaurant, which will cause us to incur related expenses and may disrupt our business and operations. The estimated relocation costs (including the loss of revenue during the period of relocation) which may be incurred by us would be approximately RMB1.5 million and the estimated time for the relocation is around three months. As of the Latest Practicable Date, the operation of our restaurant, namely Beijing Haoyuan Jianguo Restaurant had not been disrupted nor were we forced to relocate such affected restaurant. Our Controlling Shareholders have agreed to indemnify us against our costs, expenses and losses in respect of the above defect in the lease of the property. Please refer to the section headed “Risk Factors — Unauthorized usage of leased property occupied by us in the PRC may affect our ability to use such property and adversely affect our restaurant operations” in this prospectus.

Before leasing the property for operating Beijing Haoyuan Jianguo Restaurant, our Group had designated certain staff to negotiate the lease and handle the lease related matters. Due to inadvertent omission, they had only checked the ownership title but failed to check the designated usage of the leased property under the relevant house ownership certificate. As advised by our PRC legal advisors, there are no relevant provisions under the PRC laws and regulations which explicitly specify any penalty to be imposed on the lessee for using the leased property for a purpose other than the designated usage specified in the house ownership certificate. Should we be required by the PRC government authorities to relocate our affected restaurant, the relocation costs to be incurred by us are estimated to be approximately RMB1.5 million. Our Directors are of the view that the aforesaid property is not crucial to our operations. In addition, our Controlling Shareholders have agreed to indemnify us against any losses as a result of the defects in the property as set out above, and accordingly our Directors consider the impact on our Group’s financial and operation, if any, will be immaterial. In order to prevent the recurrence of defects of similar nature or otherwise, we will seek advice from our external legal counsels before leasing any property and to engage external legal counsels in the PRC to provide training to our staff on how to identify title defects on a periodical basis. In addition, our central administration department will work together with our external legal advisors in handling all property related matters and ensuring all leases are complied with the PRC laws and regulations.

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As of the Latest Practicable Date, the operations of the restaurants located at the aforesaid properties had not been disrupted nor were we forced to relocate our affected staff dormitories, warehouses and Shanghai Food Plant due to our lessors' lack of the required title certificates, their non-registration of our lease agreements and failure to obtain the necessary approvals for the leased properties located on allocated land (劃撥地), or the use of the lease property inconsistent with the designated use as described above. Further, none of the individual properties as described above are considered to be crucial to our business by our Directors. We believe that these leased properties can, if necessary, be replaced by other comparable premises without a material adverse effect on our business, results of operations and financial condition.

Our Controlling Shareholders have agreed to indemnify us against our costs, expenses and losses in respect of all the above defects in the leases of our leased properties. Detailed terms of such indemnities are set out in the section headed "Other information — Estate duty, tax and other indemnities" in Appendix V to this prospectus. Based on the above analysis and given that our Controlling Shareholders have agreed to give such indemnities, our Directors are of the view that no provision for any costs, expenses and/or losses in respect of such defects will need to be made in the accounts of any member of our Group.

For further details of the property interests leased by us, please refer to the section headed "Appendix III Property Valuation" in this prospectus. Save as disclosed above and in the property valuation report set out in Appendix III to this prospectus, we are not aware of any defects in title in any of the property which is the subject matter of the said report.

Social Insurance and Housing Provident Fund Contributions

In accordance with the relevant PRC national labor laws and regulations, we are required to contribute to a number of employee social welfare schemes for the benefit of our employees. Such schemes include social insurance and housing provident fund contributions. We have not fully paid all social insurance premiums for certain employees in the PRC, the majority of whom were paid on an hourly basis and were employed by us for less than six months. Due to high labor turnover, there are significant practical difficulties in completing the necessary social security registration within the short period of their employment.

As advised by our PRC legal advisors, we may be required by the relevant PRC authorities to make such outstanding payments in the future. If this occurs, and if we fail to make such payments within the time period specified by the relevant PRC authorities, a daily fine of 0.2% on any delinquent payments may be imposed on us. As of the Latest Practicable Date, the estimated amount of our unprovided social insurance premiums was approximately RMB5.8 million, for which a provision has been made in our financial statements for the Track Record Period. For the years ended December 31, 2008, 2009 and 2010, we had made provisions of RMB1.7 million, RMB1.9 million and RMB2.2 million, respectively, in our financial statements for our unprovided social insurance premiums.

Due to our lack of comprehensive understanding of the relevant social securities policies and laws and regulations, we have not made in full housing provident fund for some of our employees. As such, we may be required by the relevant PRC authorities to pay such outstanding amounts in the

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future. If this occurs, and if we fail to make such contributions within the time period specified by the relevant PRC authorities, such relevant PRC authorities may apply to the court for compulsory execution. According to our PRC legal advisors, if we are able to comply with the order of the relevant PRC authorities in making such outstanding housing provident fund within the time limit as may be required by the PRC authorities, no additional fines or penalties will be imposed on us in this regard. As of the Latest Practicable Date, the estimated amount of our unprovided housing provident fund contributions was approximately RMB4.3 million, for which a provision has been made in our financial statements for the Track Record Period.

Save as disclosed above, our Directors confirm that we had fully complied with the relevant PRC laws and regulations, and have made all relevant payment on social insurance premiums and housing provident fund as required by the relevant PRC authorities from January 2011 onwards and up to the Latest Practicable Date. As of the Latest Practicable Date, although we have not received any orders to rectify such incidents of non-compliance, we can give no assurance that we will not be subject to such an order in the future. Provisions for such outstanding social insurance premiums and housing provident fund contributions have been made in our financial statements for the Track Record Period. In addition, our Controlling Shareholders have agreed to indemnify us to the extent such provisions are inadequate to cover any claims, demands, fines and penalties we incur as a result of such incidents of non-payment. Please refer to the section headed “Risk Factors — We have not fully paid social insurance premiums for certain employees and have not contributed in full to housing provident fund for our employees in the PRC, which may lead to the imposition of fines and penalties and adversely affect our Group’s business” in this prospectus.

For the abovementioned non-compliance incidents of our Group, our Directors will use their best endeavors to comply with any proposed rectification action required by the relevant PRC authorities to ensure compliance with the PRC laws and regulations. Accordingly, our PRC legal advisors considered that the risks of force closure or relocation of our affected restaurants were low. According to our PRC legal advisors, the risk of possible fines and penalties in relation to all of the abovementioned non-compliance incidents that had been rectified is low. Our Controlling Shareholders have agreed to indemnify us against any fines, penalties, expenses, costs, losses and damages which may be incurred and/or suffered by us for relocation of our restaurants and failure to comply with the relevant PRC laws and regulations arising from the abovementioned non-compliance as of the Latest Practicable Date as set out in the paragraph headed “Estate duty, tax and other indemnities” in Appendix V to this prospectus. Taking into account the advice from our PRC legal advisors and the indemnity provided by our Controlling Shareholders, our Directors consider that the financial and operational impact on our Group, if any, would be immaterial and would not affect our future expansion plan.

LEGAL PROCEEDINGS AND CLAIMS

As of the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our business or operations. In particular, as of the Latest Practicable Date, we had not suffered from any significant product liability claims.

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INTERNAL CONTROL MEASURES TO PREVENT FUTURE NON-COMPLIANCE

In order to continuously improve our corporate governance and to prevent future non-compliance, we intend to adopt or have adopted the following measures:

- (i) We have formed an internal control committee (the “**Internal Control Committee**”) in January 2011, comprising the chief executive officer and chief financial officer of our Company, an external PRC legal counsel engaged by us in March 2011, and Mr. Kwong Ping Man (who was appointed as our independent non-executive Director on March 25, 2011), who possesses relevant experience to review and assess the effectiveness and adequacy of our internal control measures on a quarterly basis. Our Internal Control Committee is also responsible for the implementation of the remedial plans recommended by our internal audit department, so as to ensure our compliance with the Listing Rules and the relevant PRC laws and regulations. Any deficiencies noted during the review process will be addressed to our Board and our Audit Committee.
- (ii) We have also established an internal audit department in March 2011, which consisting of two members, our internal audit manager and our internal audit supervisor. The internal audit manager is a certified public accountant and certified internal auditor who possesses relevant auditing experience to monitor and oversee daily operation of internal control matters. The internal audit department will report to our Audit Committee directly on a quarterly basis to ensure that our Group’s operations are in compliance with the applicable laws, rules and regulations, and recommend remedial plans to our Audit Committee, and our Audit Committee will give instruction to our Internal Control Committee for the implementation of any remedial plans should there be any internal control deficiencies, and our Internal Control Committee will ensure all the remedial plans are implemented.
- (iii) We have developed various internal approval policies and procedures. In order to further enhance the current internal control measures, revised policies and procedures have been codified in our new internal operational manual, which has been adopted and implemented by us, after taking into account of the comments from our internal control advisors. Further, such internal approval policies and procedures will be reviewed by our internal audit department on a quarterly basis, and we will further implement the following internal control measures to ensure compliance with the Listing Rules and the relevant PRC laws and regulations:

Issues	Measures to ensure compliance
Safety and environment	(a) Our regional project department (地區工程部) will directly liaise with the relevant PRC authorities for the application of approvals relating to fire, safety and environment for each restaurant and responsible for the implementation of any rectification procedure required by such PRC authorities to ensure compliance with the relevant fire, safety and environmental laws and regulations, and will report the status of compliance of each restaurant to our regional administration department on a quarterly basis. We will provide on-going training on a regular basis to update our staff in the regional project department (地區工程部) on the relevant fire, safety and environmental laws and regulations.

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Issues	Measures to ensure compliance
	<ul style="list-style-type: none">(b) Our regional administration department will keep responsible for monitoring and ensuring that all approvals relating to fire, safety and environment for each restaurant have been obtained before commencement of business.(c) Our regional administration department will report to our Internal Control Committee which shall be responsible for assessing the application progress and compliance periodically.
Properties	<ul style="list-style-type: none">(a) All lease or tenancy agreements will need to be reviewed by our central administration department, and will obtain legal opinion from our external legal counsels before entering into any lease agreement.(b) Our central administration department will report to our Internal Control Committee on a quarterly basis, which shall be responsible for ensuring that all lease or tenancy agreements entered into by us have complied with the relevant PRC laws and regulations.
Tax	<ul style="list-style-type: none">(a) All tax related matters of each restaurant will be handled by our regional finance department. In addition, with the support and assistance of our external PRC legal counsels, our regional finance department will, on a quarterly basis, report to our Internal Control Committee on the compliance of the tax laws and regulations.(b) We will implement and/or have implemented the following measures to ensure the compliance with the relevant PRC tax laws and regulations:<ul style="list-style-type: none">(1) assign designated staff in each region to handle all tax related matters to ensure deadline for filing or payment can be met;(2) engage external PRC legal counsels to provide proper training to our staff with regular update on the changes to the applicable PRC tax laws and regulations; and(3) upon completion of tax filing, our finance department will report and submit all tax certificates to our Internal Control Committee for review.
Social insurance and housing provident fund	<ul style="list-style-type: none">(a) Our regional human resources department will ensure that all social insurance premiums and housing provident fund are paid in full and in timely manner, so as to ensure the compliance of the relevant PRC laws and regulations, and report the status to our Internal Control Committee on a quarterly basis.(b) Our external PRC legal counsels will also report to our Internal Control Committee on the latest changes to the regulatory requirements on a regular basis.
(iv)	We will further implement various training programs, with the support of our external PRC legal counsel, to update our employees on the relevant PRC laws and regulations.
(v)	We have appointed an external PRC legal counsel in March 2011 to advise us on compliance with the applicable PRC laws and regulations.

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- (vi) We have engaged internal control advisors to conduct semi-annual review for at least one year after Listing. The review will focus on the status of implementation of the recommended remedial actions in areas where deficiencies and weaknesses were identified, the effectiveness of our internal control measures implemented at each of our restaurants, and the standards and effectiveness of our corporate governance, operations and management to ensure our compliance with the Listing Rules and the applicable PRC laws and regulations. We will disclose any material irregularities identified during such review in our interim and annual reports.
- (vii) We have formed an Audit Committee in March 2011, which will establish formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts.
- (viii) We have appointed a company secretary in March 2011, who is familiar with the Listing Rules, Companies Ordinance and related matters to advise us on matters relating to Company's and Directors' obligations.
- (ix) We will appoint a compliance advisor upon Listing to provide advice to our Directors and management team regarding matters relating to the Listing Rules.
- (x) We will appoint an external Hong Kong legal counsel to advise us on compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

In preparation of Listing, we have engaged an independent internal control advisory firm in 2009 to undertake an evaluation of our internal control over financial reporting to perform certain agreed upon procedures.

During the internal control review, our internal control advisors have identified our lack of formal and comprehensive policies and operational guidelines on compliance with the relevant PRC laws and regulations for operating of our restaurants, which shall cover areas of environmental protection, fire prevention and business license renewal. Based on the advice of our internal control advisors, we have prepared an operation handbook which has been codified in our new internal operational manual setting out policies and guidelines for our restaurant operations, which has been implemented by us. Moreover, having considered the internal control review report prepared by our internal control advisors, our Board consider that it is necessary to enhance our current internal control measures. As such, we have formed the Internal Control Committee in January 2011, which is responsible for reviewing and monitoring compliance of the Listing Rules and the relevant PRC laws and regulations, and we will further implement certain internal control measures as stated above to ensure compliance with the Listing Rules and the relevant PRC laws and regulations. The internal control advisors are satisfied that an adequate remedial plan has been in place for our Company to implement the recommended remedial actions in the abovementioned non-compliance areas. After considering the recommended remedial actions, our Directors are of the view that we have adequate internal control procedure and policies in place and we are able to comply with the internal control requirements under the Listing Rules after Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalization Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, our Company will be owned as to (i) 37.5% by Best Active Investments, which is in turn wholly owned by Mr. Chan; (ii) 26.25% by Current Success Investments, which is in turn wholly owned by Mr. Yip, and (iii) 11.25% by Bright Mind Investments, which is in turn wholly owned by Mr. Ku; and (iv) 25% by the public respectively. As Best Active Investments, Current Success Investments, Bright Mind Investments, Mr. Chan, Mr. Yip and Mr. Ku are, directly or indirectly, individually or together with the others, entitled to exercise or control the exercise of 30% or more of the voting power at our general meetings, each of Best Active Investments, Current Success Investments, Bright Mind Investments, Mr. Chan, Mr. Yip and Mr. Ku is regarded as our Controlling Shareholder under the Listing Rules. Please refer to the section headed “Directors and senior management” in this prospectus for further information of Mr. Chan, Mr. Yip and Mr. Ku. Save for their joint investments in our Group, Mecos Group, Dongguan Well Excellent and HK Well Excellent, they do not have other relationship with each other.

Although no written shareholders agreement had been entered into among Mr. Chan, Mr. Yip and Mr. Ku during the Track Record Period and up to the Latest Practicable Date, Mr. Chan, Mr. Yip and Mr. Ku had been acting in concert (within the meaning of the Takeovers Code) with each other by actively cooperating with each other to consolidate control of our Group. After Listing, they will, in their capacity as our Directors, act in the best interests of our Company and our Shareholders taken as a whole.

Mr. Chan, who is our Vice Chairman, an executive Director and the ultimate largest Shareholder immediately prior to completion of the Global Offering and the Capitalization Issue, is a permanent resident in Hong Kong. Up to the Latest Practicable Date, Mr. Chan had not been a full time government official of a country nor had he been a full time employee of a state or government-owned or operated entity for a substantial period of time.

Our Directors consider that our Group is capable of carrying on our business independent of our Controlling Shareholders and their respective associates based on the following reasons:

Operational independence

We are a restaurant chain group in the PRC. As such, we do not place any undue reliance on any customer of our Group. We have independent access to customers and suppliers. None of our Controlling Shareholders and Directors nor their respective associates has been our major supplier or customer which provided any critical services or materials for our operation during the Track Record Period.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As disclosed in the section headed “Continuing Connected Transactions” in this prospectus, we purchased kitchen equipment from and engaged Chiu Kwun, a company indirectly wholly owned by Mr. Ku, one of our Controlling Shareholders, for manufacture, installation and maintenance of kitchen equipment during the Track Record Period. During each of the years ended December 31, 2008, 2009 and 2010, the amount payable to Chiu Kwun for provision of the above goods and services amounted to approximately RMB5.3 million, RMB106,000 and RMB3.3 million, respectively. We have entered into a master service agreement with Chiu Kwun for the purchase of kitchen equipment from and the engagement of Chiu Kwun for manufacture, installation and maintenance of kitchen equipment. Details of the master service agreement are set out in the section headed “Continuing Connected Transactions” in this prospectus. Given that (i) the price payable by us to Chiu Kwun are comparable to the quotations provided by Independent Third Parties for similar goods and services; (ii) our Group has independent access to kitchen equipment suppliers and service providers generally available in the market for similar goods and services; and (iii) we seek quotations from Independent Third Party suppliers for the supply of similar goods and services and have the right to choose other kitchen equipment suppliers or service providers if their terms are more favorable to us than terms offered by Chiu Kwun, our Directors do not consider any material reliance on Mr. Ku in this regard.

We have developed a management and business model which we believe would allow us to easily expand our restaurant business to other regions in the PRC. We have established and implemented a set of systematic procedures and management guidelines for opening new restaurants under our brands. Our Group is organized such that our restaurants are managed and operated by our regional management offices in their respective areas. We have also adopted modern management techniques in operating our restaurant business. In this connection, our Directors have implemented the 5S management system throughout the entire operational process, starting from sourcing and processing of food ingredients, maintaining hygiene standards, staff training to daily management of each of our restaurants. Save for the involvement of Mr. Chan, Mr. Yip and Mr. Ku in our management in their capacity as our Directors and employees, our management team manages and operates our business independently from our Controlling Shareholders.

Our restaurants are operated under different brands and logos owned by us. While HK Well Excellent, a company owned by our Controlling Shareholders, is in the process of transferring the registered trademarks “**德宮**” to us as part of the Reorganization (and exclusively licensing the same to us until expiry of HK Well Excellent’s exclusive right to use such trademark or (as the case may be) until the transfer of such trademark to us is approved), such trademarks were originally registered by Independent Third Parties in the PRC and the purpose of acquiring such trademarks were to prevent third party infringement of our brand name and to avoid negative publicity to us arising from business operating under names similar to ours. As our restaurants have been operated under different brands and logos owned by us, our Directors do not consider any material reliance on our Controlling Shareholders in terms of our Group’s intellectual property rights.

As disclosed in the section headed “Continuing Connected Transactions” in this prospectus, our Group leased from Mecu Group and Dongguan Well Excellent (two companies owned by our Controlling Shareholders) various premises for operation of restaurants, training centre and ancillary office. For the years ended December 31, 2008, 2009 and 2010, an aggregate amount of approximately RMB3.8 million, RMB4.1 million and RMB3.8 million respectively, was paid or payable by us to the Controlling Shareholders as rental expenses or management fee for occupation of such premises,

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representing approximately 15.3%, 12.8% and 8.4% of our total rental fees and relevant management fees for occupation of premises for the respective period. The revenue generated from such restaurants for the years ended December 31, 2008, 2009 and 2010 amounted to approximately RMB88.0 million, RMB91.9 million and RMB90.2 million, respectively, representing approximately 22.4%, 20.4% and 14.9% of our total revenue for the respective period. Given that (i) the rents payable by us under such leases are comparable to the prevailing market rents for similar premises in similar locations; (ii) we have the right to early terminate the tenancy agreement and to renew the tenancy agreement upon expiry of the existing term as we may consider appropriate; and (iii) there are similar premises available in the vicinity offered in the market, our Directors do not consider any material reliance on our Controlling Shareholders in this regard. Save for such leases, we do not use any facilities of our Controlling Shareholders or their respective associates.

Financial independence

To finance our recent business expansion and to meet our working capital requirements, during the Track Record Period, we obtained banking facilities for an aggregate principal amount of approximately RMB53.2 million. Such banking facilities were secured by, among others, charges over properties owned by Meco Group (a company owned by our Controlling Shareholders), personal guarantees of our Controlling Shareholders, charge over deposits and right of set-off over any credit balance on the accounts of HK Well Excellent (a company wholly owned by our Controlling Shareholders) with the relevant bank. The banks have given their agreement in principle to release all such security provided by Meco Group, HK Well Excellent and our Controlling Shareholders upon the Listing.

Amounts due from our Controlling Shareholders, their respective associates and/or related parties to our Group amounted to approximately RMB2.7 million, RMB4.1 million and RMB465,000 as of December 31, 2008, 2009 and 2010, respectively. Amounts due to our Controlling Shareholders, their respective associates and/or related parties from our Group amounted to approximately RMB46.4 million, RMB52.2 million and RMB263,000 as of December 31, 2008, 2009 and 2010, respectively. Such amounts were unsecured, interest free and repayable upon demand. Approximately RMB107.2 million due to our Controlling Shareholders had been capitalized as fully paid Shares of Tang Palace BVI as part of the Reorganization. Save for the amounts payable by us to Meco Group, Dongguan Well Excellent and Chiu Kwun for (i) lease of properties by us from Meco Group and Dongguan Well Excellent and (ii) purchase of kitchen equipment from and engagement of Chiu Kwun for manufacture, installation and maintenance of kitchen equipment, which will be settled in accordance with the terms of the relevant agreements, the balance of any outstanding amounts due from or to any of our Controlling Shareholders, their respective associates and/or related parties has been repaid and settled in full. Please refer to the section headed “Continuing Connected Transactions” in this Prospectus for details of our aforementioned transactions with Meco Group, Dongguan Well Excellent and Chiu Kwun.

In light of the foregoing, our Directors are of the view that our Group does not rely on our Controlling Shareholders and/or their associates by virtue of their provision of financial assistance.

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Management independence

Our Board comprises four executive Directors and three independent non-executive Directors. Three directorships of our executive Directors are held by Mr. Chan, Mr. Yip and Mr. Ku, who are our Controlling Shareholders.

Each of our Directors is aware of his fiduciary duties as a Director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and avoids any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted towards the quorum. In addition, we have an independent senior management team with members having experience in the restaurant industry to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

Restaurant businesses by Controlling Shareholders and their family members

Apart from our Group, during the Track Record Period, our Controlling Shareholders operated a restaurant in Shanghai through Tang Palace Shanghai Seafood, the entire equity interest of which was indirectly effectively owned as to 90.25% by HK Well Excellent and as to 9.75% by two Independent Third Parties. Since the business licenses of the registered owners of Tang Palace Shanghai Seafood had been revoked, they were incapable of exercising their respective rights as registered owners of Tang Palace Shanghai Seafood under its articles of association (including transfer of their equity interests in Tang Palace Shanghai Seafood to our Group). Tang Palace Shanghai Seafood ceased business operations in April 2010 and its business license expired in June 2010. Therefore, Tang Palace Shanghai Seafood has not been included in our Group pursuant to the Reorganization and our Controlling Shareholders do not intend to inject Tang Palace Shanghai Seafood or its business into our Group in the future. As of the Latest Practicable Date, Tang Palace Shanghai Seafood had been dissolved.

To the best of our Directors' knowledge, information and belief, the son (who is over the age of 18) of Mr. Ku, one of our Controlling Shareholders and an executive Director, is in the process of establishing a Vietnamese cuisine restaurant (the "**Vietnamese Restaurant**") in Shenzhen, the PRC, which is expected to commence business operations shortly and will be principally offering Vietnamese noodles. As confirmed by Mr. Ku, (i) he does not and (for so long as he remains as Controlling Shareholder or Director) will not have any equity interest (whether directly or indirectly) in the Vietnamese Restaurant, (ii) he will not be a director or employee of the Vietnamese Restaurant or be involved in the operation of or management in, and will not be able to exert any control or influence over, the Vietnamese Restaurant. The operations of the Vietnamese Restaurant have been and will be financed, managed and operated by Mr. Ku's son independent from Mr. Ku and us; (iii) Mr. Ku's son does not have any equity or other interest in us; (iv) Mr. Ku's son does not hold any directorship or other position in any member of our Group, and will not be able to exert any control or influence over us; and (v) Mr. Ku's son does not have any current plan to engage in any business

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which may directly compete with our business (i.e. either offering Chinese cuisine at the Vietnamese Restaurant or opening new Chinese restaurants in the PRC). In view of the above and that we do not have any current intention to engage in the operation of any Vietnamese cuisine restaurant in the PRC, our Directors are of the view that Mr. Ku is not interested in any business apart from our business, which competes or is likely to compete, either directly or indirectly, with our business within the meaning of Rule 8.10 of the Listing Rules.

As confirmed by Mr. Yip, one of our Controlling Shareholders and our Chairman, his brother is a passive investor of a Chinese restaurant (the “**Jiangnan Restaurant**”) in Shenzhen offering Hangzhou cuisine. To the best of our Directors’ knowledge, information and belief, (i) Mr. Yip’s brother owns a 20%-minority interest in the Jiangnan Restaurant, and the remaining equity interest of the Jiangnan Restaurant is owned by four other individuals who are Independent Third Parties. Mr. Yip has no equity interest in the Jiangnan Restaurant; (ii) Mr. Yip’s brother invested in the Jiangnan Restaurant out of his own financial resources; (iii) neither Mr. Yip nor his brother is a director or an employee of the Jiangnan Restaurant. As a passive investor, Mr. Yip’s brother is not involved in the operation or management in, and does not have any control over, the Jiangnan Restaurant; (iv) Mr. Yip’s brother does not have any equity or other interest in us. He is the finance manager of our restaurants in Shenzhen and a legal representative and director of some of our PRC subsidiaries. He is principally responsible for overseeing the financial aspects of these companies and apart from carrying out his task as a finance manager of our Shenzhen region office, he is not involved in the decision-making process of our Group. As such, he is unable to exert any significant control or influence over our business operations, development and policies; (v) Apart from having a minority interest in the Jiangnan Restaurant, Mr. Yip’s brother does not have any current intention to invest in Chinese restaurants in the PRC or open new Chinese restaurant which will compete or likely be in competition with our business. As Mr. Yip does not hold any interest (directly or indirectly) in the Jiangnan Restaurant nor does he have any interest in his brother’s investment in the Jiangnan Restaurant, our Directors are of the view that Mr. Yip is not interested in any business apart from our business, which competes or is likely to compete, either directly or indirectly, with our business within the meaning of Rule 8.10 of the Listing Rules.

NON-COMPETE UNDERTAKING

Each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, our Controlling Shareholders have given an irrevocable Non-compete Undertaking in our favor on March 25, 2011 pursuant to which each of the Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken with us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates (other than our Group) shall:

- (i) save for the Excluded Business (as defined below), not, directly or indirectly, participate in, carry on, invest in or be engaged in any business which will or may compete with the

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business currently and from time to time engaged by our Group (“**Restricted Business**”) including but not limited to the operation of restaurants in the PRC and the marketing, sales, distribution, production, processing and/or provision of food and beverage and other products of our Group from time to time (“**Restricted Products**”);

- (ii) not solicit any existing or then existing employee of our Group for employment by them or their respective associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in their capacity as our Controlling Shareholders and/or Directors for the purpose of competing with the Restricted Business; and
- (iv) in respect of any order undertaken or proposed to be undertaken by them or their respective associates involving the marketing, sales, distribution, production, processing and/or provision of any Restricted Products, unconditionally use reasonable endeavors to procure that such customer(s) to appoint or contract directly with any member of our Group for the marketing, sales, distribution, production, processing and/or provision of the Restricted Products under the relevant order.

For the above purpose:

- (A) the “Relevant Period” means the period commencing from the Listing Date and shall expire upon the earliest date of occurrence of the events below:
 - (a) the date on which the Controlling Shareholders (individually or taken as a whole) ceases to be the controlling shareholders for the purpose of the Listing Rules;
 - (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;
- (B) the “Excluded Business” means:
 - (a) any direct or indirect investments of our Controlling Shareholders and/or their respective associates (excluding our Group) in any member of our Group;
 - (b) any direct or indirect investment of our Controlling Shareholders and/or their respective associates (excluding our Group) in the operation of restaurants or the marketing, sales, distribution, production, processing and/or provision of the Restricted Products outside the PRC whereby:
 - (i) the aggregate investment by such Controlling Shareholder and/or his/its associates in the business shall not exceed 30% of the entire equity interests in that business; and

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- (ii) none of such Controlling Shareholder and/or his/its associates (individually or taken as a whole) will be the single largest shareholder or equity holder of that business; and
 - (iii) none of such Controlling Shareholder and/or his/its associates will be involved in the operation and management of that business; and
- (c) any direct or indirect investment of our Controlling Shareholders and/or their respective associates (excluding our Group) in shares of a publicly listed company (other than any member of our Group) whereby:
- (i) the aggregate interests held by such Controlling Shareholder and/or his/its associates shall not exceed 5% of the entire issued share capital of that company, and
 - (ii) none of such Controlling Shareholder and/or his/its associates (individually or taken as a whole) will be the single largest shareholder or equity holder of that company; and
 - (iii) none of such Controlling Shareholder and/or his/its associates will be involved in the operation and management of that company and/or its subsidiaries.

Each of our Controlling Shareholders has undertaken under the Non-compete Undertaking that he or it shall, and procure his/its respective associates (other than our Group) to, provide to us, our auditors and/or our Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the auditors and/or independent non-executive Directors with regard to compliance with the terms of the Non-compete Undertaking by the Controlling Shareholders. Each of the Controlling Shareholders has also undertaken to make an annual declaration as to compliance with the terms of the Non-compete Undertaking in our annual report.

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to the compliance and enforcement of the Non-compete Undertaking, we have adopted the following corporate governance measures:

- (i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-compete Undertaking by our Controlling Shareholders;
- (ii) we will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-compete Undertaking either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the Non-compete Undertaking have been complied with and enforced;

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- (iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Non-compete Undertaking, he shall disclose his interests to our Board and may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association; and

- (v) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, two of whom have experience as directors of listed companies (namely, Mr. Kwong Chi Keung and Mr. Kwong Ping Man) and one of whom has substantive expertise in the food and beverage industry (namely, Mr. Cheung Kin Ting Alfred). We believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial external opinion to protect the interests of our public shareholders. Details of our independent non-executive Directors are set out in the section entitled “Directors and Senior Management — Directors — Independent non-executive Directors”.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

CONTINUING CONNECTED TRANSACTIONS

Upon the Listing, the transactions set forth below will constitute continuing connected transactions (as defined in the Listing Rules) of our Company:

- (i) trademark transfer and license agreements between us and HK Well Excellent for the transfer and license of trademarks to us by HK Well Excellent;
- (ii) tenancy agreements between us and Meco Group or (as the case may be) Dongguan Well Excellent for the lease of properties by us from Meco Group or (as the case may be) Dongguan Well Excellent; and
- (iii) master service agreement between us and Chiu Kwun for our purchase of kitchen equipment from and the engagement of Chiu Kwun for the manufacture, installation and maintenance of kitchen equipment.

Relationship between our Group and connected persons

Meco Group, a company incorporated in Hong Kong with limited liability, is principally engaged in property investment. It is owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku. Dongguan Well Excellent, a company established in the PRC with limited liability, is principally engaged in property leasing. It is wholly owned by HK Well Excellent, an investment holding company incorporated in Hong Kong with limited liability and owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku. As Mr. Chan, Mr. Yip and Mr. Ku are our Controlling Shareholders and executive Directors, each of Meco Group, Dongguan Well Excellent and HK Well Excellent is a connected person of our Company under the Listing Rules.

Chiu Kwun, a company incorporated in the PRC with limited liability in April 1990, is principally engaged in the manufacture, sale, installation and maintenance of kitchen equipment and provision of consultancy services related to kitchen equipment and kitchen layout. It is indirectly wholly owned by Mr. Ku. As Mr. Ku is a Controlling Shareholder and executive Director, Chiu Kwun is a connected person of our Company under the Listing Rules.

Under the Listing Rules, for so long as each of Meco Group, Dongguan Well Excellent, HK Well Excellent and Chiu Kwun remains as a connected person of our Company, the transactions described below would constitute continuing connected transactions upon the Listing.

(A) Continuing connected transactions which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements

On August 3, 2010, Tang Palace HK Prosperous entered into a trademark transfer and license agreement with HK Well Excellent, pursuant to which HK Well Excellent (i) agreed to transfer Class 42 Trademark and Class 30 Trademark as referred to in the section entitled "History, reorganization and Corporate Structure — Reorganization — Acquisition of trademarks" in this prospectus to Tang Palace HK Prosperous at a total consideration of RMB4.18 million and (ii) until the expiry of HK Well Excellent's exclusive right to use the Class 42 Trademark, granted a license to Tang Palace HK Prosperous to use and sub-license the Class 42 Trademark to other parties at a total consideration of RMB3,000. On January 28, 2011, Tang Palace HK Prosperous entered into a trademark license

CONTINUING CONNECTED TRANSACTIONS

agreement with HK Well Excellent, pursuant to which HK Well Excellent granted a license to Tang Palace HK Prosperous, at nil consideration, to use and sub-license the Class 30 Trademark to other parties until the transfer of such trademark to Tang Palace HK Prosperous is approved. Details of the trademarks transfer and license are set out in the section headed “History, Reorganization and Corporate Structure — Reorganization — Acquisition of trademarks” in this prospectus.

Based on the license fee (if any) payable by us under the agreements, it is expected that each of the percentage ratios (other than the profits ratio), where applicable, calculated by reference to Rule 14.07 of the Listing Rules, will be less than 0.1%, the trademark licenses will be exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

(B) Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders’ approval requirements

(i) Tenancy agreements

Pursuant to various tenancy agreements (collectively, “CCT Tenancy Agreements”) entered into between our Group as lessee and Mecos Group or (as the case may be) Dongguan Well Excellent as landlord, our Group agreed to lease the premises set out below for an initial term expiring on December 31, 2012, with an option for our Group to, subject to compliance with the relevant requirements under the Listing Rules, renew and extend the tenancy for successive terms of three years upon expiry of the then current term. The rent payable under the extended term shall not be higher than the then prevailing market rent and any increment for the extended term shall not exceed 20% of the rent payable under the then current term. Pursuant to the CCT Tenancy Agreements, our Group may terminate the relevant CCT Tenancy Agreement by serving not less than one month prior written notice to Mecos Group or (as the case may be) Dongguan Well Excellent. The leased premises are used for operation of restaurant, training centre or ancillary office by the respective Group member.

Further details in relation to the premises leased from Mecos Group are set out below:

Address	(i) Approx. gross floor area (ii) Use	(i) Date of agreement (ii) Term of lease	Rent payable under the CCT Tenancy Agreements	Payment method	Rent for the year ended December 31,
	<i>(sq.m.)</i>		<i>(Note 1)</i>		<i>(Note 2)</i>
(1) Units 2101, 2102, 2103, 2105, 2106, 2107 and 2108, Block H, Expo Square, Dongcheng District, Dongguan City, Guangdong Province, the PRC	(i) 3,461.80 (ii) Restaurant	(i) August 1, 2010 (ii) August 1, 2010 to December 31, 2012 (Note 3)	(i) August 1, 2010 to December 31, 2010: RMB520,000 (ii) January 1, 2011 to December 31, 2011: RMB1,248,000 (iii) January 1, 2012 to December 31, 2012: RMB1,248,000	Monthly rent of RMB104,000 is payable by our Group to Mecos Group in advance each month. Such rent is inclusive of rental tax and exclusive of water, electricity, telephone, television, heat, gas, property management, cleaning, internet, car park and indoor facilities maintenance fees.	(i) 2008: RMB1,200,000 (ii) 2009: RMB1,200,000 (iii) 2010: RMB1,220,000

CONTINUING CONNECTED TRANSACTIONS

Address	(i) Approx. gross floor area (ii) Use	(i) Date of agreement (ii) Term of lease	Rent payable under the CCT Tenancy Agreements	Payment method	Rent for the year ended December 31,
	<i>(sq.m.)</i>		<i>(Note 1)</i>		<i>(Note 2)</i>
(2) Units 2008, 2018, 2028, 2038, 2048, 2058, 2068, 2078, 2088, 2098, 2248, 2258, 2308, 2318, 2348, 2358, 2418, 2428, 2438, 2448, 2458, and 2468, Shenzhen Cinema, Zhonghai Commercial, 1 Xinyuan Road, Luohu District, Shenzhen, the PRC	(i) 788.63 (ii) Restaurant	(i) July 12, 2010 (ii) June 1, 2010 to December 31, 2012 (Note 3)	(i) December 1, 2010 to December 31, 2010: RMB63,082.40 (ii) January 1, 2011 to December 31, 2011: RMB756,988.80 (iii) January 1, 2012 to December 31, 2012: RMB756,988.80	No rent shall be payable for the period from June 1, 2010 to November 30, 2010. Commencing from December 1, 2010, monthly rent of RMB63,082.40 is payable by our Group to Meco Group in advance each month. Such rent is inclusive of rental tax and property management fees and exclusive of water, electricity, telephone, television, heat, gas, cleaning, internet, car park and indoor facilities maintenance fees.	(i) 2008 and 2009: Nil (we did not lease the premises during the period) (ii) 2010: RMB63,082.40 (our lease commenced on June 1, 2010 and no rent was payable for the period from June 1, 2010 to November 30, 2010)
(3) Units 3138, 3148, 3158, 3178, Level 3, Shenzhen Cinema, Zhonghai Commercial, 1 Xinyuan Road, Luohu District, Shenzhen, the PRC	(i) 313.86 (ii) Training centre and ancillary office	(i) August 1, 2010 (ii) August 1, 2010 to December 31, 2012 (Note 3)	(i) August 1, 2010 to December 31, 2010: RMB150,000 (ii) January 1, 2011 to December 31, 2011: RMB360,000 (iii) January 1, 2012 to December 31, 2012: RMB360,000	Monthly rent of RMB30,000 is payable by our Group to Meco Group in advance each month. Such rent is inclusive of rental tax and exclusive of water, electricity, telephone, television, heat, gas, property management, cleaning, internet, car park and indoor facilities maintenance fees.	(i) 2008 and 2009: Nil (we did not lease the premises during the period) (ii) 2010: RMB150,000 (our lease commenced on August 1, 2010)
(4) Unit 4001, Shenzhen Cinema, Zhonghai Commercial, 1 Xinyuan Road, Luohu District, Shenzhen, the PRC	(i) 1,157.18 (ii) Restaurant	(i) September 3, 2010 (ii) August 1, 2010 to December 31, 2012 (Note 3)	(i) August 1, 2010 to December 31, 2010: RMB355,000 (ii) January 1, 2011 to December 31, 2011: RMB852,000 (iii) January 1, 2012 to December 31, 2012: RMB852,000	Monthly rent of RMB71,000 is payable by our Group to Meco Group in advance each month. Such rent is inclusive of rental tax and exclusive of water, electricity, telephone, television, heat, gas, property management, cleaning, internet, car park and indoor facilities maintenance fees.	(i) 2008: RMB833,169.60 (ii) 2009: RMB833,169.60 (iii) 2010: RMB702,154
(5) Unit 1 on Level 6, Shenzhen Cinema, Zhonghai Commercial, 1 Xinyuan Road, Luohu District, Shenzhen, the PRC	(i) 1,444.80 (ii) Restaurant	(i) September 3, 2010 (ii) August 1, 2010 to December 31, 2012 (Note 3)	(i) August 1, 2010 to December 31, 2010: RMB520,000 (ii) January 1, 2011 to December 31, 2011: RMB1,248,000 (iii) January 1, 2012 to December 31, 2012: RMB1,248,000	Monthly rent of RMB104,000 is payable by our Group to Meco Group in advance each month. Such rent is inclusive of rental tax and exclusive of water, electricity, telephone, television, heat, gas, property management, cleaning, internet, car park and indoor facilities maintenance fees.	(i) 2008: RMB810,000 (rent-free period from June to August 2008) (ii) 2009: RMB1,080,000 (iii) 2010: RMB1,150,000

CONTINUING CONNECTED TRANSACTIONS

Further details in relation to the premises leased from Dongguan Well Excellent are set out below:

Address	(i) Approx. gross floor area (ii) Use <i>(sq.m.)</i>	(i) Date of agreement (ii) Term of lease <i>(Note 3)</i>	Rent payable under the CCT Tenancy Agreement <i>(Note 1)</i>	Payment method	Rent for the Track Record Period <i>(Note 2)</i>
(6) Units 3106, 3107, 3108, 4106, 4107 and 4108, Block H, Expo Square, Dongcheng District, Dongguan City, Guangdong Province, the PRC	(i) 2,908.26 (ii) Restaurant	(i) August 1, 2010 (ii) August 1, 2010 to December 31, 2012 (Note 3)	(i) August 1, 2010 to December 31, 2010: RMB430,000 (ii) January 1, 2011 to December 31, 2011: RMB1,032,000 (iii) January 1, 2012 to December 31, 2012: RMB1,032,000	Monthly rent of RMB86,000 is payable by our Group to Dongguan Well Excellent each month. Such rent is inclusive of rental tax and exclusive of water, electricity, telephone, television, heat, gas, property management, cleaning, internet, car park and indoor facilities maintenance fees.	(i) During the periods set out below, no rent was paid or payable by us. The following management fee was paid or payable by us for occupation of the premises: (a) January 1, 2008 to December 31, 2008: RMB960,000 (b) January 1, 2009 to December 31, 2009: RMB960,000 (c) January 1, 2010 to July 31, 2010: RMB120,000 (ii) Rent for the period from August 1, 2010 to December 31, 2010: RMB430,000

Notes:

- (1) The rent was arrived at after arm's length negotiations between the parties and determined by reference to the prevailing market rent of the premises.
- (2) The information set out in this column refers to the rent paid or payable by our Group to the relevant lessor during the Track Record Period. For the years ended December 31, 2008, 2009 and 2010, an aggregate amount of approximately RMB3.8 million, RMB4.1 million and RMB3.8 million, respectively, was paid or payable by us to our Controlling Shareholders as rental expenses or management fee for occupation of such premises.
- (3) The lease agreements have an initial term expiring on December 31, 2012, with an option for our Group to, subject to compliance with the relevant requirements under the Listing Rules, renew and extend the tenancy for successive terms of three years upon expiry of the then current term.

Jones Lang LaSalle Sallmanns Limited, the property valuer of our Company, has reviewed the rental payable pursuant to the CCT Tenancy Agreements and considers that the annual rent under each of the CCT Tenancy Agreements is fair and reasonable and consistent with the then current market rents for similar premises in similar locations in the PRC and the terms of the CCT Tenancy Agreements are on normal commercial basis and the duration of the leases under the CCT Tenancy Agreements are consistent with the prevailing market.

CONTINUING CONNECTED TRANSACTIONS

Our Directors anticipate that the aggregate rent payable by our Group to Meco Group and Dongguan Well Excellent under the CCT Tenancy Agreements will not exceed RMB5,496,988.80 and RMB5,496,988.80 for the years ending December 31, 2011 and 2012, respectively. The annual caps represent the actual rent payable by our Group to Meco Group and Dongguan Well Excellent pursuant to the CCT Tenancy Agreements.

(ii) Master service agreement for the purchase, manufacture, installation and maintenance of kitchen equipment

During the Track Record Period, we purchased kitchen equipment from and engaged Chiu Kwun for manufacture, installation and maintenance of kitchen equipment. During the years ended December 31, 2008, 2009 and 2010, the amount payable to Chiu Kwun for provision of the above goods and services amounted to approximately RMB5,288,000, RMB106,000 and RMB3,332,000, respectively. Based on the unaudited management accounts of Chiu Kwun, the aggregate amount payable by us to Chiu Kwun for provision of the above goods and services during the year ended December 31, 2010 contributed to approximately 25.5% of the total revenue of Chiu Kwun (being approximately RMB13.1 million) during the year.

On March 25, 2011, we entered into a master service agreement (“**Master Agreement**”) with Chiu Kwun, pursuant to which we agreed to purchase new kitchen equipment from and engage Chiu Kwun for the manufacture, installation and maintenance of kitchen equipment on such terms and conditions and at such prices to be determined from time to time by the parties on case by case basis after arm’s length negotiations. For each transaction under the Master Agreement, the parties shall enter into separate contract or order, provided that the terms and conditions of each contract or order shall be (a) on normal commercial terms; and (b) on terms which we consider to be no less favorable to us than terms offered by Independent Third Parties suppliers to us for such products or services of comparable quality. The Master Agreement was entered into for a term expiring on December 31, 2013 unless terminated earlier by three months’ written notice by either party.

As the design for *Pepper Lunch* (胡椒厨房) restaurants require the prior approval of SFBI, we have not engaged and do not intend to engage Chiu Kwun for provision of the above goods and services in respect of *Pepper Lunch* (胡椒厨房) restaurants. Our Directors estimate that the annual transaction amount payable by us to Chiu Kwun under the Master Agreement will not exceed RMB6.2 million, RMB7.5 million and RMB9.9 million for the years ending December 31, 2011, 2012 and 2013, respectively. The above annual caps were determined by our Directors with reference to the following:

- (a) the average expenses of approximately RMB1,137,854 incurred by us for purchase, manufacture and/or installation of kitchen equipment for each kitchen renovation project for our new and existing restaurants (other than that for *Pepper Lunch* (胡椒厨房) restaurants) during the Track Record Period;

CONTINUING CONNECTED TRANSACTIONS

- (b) about 69% of our kitchen renovation projects for our new and existing restaurants (other than that for *Pepper Lunch* (胡椒厨房) restaurants) were undertaken by Chiu Kwun during the Track Record Period;
- (c) expected number of kitchen renovation projects for our new and existing restaurants (other than that for *Pepper Lunch* (胡椒厨房) restaurants) of 7 (including one completed in January 2011), 8 and 10 for the years ending December 31, 2011, 2012 and 2013, respectively, based on our expansion plan and our policy to carry out kitchen renovation for each restaurant every three to five years;
- (d) average fees of approximately RMB20,000 incurred by us per year for maintenance services during the Track Record Period; and
- (e) expected increase in price of raw materials of approximately 3% per year.

Waiver from compliance with the announcement requirements

The continuing connected transactions under the CCT Tenancy Agreements are aggregated pursuant to Rules 14A.25 to 14A.27 of the Listing Rules. Based on the respective annual caps for the transactions under (i) the CCT Tenancy Agreements on an aggregated basis and (ii) the Master Agreement as mentioned above, it is expected that each of the percentage ratios for the CCT Tenancy Agreements and the Master Agreement (other than the profits ratio), where applicable, calculated by reference to Rule 14.07 of the Listing Rules, will exceed 0.1% but will be less than 5%. Accordingly, each of (i) the CCT Tenancy Agreements (on an aggregated basis) and (ii) the Master Agreement is subject to the reporting, announcement, and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange, and the Stock Exchange has granted us, waivers pursuant to Rule 14A.42(3) of the Listing Rules to exempt the transactions under the CCT Tenancy Agreements and the Master Agreement from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules.

Application for waiver

(a) Reason for the application

Given that the transactions under the CCT Tenancy Agreements and the Master Agreement were entered into prior to the Listing Date and have been disclosed in this prospectus and our potential investors will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement requirements in respect thereof immediately after the Listing would add unnecessary administrative costs for us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers from strict compliance with the relevant announcement requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(b) Compliance with applicable rules set out in Chapter 14A of the Listing Rules

We will comply with the applicable requirements under the Listing Rules in respect of the transactions under the CCT Tenancy Agreements and the Master Agreement. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as of the date of this prospectus relating to the transactions under the CCT Tenancy Agreements and the Master Agreement, we will take immediate steps to ensure compliance with such requirements within a reasonable period. Upon expiry of the waivers granted for the period ending December 31, 2012 for the CCT Tenancy Agreements and December 31, 2013 for the Master Agreement, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

(c) Confirmation from the Directors

Our Directors (including independent non-executive Directors) consider that all the transactions under the CCT Tenancy Agreements and the Master Agreement have been and will be entered into in the ordinary and usual course of business and on normal commercial terms, and that the respective terms of the CCT Tenancy Agreements and Master Agreement and the annual caps set out above are fair and reasonable and in the interests of our Shareholders as a whole.

(d) Confirmation from the Sponsor

The Sponsor is of the view that the CCT Tenancy Agreements and Master Agreement have been or will be entered into in the ordinary and usual course of business and on normal commercial terms and that the respective terms of the CCT Tenancy Agreements and Master Agreement and the annual caps set out above are fair and reasonable and in the interests of our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of seven Directors, including four executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Yip Shu Ming (葉樹明先生), aged 55, is one of the founders of our Group, our Chairman and an executive Director of our Company. He was appointed as our executive Director on March 25, 2011. Mr. Yip joined our Group in July 1992. He is responsible for our Group's overall corporate operations, planning and business development. Mr. Yip is also a director of certain subsidiaries of our Group.

Mr. Yip has over 24 years of experience in restaurant business. He worked as general manager at Fortune City Restaurant (富城火鍋海鮮酒家), which operated in Hong Kong, from 1986 to 1995. Mr. Yip was a director of The Hong Kong Federation of Restaurants & Related Trades Limited. He is a part-time consultant of the China Hotel Management Limited Company and a permanent honorary committee member of The Chinese General Chamber of Commerce. Apart from his interest in our Group, Mr. Yip is also one of the direct or indirect owners of (i) HK Well Excellent, an entity held by him for investment holding purpose and the licensor under the trademark transfer and license agreements as disclosed under the section "Continuing Connected Transactions", and (ii) Meco Group and Dongguan Well Excellent, two entities held by him for property investment and property leasing businesses and the lessors under the CCT Tenancy Agreements as disclosed under the section "Continuing Connected Transactions". Mr. Yip is the father of Mr. Yip Ka Fai, a member of the senior management of our Group.

Mr. Yip was a director of 北京民族富城火鍋海鮮酒家有限公司 (Beijing Minzu Fortune City Hot Pot Seafood Restaurant Co., Ltd) ("Minzu Fortune City"), which was established with an operation term of 10 years commencing from January 1994. As the then owners of Minzu Fortune City did not intend to continue the operation of Minzu Fortune City after the expiry of its business license in January 2004, Minzu Fortune City became dormant for business purposes since June 2003 and failed to participate in annual inspection in 2005. As a result, its business license was revoked on October 13, 2006. Our Directors do not consider the incident to have any implication on Mr. Yip's suitability to serve as our Director and our PRC legal advisors are of the view that Mr. Yip will not be subject to any further liabilities in this regard.

Mr. Chan Man Wai (陳文偉先生), aged 56, is one of the founders of our Group, our Vice Chairman and an executive Director of our Company. He was appointed as our executive Director on March 11, 2010. Mr. Chan has been with our Group since its establishment in July 1992. He is responsible for our Group's overall corporate strategic development. Mr. Chan is also a director of certain subsidiaries of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan has over 27 years of experience in restaurant business. Prior to the establishment of Tang Palace HK Meco in 1992, he co-owned and operated with others the restaurants Fortune Flower Grill and Lounge and Fortune City Restaurant (富城火鍋海鮮酒家) in Hong Kong between 1983 and 1996. Apart from his interest in our Group, Mr. Chan is also one of the direct or indirect owners of (i) HK Well Excellent, an entity held by him for investment holding purpose and the licensor under the trademark transfer and license agreements as disclosed under the section “Continuing Connected Transactions”, and (ii) Meco Group and Dongguan Well Excellent, two entities held by him for property investment and property leasing businesses and the lessors under the CCT Tenancy Agreements as disclosed under the section “Continuing Connected Transactions”.

Mr. Chan was a director of Minzu Fortune City, which was established with an operation term of 10 years commencing from January 1994. As the then owners of Minzu Fortune City did not intend to continue the operation of Minzu Fortune City after the expiry of its business license in January 2004, Minzu Fortune City became dormant for business purposes since June 2003 and failed to participate in annual inspection in 2005. As a result, its business license was revoked on October 13, 2006. Our Directors do not consider the incident to have any implication on Mr. Chan’s suitability to serve as our Director and our PRC legal advisors are of the view that Mr. Chan will not be subject to any further liabilities in this regard.

Mr. Ku Hok Chiu (古學超先生), aged 65, is one of the founders of our Group, and an executive Director of our Company. He was appointed as our executive Director on March 25, 2011. Mr. Ku joined our Group as a shareholder of Tang Palace HK Meco in May 1996 and became a director of Tang Palace Shenzhen in July 1998. He is responsible for our Group’s overall corporate strategic development. Mr. Ku is also a director of certain subsidiaries of our Group.

Mr. Ku has over 25 years of experience in restaurant business. Prior to joining our Group, he was one of the indirect owners of Datong Restaurant (大同酒家), which operated in the PRC, from 1985 to 1997.

Mr. Ku is also engaged in kitchen equipment business in the PRC through Chiu Kwun. Apart from his interest in our Group, Mr. Ku is also (i) one of the direct or indirect owners of HK Well Excellent, an entity held by him for investment holding purpose and the licensor under the trademark transfer and license agreements as disclosed under the section “Continuing Connected Transactions”, (ii) one of the shareholders of Meco Group and Dongguan Well Excellent respectively, two entities used by him for property investment and property leasing and the lessors under the CCT Tenancy Agreements as disclosed under the section “Continuing Connected Transactions”; and (iii) the indirect sole owner of Chiu Kwun, an entity held by him for the business of manufacture, sale, installation and maintenance of kitchen equipment and provision of consultancy services related to kitchen equipment and kitchen layout and the supplier and service provider under the Master Agreement as disclosed under the section “Continuing Connected Transactions”.

Mr. Ku was a director of Minzu Fortune City, which was established with an operation term of 10 years commencing from January 1994. As the then owners of Minzu Fortune City did not intend to continue the operation of Minzu Fortune City after the expiry of its business license in January 2004, Minzu Fortune City became dormant for business purposes since June 2003 and failed to

DIRECTORS AND SENIOR MANAGEMENT

participate in annual inspection in 2005. As a result, its business license was revoked on October 13, 2006. Our Directors do not consider the incident to have any implication on Mr. Ku's suitability to serve as our Director and our PRC legal advisors are of the view that Mr. Ku will not be subject to any further liabilities in this regard.

Ms. Weng Peihe (翁培禾小姐), aged 40, is an executive Director, the chief executive officer of our Group and is primarily responsible for overseeing our Group's business development, market development, human resources, administration and logistics management. She joined our Group in January 1997 and worked as senior manager to general manager from January 1997 to February 2000. Ms. Weng has been the chief executive officer of our Group since March 2000 and was appointed as our executive Director on March 25, 2011. Ms. Weng has over 19 years of experience in the restaurant industry. Prior to joining our Group, she was engaged by Dragon Hotel, managed by New World Hotels International (杭州新世界黃龍酒店) in 1988. Ms. Weng was awarded Excellent Female Entrepreneur in China Hospitality Industry (全國飯店業優秀女企業家) by the China Hotel Association (中國飯店協會) and China Finance, Commerce, Light, Textile and Tobacco Trade Union (中國財貿輕紡煙草工會) jointly in 2004. She was elected as one of the 2009-2010 China Hotel Industry 100 Elites (中華英才百福榜) and awarded the Platinum Five-Star Medal (中華英才白金五星勳章) by the China Hotel Industry Annual Conference Organizing Committee (中國飯店業年會組織委員會) in March 2010. Ms. Weng was awarded as one of the Outstanding Entrepreneur in China Brand Development for 2010 (中國品牌建設十大傑出企業家) jointly by China United Business News (中國聯合商報社), Brand Magazine (品牌雜誌社), China Wisdom Engineering Association (中國智慧工程研究會), China Academy of Management Science (中國管理科學研究院), China International Brand Academy (中國國際品牌學會) and National High Technology Industry Brand Academy (全國高科技產業品牌推進委員會) in January 2011. Ms. Weng completed the Certificate in Chinese Restaurant Management Course (酒樓管理課程) at the Hong Kong Institute of Vocational Education in 2002 and the International Business Management CEO course (企業管理國際化總裁 (CEO) 班) at the Center for Overseas Academic and Cultural Exchanges, Tsinghua University (清華大學對外學術文化交流中心) in November 2005. She is currently studying for an executive master's degree in business administration at Peking University HSBC School of Business.

Independent non-executive Directors

Mr. Kwong Chi Keung (鄺志強先生), JP (Justice of Peace), aged 56, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on March 25, 2011.

Mr. Kwong is qualified as a solicitor in Hong Kong, England, Australia (Victoria) and Singapore. He is a senior partner of Sit Fung Kwong and Shum. Mr. Kwong had been an independent non-executive director of Sparkle Roll Group Limited (formerly known as Global Food Culture Group Limited, Jade Dynasty Food Culture Group Limited and Jade Dynasty Group Limited respectively) (Stock Code: 970), a company listed on the Main Board of the Stock Exchange, from August 2002 to October 2007. He has been an independent non-executive director of Hang Ten Group Holdings Limited (Stock Code: 448), a company listed on the Main Board of the Stock Exchange, since October 2002. Mr. Kwong was a former Deputy Chairman of the Copyright Tribunal of Hong Kong and a member of the Administrative Appeals Board and Panel of Inland Revenue Board of Review. Mr. Kwong is currently a senior vice president of the Asian Patent Attorneys Association, a World

DIRECTORS AND SENIOR MANAGEMENT

Intellectual Property Organization appointed Neutral for Alternative Dispute Resolution and Uniform Domain Name Dispute Resolution Policy Panelist, fellow of the Chartered Institute of Arbitrators (London) and Hong Kong Institute of Arbitrators, a Chartered Arbitrator, Center for Effective Dispute Resolution Accredited Mediator, and a Notary Public. He is a listed Arbitrator and Adjudicator of the Hong Kong International Arbitration Center. Mr. Kwong obtained a bachelor's degree in laws (LLB) from the University of Hong Kong in November 1976 and a postgraduate certificate in laws (PCLL) from the University of Hong Kong in July 1977.

Mr. Kwong Ping Man (鄺炳文先生), aged 46, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on March 25, 2011.

Mr. Kwong has over 13 years of experience in accounting and administration. He had previously worked as accountant and chief financial officer at private companies for over 8 years. He is currently a director of O'Park Corporate Services Limited. He had worked as financial controller and company secretary of Polyard Petroleum International Group Limited (formerly known as Kanstar Environmental Paper Products Holdings Limited) (Stock Code: 8011) from March 2006 to July 2007 and Karce International Holdings Company Limited (Stock Code: 1159) from June 2008 to January 2009, both of which are listed on the Main Board of the Stock Exchange. He has been an independent non-executive director of Century Sunshine Group Holdings Limited (Stock Code: 509) (formerly known as Century Sunshine Ecological Technology Holdings Ltd. (Stock Code: 8276)) since September 2004, a company listed on the Growth Enterprise Market of the Stock Exchange until its listing was transferred to the Main Board of the Stock Exchange on August 1, 2008. Mr. Kwong has also been an independent non-executive director of Yueshou Environmental Holdings Limited (formerly known as China Rich Holdings Limited) (Stock Code: 1191) since July 2007 and Mitsumaru East Kit (Holdings) Limited (Stock Code: 2358) since March 2009, both of which are listed on the Main Board of the Stock Exchange. He has been a company secretary of Jiangchen International Holdings Limited (Stock Code: 8305), a company listed on the Growth Enterprise Market of the Stock Exchange, since September 2009, and Tianyi Fruit Holdings Limited (Stock Code: 756), a company listed on the Main Board of the Stock Exchange, from March 2, 2010 to March 2, 2011. Mr. Kwong obtained a bachelor's degree in commerce accounting from Curtin University of Technology in Australia in August 1996, a Post graduate diploma in corporate administration (part-time) from the Hong Kong Polytechnic University in November 1998 and a master's degree in professional accounting from the Hong Kong Polytechnic University in November 2003. He is a certified practicing accountant of the Australian Society of Certified Practicing Accountants (now known as CPA Australia), an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries & Administrators respectively.

Mr. Cheung Kin Ting Alfred (張堅庭先生), aged 55, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on March 25, 2011.

Mr. Cheung has over 8 years of experience in the restaurant industry in Hong Kong. From 2002 to 2009, he co-owned and operated with others the Chinese-style fast food restaurants Cousin Cousin Cafe (表哥茶餐廳) in Hong Kong. Currently, Mr. Cheung has licensed the aforesaid trade name to Independent Third Parties for the operation of restaurants in the PRC at no charge. Since 2004, Mr. Cheung has been engaged in the provision of corporate training on communication skills, interpersonal

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skills and team building to corporations, including corporations in the restaurant industry. Mr. Cheung is also a film director, script-writer and producer. He obtained a Diploma of Arts in Chinese Language Literature from the Hong Kong Baptist College (now known as Hong Kong Baptist University) in June 1979 and an Executive Master of Business Administration from The Hong Kong University of Science and Technology in May 2009.

Mr. Cheung was a director of Trend One Limited, Business Link Development Limited, Rainbow Scene Limited, Wisdom Young Limited and Superjet (HK) Limited, each a company incorporated in Hong Kong and dissolved by deregistration by the Registrar of Companies of Hong Kong as a defunct company pursuant to Section 291 of the Companies Ordinance. The aforesaid companies were dormant prior to their dissolution and were dissolved in 2001, 2002, 2002, 2006 and 2007 respectively.

Save as disclosed in this prospectus, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date as required to be disclosed pursuant to the Listing Rules. As of the Latest Practicable Date, save as the interests of Mr. Yip, Mr. Chan and Mr. Ku in the Shares which are disclosed in the section headed “Further information about Directors and Shareholders” in Appendix V to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Leung Wai Chuen (梁偉泉先生), aged 45, is the chief financial officer and company secretary of our Company. He joined our Group on June 2009 as chief financial officer and was appointed as company secretary on March 25, 2011. Mr. Leung is responsible for overseeing the financial management, investor relations and company secretarial functions. Mr. Leung has over 21 years of experience in auditing, accounting and financial management. He previously worked at the audit department of Price Waterhouse (now known as PricewaterhouseCoopers) from August 1989 to July 1992. He then held senior finance/audit positions in several private companies from July 1992 to March 2000. He had also worked for companies listed on the Stock Exchange, as an accountant at China Overseas Land & Investment Limited (stock code: 688) from May 2000 to September 2001 and financial controller at WLS Holdings Limited (stock code: 8021) from December 2001 to December 2004. He then joined Sinobest Technology Holdings Ltd, a company listed on Main Board of the Singapore Exchange Limited, as chief financial officer from May 2005 to August 2008. He worked for Neo-Neon Holdings Limited (stock code: 1868), a company listed on the Main Board of the Stock

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Exchange, as financial controller from December 2008 to May 2009, as company secretary from February 2009 to May 2009, and as a non-executive Director from June 2009 to September 2010. He was also an independent director at Infosmart Group, Inc., a company listed on the Over-The-Counter Bulletin Board in the United States of America, from July 2007 to July 2009.

Mr. Leung obtained a bachelor's degree in social sciences from the University of Hong Kong in December 1989, a master's degree in business administration jointly awarded by The University of Wales and The University of Manchester jointly in July 2001 through distance learning and a master's degree in business (logistics management) from Royal Melbourne Institute of Technology (now known as RMIT University) in September 2007. He is a practicing member of the Hong Kong Institute of Certified Public Accountants, Fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries & Administrators respectively.

Mr. Chen Zhi Xiong (陳志雄先生), aged 40, is the chief operations officer of our Group. He has been with our Group since May 2000 and worked as general manager of the quality control department of our Group (出品管理部總經理) since February 2008 and vice chief operations officer (副營運總監) from September 2009 to March 2010. Since April 2010, Mr. Chen has been the chief operations officer of our Group.

He was an editor on the China Hotel and Catering Industry Book Series Editorial Board (中國飯店與餐飲業系列叢書編輯委員會) from May 2005, honorary consultant to the Provincial and Hong Kong Gourmet Weekly (省港美食週刊) from March 2006 and Chairman of the Expert Committee of Zhuhai Food & Beverage Association (珠海市餐飲協會) from June 2006. He was accredited as China Cooking Master (中國烹飪大師) by China Hotel Association (中國飯店協會) in 2003 and accredited National Judge Qualification (Hotel) - First Class (飯店業國家壹級評委資格) from China Hotel Association (中國飯店協會) in 2004. Mr. Chen was also awarded the group silver award in the 5th National Cooking Skills Competition in 2003 (第五屆全國烹飪技術比賽團體賽 2003) by The Organizing Committee of the 5th National Cooking Skills Competition (第五屆全國烹飪技術比賽組織委員會), the Hong Kong, Guangdong and Macau Top Ten Chefs 2004 - Gold Award (2004年度粵港澳餐飲業十佳名廚金獎) by the Editorial Board of the Hong Kong, Guangdong and Macau Chefs Ceremony (粵港澳名廚大典編輯委員會) and the Quan Guo Shi Jia Jin Shao Jiang (全國十佳金勺獎) in the China Hotel System Service Skill Competition (首屆全國飯店系統服務技能比賽) by the China Hotel System Service Skill Competition (Zhongnan District) Organizing Committee (首屆全國飯店系統服務技能比賽(中南賽區)組委會) in 2005. He obtained a certificate from the Nutritional Occupational Skills Testing Authority of the Ministry of Labor and Social Security for passing the tests for nutritionist (營養配餐員) and Chinese cook (中式烹調師) in December 2005 and June 2007 respectively. In 2006, he was awarded a Diploma of Membership by Les Amis d'Escoffier Society, Inc. (now known as Les Amis d'Escoffier Society of New York, Inc.) as Honorary Chairman (名譽會長). Mr. Chen completed the ERS 5S Management Certificate Course from the Hong Kong Environmental Resource and Safety Institute in April 2009.

Ms. Li Yan (李雁小姐), aged 36, is the head of the human resources department (人力資源總監) of our Group. She has been with our Group since March 2008 and worked as general manager of the human resources department from March 2008 to March 2010. Ms. Li has been the head of the human resources department (人力資源總監) of our Group since April 2010. Prior to joining our Group, she

DIRECTORS AND SENIOR MANAGEMENT

worked as customer service officer, trainer, training manager to senior training manager at TIPTOP Consultants Ltd (天高管理有限公司) from 2001 to 2007. Ms. Li graduated from the East China University of Science and Technology (華東理工大學) with a master's degree in engineering (majoring in inorganic non-metallic materials (無機非金屬材料學科) in June 1998.

Mr. Pang Ning (龐寧先生), aged 37, is the head of marketing and development (市場及拓展總監) of our Group. He joined our Group as project manager in the operations and market development department (營運及市場拓展部) in February 2009 and worked as general manager of the market development department (市場拓展部) from September 2009 to March 2010. Mr. Pang has been the head of marketing and development (市場及拓展總監) of our Group since April 2010. Prior to joining our Group, he was engaged by South Beauty Catering Management Group (北京俏江南餐飲有限公司) in April 2007 and worked as head of planning department (策劃部總監) of 順峰飲食酒店管理公司 from 2008 to 2009.

Ms. Chan Ping Rita (陳萍小姐), aged 40, is our group financial controller and joined our Group in December 2009. Prior to joining our Group, she previously worked as an auditor from June 1992 to September 1995; as credit analyst from September 1995 to June 1997; as accountant from June 1997 to April 2000 for private companies in Hong Kong. She was also the finance and accounting manager at Fairton Group from May 2000 to May 2008 and financial controller at Artini China Co. Ltd. (Stock code: 789), a company listed on the Stock Exchange from July 2008 to September 2009. She is a member of Association of International Accountants. Ms. Chan obtained a diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1992, a bachelor's degree in commerce accounting and a master's degree in finance from Curtin University of Technology in Australia in February 1997 and March 2001 through distance learning, respectively.

Mr. Liu Shu Feng (劉樹峰先生), aged 42, is the general manager of the engineering department (工程部總經理) of our Group. He has been with our Group since 1997. He worked as manager of the finance department of the Guangdong region (廣東區財務部經理) from 1997 to 2008; manager of the procurement department of the Guangdong region (廣東區採購部經理) from 1997 to 2004 and as a restaurant manager at one of our Group's restaurants from 2004 to 2005. Since 2008, Mr. Lau has been the general manager of the engineering department (工程部總經理) of our Group. Prior to joining our Group, he worked at 深圳友誼富城火焗海鮮酒家 in the PRC from 1994 to 1996.

Ms. He Jianmei (何建梅小姐), aged 37, is our Group's regional operations general manager of Beijing (北京區營運總經理). Since she joined our Group, she had worked as manager, senior manager, restaurant manager to regional general manager of Beijing from 1997 to 2008. Ms. He has been our Group's regional operations general manager of Beijing (北京區營運總經理) since March 2008. She was also engaged by China National Radio (中央人民廣播電台) as professional advisor for a food and lifestyle program in June 2005 and by China Association of Promoting Traditional Chinese Medicine (中國中醫藥研究促進會) as deputy secretary-general of the Diet Therapy and Health Committee (食療養生專業委員會副秘書長) in December 2009. Ms. He completed the International Business Management CEO course (企業管理國際化總裁 (CEO) 班) from the Center for Overseas Academic and Cultural Exchanges, Tsinghua University (清華大學對外學術文化交流中心) in November 2005. She completed the ERS 5S Management Certificate Course from the Hong Kong Environmental Resource and Safety Institute in April 2009 and an undergraduate program in law at

DIRECTORS AND SENIOR MANAGEMENT

the Correspondence Institute of the Party School of C.C. of C.P.C. (中共中央黨校函授學院) in December 2009. In April 2010, Ms. He was awarded a certificate for completion of the Diet Therapy and Health Expert training (食療養生師崗位培訓) from the Education Training Center of the Ministry of Human Resources and Social Security, PRC (人力資源和社會保障部教育培訓中心). In December 2010, she obtained a certificate from the China Cuisine Association (中國烹飪協會) for fulfilling the requirements for National Catering Sector Second Level Judge Qualification for Restaurant Services Sector.

Mr. Lam Kin Hung (林健雄先生), aged 45, is our Group's regional operations general manager of Eastern China (華東區營運總經理). He has been with our Group since January 2002 and worked as regional general manager of operational department in Shanghai (上海區營運部總經理) from March 2008 to September 2009. Mr. Lam was promoted to our Group's regional operations general manager of Eastern PRC in October 2009. Prior to joining our Group, he worked as senior manager at 香港好世界飲食集團 from 1995 to 2001. Mr. Lam completed the ERS 5S Management Certificate Course from the Hong Kong Environmental Resource and Safety Institute in April 2009.

Ms. Yang Xiulan (楊秀蘭小姐), aged 36, is our Group's regional operations general manager of Guangdong (廣東區營運總經理). She has been with our Group since January 1997. Prior to joining our Group, Ms. Yang worked at 深圳友誼富城火鍋海鮮酒家 from 1992 to 1996. She was awarded the Shenzhen Top 10 Female Manager Award (深圳市十大傑出女經理人) in 2009. Ms. Yang completed the ERS 5S Management Certificate Course from the Hong Kong Environmental Resource and Safety Institute in April 2009.

Mr. Yip Ka Fai (葉家輝先生) ("Mr. KF Yip"), aged 29, is the general manager of Tang Palace Beijing Pepper Lunch and director of Tang Palace Shanghai Pepper Lunch. He joined the administration department of our Group in August 2008. Mr. KF Yip worked at Tao Heung Group Limited as assistant, business management from August 2007 to July 2008. Mr. KF Yip was awarded the Professional Diploma in Chinese Catering Management by the Vocational Training Council in July 2008. Mr. KF Yip is the son of Mr. Yip, one of our executive Directors.

COMPANY SECRETARY

Our company secretary is Mr. Leung Wai Chuen. He is employed by us on a full-time basis. Please refer to his biographical details in the sub-section headed "Senior Management" above.

COMPENSATION

The aggregate amounts of remuneration of our Directors for the years ended December 31, 2008, 2009 and 2010 were approximately RMB2.6 million, RMB2.6 million and RMB2.9 million respectively. Details of the arrangement for remuneration of our Directors during the Track Record Period are set out in Note 11 to the Accountants' Report in Appendix I to this prospectus. Under the arrangements currently in force and the arrangements under our Directors' service agreements and letters of appointment referred to in the paragraph headed "Particulars of Directors' service contracts and letters of appointment" under the section headed "Further Information About Directors and

DIRECTORS AND SENIOR MANAGEMENT

Shareholders” in Appendix V to this prospectus, the aggregate amount of directors’ fee and other emoluments payable to our Directors for the year ending December 31, 2011 is estimated to be approximately RMB3.8 million, excluding any guaranteed business and management bonuses under the aforesaid service agreements.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind, guaranteed and/or discretionary management bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

After Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

For additional information on Director’ remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 11 to our combined financial statements, included in the accountants report set out in Appendix I to this prospectus.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules pursuant to a resolution of our Directors passed on March 25, 2011. The primary duties of our audit committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of our Company. At present, our audit committee comprises Mr. Kwong Ping Man, Mr. Kwong Chi Keung and Mr. Cheung Kin Ting Alfred, all being independent non-executive Directors. Mr. Kwong Ping Man is the chairman of our audit committee.

Remuneration committee

Our Company established a remuneration committee on March 25, 2011 with written terms of reference. The primary functions of our remuneration committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior

DIRECTORS AND SENIOR MANAGEMENT

management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. At present, our remuneration committee comprises Mr. Kwong Chi Keung, Mr. Cheung Kin Ting Alfred and Mr. Kwong Ping Man, all being independent non-executive Directors. Mr. Kwong Chi Keung is the chairman of our remuneration committee.

Nomination committee

Our Company established a nomination committee on March 25, 2011 with written terms of reference. The primary functions of our nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board. At present, our nomination committee comprises Mr. Cheung Kin Ting Alfred, Mr. Kwong Ping Man and Mr. Kwong Chi Keung, all being independent non-executive Directors. Mr. Cheung Kin Ting Alfred is the chairman of the nomination committee.

CORPORATE GOVERNANCE

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we will comply with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules after the Listing.

COMPLIANCE ADVISOR

We expect to appoint Cinda International Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us, among others, at the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment of our compliance advisor shall commence on the Listing Date and end on the date of dispatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalization Issue (but without taking account of any Shares which may be taken up under the Global Offering and without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group other than our Company:

Name of Shareholder	Company/Name of Group member	Nature of interest	Number of Shares held ⁽¹⁾	Approximate shareholding percentage (%)
Current Success Investments	Our Company	Beneficial owner	105,000,000 (L)	26.25%
Mr. Yip ⁽²⁾	Our Company	Interest of a controlled corporation	105,000,000 (L)	26.25%
Ms. Wong ⁽³⁾	Our Company	Interest of spouse	105,000,000 (L)	26.25%
Best Active Investments...	Our Company	Beneficial owner	150,000,000 (L)	37.50%
Mr. Chan ⁽⁴⁾	Our Company	Interest of a controlled corporation	150,000,000 (L)	37.50%
Ms. Au ⁽⁵⁾	Our Company	Interest of spouse	150,000,000 (L)	37.50%
Bright Mind Investments..	Our Company	Beneficial owner	45,000,000 (L)	11.25%
Mr. Ku ⁽⁶⁾	Our Company	Interest of a controlled corporation	45,000,000 (L)	11.25%
Ms. Ku ⁽⁷⁾	Our Company	Interest of spouse	45,000,000 (L)	11.25%
Orchid Asia IV, L.P. ⁽⁸⁾ (“Orchid LP”)	Our Company	Beneficial owner	31,528,000 (L)	7.88%
OAIV Holdings, L.P. ⁽⁸⁾	Our Company	Interest of a controlled corporation	31,528,000 (L)	7.88%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Company/Name of Group member	Nature of interest	Number of Shares held ⁽¹⁾	Approximate shareholding percentage (%)
Orchid Asia IV Group Management, Limited ⁽⁸⁾	Our Company	Interest of a controlled corporation	31,528,000 (L)	7.88%
Orchid Asia IV Group Limited ⁽⁸⁾	Our Company	Interest of controlled corporations	31,528,000 (L)	7.88%
Orchid Asia IV Investment, Limited ⁽⁸⁾ ...	Our Company	Interest of controlled corporations	31,528,000 (L)	7.88%
YM Investment Limited ⁽⁸⁾	Our Company	Interest of controlled corporations	32,170,000 (L)	8.04%
Lam Lai Ming ⁽⁸⁾	Our Company	Founder of a discretionary trust	32,170,000 (L)	8.04%
Li Gabriel ⁽⁸⁾	Our Company	Founder of a discretionary trust	32,170,000 (L)	8.04%
ManageCorp Limited ⁽⁸⁾	Our Company	Trustee	32,170,000 (L)	8.04%

Notes:

- (1) The letter “L” denote a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- (2) These Shares are held by Current Success Investments, which is wholly owned by Mr. Yip. By virtue of the SFO, Mr. Yip is taken to be interested in the Shares held by Current Success Investments.
- (3) Ms. Wong is the spouse of Mr. Yip . Under the SFO, Ms. Wong is taken to be interested in the Shares in which Mr. Yip is interested.
- (4) These Shares are held by Best Active Investments, which is wholly owned by Mr. Chan. By virtue of the SFO, Mr. Chan is taken to be interested in the Shares held by Best Active Investments.
- (5) Ms. Au is the spouse of Mr. Chan. Under the SFO, Ms. Au is taken to be interested in the Shares in which Mr. Chan is interested.
- (6) These Shares are held by Bright Mind Investments, which is wholly owned by Mr. Ku. By virtue of the SFO, Mr. Ku is taken to be interested in the Shares held by Bright Mind Investments.

SUBSTANTIAL SHAREHOLDERS

- (7) Ms. Ku is the spouse of Mr. Ku. Under the SFO, Ms. Ku is taken to be interested in the Shares in which Mr. Ku is interested.
- (8) Pursuant to the cornerstone placing agreement dated April 1, 2011 and entered into between our Company, ICBCI, Guotai Junan Securities, Orchid LP and Orchid Asia IV Co-Investment, Limited (“**Orchid CIL**”), (i) Orchid LP has agreed to acquire such number of International Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) as may be purchased with US\$5,880,000 (equivalent to HK\$45,717,000 at the exchange rate of US\$1.00 = HK\$7.775) at the Offer Price; and (ii) Orchid CIL has agreed to acquire such number of International Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) as may be purchased with US\$120,000 (equivalent to HK\$933,000 at the exchange rate of US\$1.00 = HK\$7.775) at the Offer Price. Assuming a mid-point Offer Price of HK\$1.45, each of Orchid LP and Orchid CIL shall be allotted and issued 31,528,000 Shares and 642,000 Shares, respectively, under the International Offering pursuant to the cornerstone placing agreement.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering and the Capitalization Issue (but without taking account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

On April 1, 2011, as part of the International Offering, we and the Joint Bookrunners entered into the cornerstone placing agreement with Orchid Asia IV, L.P. (“**Orchid LP**”) and Orchid Asia IV Co-Investment, Limited (“**Orchid CIL**”) as cornerstone investors (the “**Cornerstone Investors**”) pursuant to which each of Orchid LP and Orchid CIL has agreed to subscribe at the Offer Price for certain number of Offer Shares to be determined in the manner as set out in the paragraph headed “The Cornerstone Investors” below with an aggregate subscription amount of US\$6.0 million (equivalent to approximately HK\$46.65 million).

The Cornerstone Investors and their respective beneficial owners are Independent Third Parties and not connected persons of our Company. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone placing agreement. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will they become our substantial Shareholders within the meaning of the Listing Rules.

The International Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of an over-subscription under the Hong Kong Public Offering as described in the section entitled “Structure of the Global Offering — The Hong Kong Public Offering” nor by any exercise of the Over-allotment Option.

THE CORNERSTONE INVESTORS

Orchid LP is an exempted limited partnership registered under the laws of Cayman Islands whose registered address is at P.O. Box 309GT, Ugland House, 115 South Church St., George Town, Grand Cayman, Cayman Islands. Orchid LP is an affiliate and part of the investment group of Orchid Asia Group Management, Limited (“**Orchid Asia**”), which assists corporate executives of companies in the consumer services and products sector with high growth prospects to formulate strategies to finance and expand their business enterprises. The investment group focuses in particular on companies in Asia and China. Orchid LP is an investment partnership that has capital commitments from institutional investors and high net worth individuals.

Orchid CIL is a limited liability company incorporated under the laws of Cayman Islands whose registered address is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Orchid CIL is also an affiliate and part of the investment group of Orchid Asia. Orchid CIL is an investment special purpose vehicle which may invest outside of and alongside with group members of Orchid Asia in any portfolio investment.

Orchid LP has agreed to subscribe for such number of International Offer Shares (rounded down to the nearest board lot of 2,000 Shares) as may be purchased with US\$5.88 million (equivalent to approximately HK\$45.72 million) at the Offer Price. Assuming a mid-point Offer Price of HK\$1.45, Orchid LP shall be allotted and issued 31,528,000 International Offer Shares, which represents approximately 35.03% of the total International Offer Shares initially available under the International

CORNERSTONE INVESTORS

Offering and approximately 7.88% of the Shares to be in issue immediately upon completion of the Global Offering and the Capitalization Issue (assuming no exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme).

Orchid CIL has agreed to subscribe for such number of International Offer Shares (rounded down to the nearest board lot of 2,000 Shares) as may be purchased with US\$120,000 (equivalent to approximately HK\$933,000) at the Offer Price. Assuming a mid-point Offer Price of HK\$1.45, Orchid CIL shall be allotted and issued 642,000 International Offer Shares, which represents approximately 0.71% of the total International Offer Shares initially available under the International Offering and approximately 0.16% of the Shares to be in issue immediately upon completion of the Global Offering and the Capitalization Issue (assuming no exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme).

The Shares to be held by the Cornerstone Investors pursuant to the aforementioned cornerstone placing agreement will be counted towards the public float of our Company.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investors is conditional upon, among others: (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become unconditional by no later than the date and time as specified in these agreements, (ii) neither of these agreements having been terminated, and (iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

Each of the Cornerstone Investors has agreed that, without the prior written consent of us and the Joint Bookrunners, it will not, at any time during the period of six months following the Listing Date, (i) directly or indirectly, conditionally or unconditionally, dispose of any Shares subscribed by it pursuant to the cornerstone placing agreement and any shares or other securities of our Company which are derived therefrom pursuant to any rights issue, capitalization issue or other form of capital reorganization of our Company (the “**Relevant Shares**”); (ii) enter into any share swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interests therein or any voting right or any other right attaching thereto; or (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above, whether to be settled by delivery of share capital or such other securities or in cash or otherwise, provided that the restrictions shall not apply to transfer to any of its eligible wholly owned subsidiaries subject to the undertaking that such subsidiary will abide by the restrictions on disposal imposed on the relevant Cornerstone Investors. After the six-month period, the Cornerstone Investors can dispose of any of the Relevant Shares but it is obligated not to knowingly dispose of any of the Relevant Shares to create a disorderly or false market of the Shares on the Stock Exchange. The Cornerstone Investors will also ensure any such disposal will be in compliance with the SFO.

SHARE CAPITAL

HK\$

Authorized share capital:

2,000,000,000 Shares of HK\$0.10 each 200,000,000

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following completion of the Global Offering and the Capitalization Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid

2,000,000	Shares in issue at the date of this prospectus	200,000
298,000,000	Shares to be issued pursuant to the Capitalization Issue	29,800,000
<u>100,000,000</u>	Shares to be issued pursuant to the Global Offering	<u>10,000,000</u>
<u>400,000,000</u>	Shares	<u>40,000,000</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following completion of the Global Offering and the Capitalization Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid

2,000,000	Shares in issue at the date of this prospectus	200,000
298,000,000	Shares to be issued pursuant to the Capitalization Issue	29,800,000
100,000,000	Shares to be issued pursuant to the Global Offering	10,000,000
<u>15,000,000</u>	Shares to be issued pursuant to the Over-allotment Option	<u>1,500,000</u>
<u>415,000,000</u>	Shares	<u>41,500,000</u>

Assumptions

This table assumes the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes no account of any Shares which may be allotted and issued upon the exercise of options which have been granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

Ranking

The Offer Shares and the Shares that may be issued pursuant to the Over-allotment Option rank pari passu with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus except for the Capitalization Issue.

SHARE CAPITAL

Share Option Schemes and Share Award Plan

Our Company has adopted the Pre-IPO Share Option Scheme and Share Award Plan and has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Pre-IPO Share Option Scheme, Share Award Plan and Share Option Scheme is set out under “Other information — Pre-IPO Share Option Scheme”, “Other information — Share Option Scheme” and “Other information — Share Award Plan” in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue, excluding the Shares which may be issued pursuant to the Over-allotment Option, immediately following completion of the Global Offering and the Capitalization Issue; and
- (b) the aggregate nominal value of share capital of our Company repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below.

The aggregate nominal value of the Shares which our Directors are authorized to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with the Articles of Association, or pursuant to the exercise of options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or under the Global Offering or the Capitalization Issue or upon the exercise of the Over-allotment Option.

This mandate will expire at the earliest of:

- the conclusion of our Company’s next annual general meeting; or
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to “Further information about our Company and our subsidiaries — Resolutions in writing of our Shareholders passed on March 25, 2011 and April 6, 2011” in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue following the completion of the Global Offering and the Capitalization Issue (excluding Shares which may to be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in “Further information about our Company and our subsidiaries — Repurchase by our Company of our own securities” in Appendix V to this prospectus.

This mandate will expire at the earliest of:

- the conclusion of our Company’s next annual general meeting; or
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate are set out in “Further information about our Company and our subsidiaries — Resolutions in writing of our Shareholders passed on March 25, 2011 and April 6, 2011” in Appendix V to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial statements, including notes thereto, as set forth in the “Accountants’ Report” in Appendix I to this prospectus. We have prepared our combined financial statements in accordance with HKFRS, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. The following discussion and analysis contains forward-looking statements concerning events that involve risks and uncertainties. Accordingly, you should not place undue reliance on any such statements. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.

OVERVIEW

We are a restaurant chain group in China, providing a wide selection of food and beverage and table services in the PRC. Our restaurants under our own brand names serve a variety of Chinese and Japanese cuisine, and our fast food restaurant under the franchise name of *Pepper Lunch* (胡椒廚房) serves fast food by adopting a DIY cooking method, a concept originated from Japan, which allows our customers to complete the cooking process of their meals on the metal hotplate. We operate our chain restaurants in selected first-tier and second-tier cities in the PRC. As of the Latest Practicable Date, we operated 22 restaurants across Beijing, Shanghai, Shenzhen, Dongguan, Suzhou and Hangzhou and one food plant in Shanghai with an estimated production capacity of 3,240 tons of food per annum, which was primarily established to provide food production services to our restaurants. Currently, we focus our presence mainly in Beijing and Shanghai, in which we operate a total of nine and six restaurants, respectively. We operate our restaurants under seven brand names: *Tang Palace Seafood Restaurant* (唐宮海鮮舫), *Tang’s Cuisine* (唐宮壹號), *Excellent Tang Palace* (盛世唐宮), *Tang Palace Restaurant* (唐宮膳), *Tanggong Jiangnan Cuisine* (唐宮江南一號), *Ninja House Japanese Restaurant* (忍者居日本料理) and *Pepper Lunch* (胡椒廚房) (a franchise name used by us as franchisee to operate our fast food restaurant pursuant to the Master Franchise Agreement (Beijing and Tianjin area) and the Master Franchise Agreement (Shanghai area)). Over the years, we have maintained our reputation in regions of the PRC where we operate through our quality food and catering services, as well as our trained and experienced staff. Since the opening of our first restaurant in the PRC in 1997, we have successfully built up our restaurant network and reputation in the PRC, and currently we have a total of approximately 3,800 employees.

Our revenues for the years ended December 31, 2008, 2009 and 2010 were approximately RMB393.3 million, RMB449.9 million and RMB606.5 million, respectively. Our profit and total comprehensive income for the years ended December 31, 2008, 2009 and 2010 were approximately RMB25.9 million, RMB32.0 million and RMB46.5 million, respectively, representing a CAGR of approximately 34.1%.

BASIS OF PRESENTATION

Our combined financial statements as of and for the years ended December 31, 2008, 2009 and 2010 were audited by Deloitte Touche Tohmatsu, Certified Public Accountants.

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The Reorganization has been undertaken in preparation for the Global Offering. We have accounted for the Reorganization on the basis of merger accounting for common control combination. Accordingly, our financial statements have been prepared as if the current structure of our Group had been in existence throughout the Track Record Period, or since the respective dates when the companies now comprising our Group were incorporated or established or acquired, whichever is later. All intra-group transactions, balances, income and expenses are eliminated on combination.

Pursuant to HKFRS, our financial statements have been prepared under the historical cost convention, as modified by certain financial instruments, which are carried at fair value throughout the Track Record Period.

Unless the context otherwise requires, references to “2008,” “2009” and “2010” in this prospectus are to our financial years ended December 31, 2008, 2009 and 2010, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and our financial condition have been, and we believe will continue to be, affected by a number of factors, including those as set forth below.

Growth of Economy and Increase in Demand in Catering Market in China

We generate all of our revenue in China. Our business is heavily dependent on the performance of the catering market in China, particularly in the regions where we operate or intend to operate. The performance of the catering sector in China is subject to continued growth of the economy in China. Any economic downturn in China generally or, in particular, in the regions where we operate, could adversely affect our business, results of operations and financial condition.

The key factors that we consider to be important to our operations include (i) general economic development, (ii) growth in the disposable income and per capital consumption, and (iii) urbanization rate. Economic growth attributable to the private business sector has increased the general level of disposable income and per capital consumption. Most of our customers are currently concentrated in the urban areas. Development in the economy and the rate of urbanization have in the past increased the supply and demand and affected pricing trends in the catering market in the cities and regions where we operate or intend to operate. For urban households, over 21.8% of the total per capita food consumption expenditure was spent on dining out in 2009. The per capita urban household consumption spent on dining out increased from approximately RMB314 in 2001 to approximately RMB976 in 2009, representing a CAGR of approximately 15.2%, according to the China Statistical Yearbook 2010. We believe that these factors will continue to impact our results of operations significantly.

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Expansion of Our Restaurant Network

As of the Latest Practicable Date, we operated 22 restaurants across Beijing, Shanghai, Shenzhen, Dongguan, Suzhou and Hangzhou in China. We believe the planned expansion of our restaurant network is an appropriate response to the demand for our products and services and the expected growth in our business. Subject to market conditions, we will expand our restaurant network in new geographic markets in China, particularly in the northern and eastern regions. We will continue to focus on our core business by increasing the number of restaurants to achieve overall revenue growth. Sales and operations of our restaurants have been and will continue to be affected by our restaurant network expansion and product mix. The table below illustrates how our revenue from each region and each brand generally increased as the number of restaurants owned and managed by us increased during the Track Record Period:

	Region	Year ended December 31,		
		2008	2009	2010
<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)				
Revenue from operation of restaurants				
(RMB in millions)	Southern China	47.4	47.8	45.9
	Eastern China	92.6	93.4	166.5
	Northern China	136.6	150.9	191.7
	Total	276.6	292.1	404.1
Average daily revenue from operation of restaurants (RMB in thousands) ⁽²⁾		756	882	1,193
Number of restaurants owned and managed by us at year end		7	9	11
<i>Tang's Cuisine</i> (唐宮壹號)				
Revenue from operation of restaurants				
(RMB in millions)	Eastern China	0.7	25.1	58.4
Average daily revenue from operation of restaurants (RMB in thousands) ⁽²⁾		32	69	182
Number of restaurants owned and managed by us at year end		1	1	2
<i>Excellent Tang Palace</i> (盛世唐宮)				
Revenue of operation of restaurants				
(RMB in millions)	Southern China	31.2	35.3	34.1
	Northern China	11.2	21.6	27.2
	Total	42.4	56.9	61.3
Average daily revenue from operation of restaurants (RMB in thousands) ⁽²⁾		132	156	168

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	Region	Year ended December 31,		
		2008	2009	2010
Number of restaurants owned and managed by us at year end		2	2	2
<i>Tang Palace Restaurant (唐宮膳)</i>				
Revenue from operation of restaurants (RMB in millions)	Southern China	29.4	27.3	29.1
	Eastern China	34.8	39.3	40.2
	Total	64.2	66.6	69.3
Average daily revenue from operation of restaurants (RMB in thousands) ⁽²⁾		185	182	190
Number of restaurants owned and managed by us at year end		2	2	2
<i>Tanggong Jiangnan Cuisine (唐宮江南一號)</i>				
Revenue from operation of restaurants (RMB in millions)	Southern China	—	—	2.3
Average daily revenue from operation of restaurants (RMB in thousands) ⁽²⁾		—	—	15
Number of restaurants owned and managed by us at year end		—	—	1
<i>Ninja House Japanese Restaurant (忍者居日本料理)</i>				
Revenue from operation of restaurants (RMB in millions)	Southern China	9.4	8.7 ⁽⁴⁾	7.9 ⁽⁵⁾
Average daily revenue from operation of restaurants (RMB in thousands) ⁽²⁾		26	24 ⁽⁴⁾	22 ⁽⁵⁾
Number of restaurants owned and managed by us at year end		1	1	1
<i>Pepper Lunch (胡椒廚房)</i>				
Revenue from operation of restaurants (RMB in millions)	Northern China	—	—	1.8
Average daily revenue from operation of restaurants (RMB in thousands) ⁽²⁾		—	—	8
Number of restaurants owned and managed by us at year end		—	—	1

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	Year ended December 31,			
	Region	2008	2009	2010
<i>Total</i>				
Revenue from operation of restaurants (RMB in millions) ⁽¹⁾		393.3	449.4	605.1
Average daily revenue from operation of restaurants (RMB in millions) ⁽¹⁾⁽²⁾		1.1	1.3	1.8
Number of restaurants owned and managed by us at year end ⁽¹⁾		13	15	20
Restaurant rental as a percentage of revenue from operation of restaurants ⁽¹⁾⁽³⁾		6.3%	6.9%	7.3%

Notes:

- (1) The number of restaurants excludes Shanghai Food Plant. For the years ended December 31, 2008, 2009 and 2010, contribution of the revenue generated by Shanghai Food Plant to our Group's total revenue (after elimination of intra Group sales) amounted to approximately nil, RMB449,000 and RMB1.4 million, respectively.
- (2) Calculated based on the actual number of days of operations in the particular year.
- (3) Calculated by dividing the rental expenses incurred by the revenue from restaurant operations for a year.
- (4) For *Ninja House Japanese Restaurant* (忍者居日本料理), our revenue from operation of restaurants decreased by approximately RMB0.7 million, or by approximately 7.2%, from approximately RMB9.4 million in 2008 to approximately RMB8.7 million in 2009, primarily due to the suspended operation in November 2009 for renovation.
- (5) For *Ninja House Japanese Restaurant* (忍者居日本料理), our revenue from operation of restaurants decreased by approximately RMB0.9 million, or by approximately 9.9%, from approximately RMB8.7 million in 2009 to approximately RMB7.9 million in 2010, primarily due to our relocation to a smaller site in May 2010.

We will strive to gain a larger market share in the regions where we operate or intend to operate through our existing restaurants and the opening of new restaurants. We currently intend to open about three new Chinese restaurants and eight new *Pepper Lunch* (胡椒廚房) fast food restaurants in year 2011. We also intend to upgrade and renovate about three of our existing Chinese restaurants in the same year. On average, we require about 155 to 220 employees for each Chinese restaurant and about 11 to 15 employees for each *Pepper Lunch* (胡椒廚房) fast food restaurant. We believe our operating expenses in 2011 will increase in line with our expansion plans. However, if any of our key operating expenses, such as rental expenses, renovation costs, staff costs and raw materials prices, increase unexpectedly and/or there is significant inflation in the PRC, our financial performance and/or expansion plans in 2011 may be affected.

FINANCIAL INFORMATION

Food Product Mix

We offer Chinese and Japanese cuisine, and we tailor our food products and menu offerings for different geographical regions, according to our understanding of local customers' preferences and consumption patterns. We also offer seasonal menus and special dishes to attract more customers and gain a larger market share. Moreover, given the recent trend of healthy dining habit, we have also introduced healthy menus to cater to our customers' change of dietary habit. Going forward, we will continue to focus on product innovation and improvement to cater to our customers' changing tastes and preferences as well as attract new customers. The success of the new products we introduce depends on our ability to anticipate the tastes of customers and to offer products that appeal to their preferences. Accordingly, our results of operations and amount of cash from our operations to a large extent depend on our ability to manage our product mix and respond to changing trends.

Margin analysis

	Year ended December 31,		
	2008	2009	2010
Operating margin ⁽¹⁾	52.4%	56.8%	57.1%
Net profit margin ⁽²⁾	6.6%	7.1%	7.7%

Notes:

- (1) The calculation of operating margin is based on revenue less cost of inventories consumed, divided by revenue, and multiplied by 100%.
- (2) The calculation of net profit margin is based on profit and total comprehensive income for the year, divided by revenue, and multiplied by 100%.

Operating margin

Our operating margin for the years ended December 31, 2008, 2009 and 2010 amounted to approximately 52.4%, 56.8% and 57.1%, respectively. The increased trend during the Track Record Period was mainly due to the increase in revenue as a result of the increase in the number of our restaurants. In addition, our operating margin increased from approximately 52.4% in 2008 to approximately 56.8% in 2009, primarily due to the decrease in average unit purchase price of certain ingredients consumed in our restaurants in 2009 as compared to 2008. Our operating margin increased from approximately 56.8% in 2009 to approximately 57.1% in 2010, primarily because we were able to adjust the prices of our dishes to which outweigh the increased cost of raw materials.

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The following tables set forth further breakdown of our operating margin⁽¹⁾ by region and restaurant brand during the Track Record Period.

	Year ended December 31,		
	2008	2009	2010
Northern China	56.3%	59.7%	61.5%
Eastern China	48.4%	51.0%	52.0%
Southern China	51.9%	55.3%	56.0%
	Year ended December 31,		
	2008	2009	2010
<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫)	53.2%	57.2%	56.9% ⁽²⁾
<i>Tang's Cuisine</i> (唐宮壹號)	18.3%	51.4% ⁽³⁾	55.5%
<i>Excellent Tang Palace</i> (盛世唐宮)	53.0%	54.2%	56.4%
<i>Tang Palace Restaurant</i> (唐宮膳)	49.0%	50.8%	52.7%
<i>Tanggong Jiangnan Cuisine</i> (唐宮江南一號)	—	—	48.2%
<i>Ninja House Japanese Restaurant</i> (忍者居日本料理) ..	52.9%	54.6%	58.0%
<i>Pepper Lunch</i> (胡椒廚房)	—	—	58.2%

Notes:

- (1) The calculation of operating margin is based on revenue less cost of inventories consumed, divided by revenue, and multiplied by 100%.
- (2) For the brand of *Tang Palace Seafood Restaurant* (唐宮海鮮舫), our operating margin decreased slightly from approximately 57.2% in 2009 to 56.9% in 2010, primarily due to the opening of two restaurants under this brand in 2010. New restaurants typically have lower operating margins initially after the grand opening, therefore lowering the operating margin under this brand and in total.
- (3) For the brand of *Tang's Cuisine* (唐宮壹號), our operating margin significantly increased from approximately 18.3% in 2008 to 51.4% in 2009, primarily due to the fact that our first restaurant under this brand did not open until December 2008, while a full year's operation is reflected in the 2009 figure.

Net profit margin

For the years ended December 31, 2008, 2009 and 2010, our net profit margin amounted to approximately 6.6%, 7.1% and 7.7%, respectively. The increase trend was generally in line with the increase in our operating margin during the same period.

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Costs of Inventories Consumed

Our cost of inventories consumed accounted for approximately 47.6%, 43.2% and 42.9% of our revenue for the years ended December 31, 2008, 2009 and 2010, respectively. Cost of inventories consumed comprises primarily the cost of all food, beverages and ingredients used in our restaurant operations. The principal components of cost of inventories consumed associated with our restaurant operations are meat, vegetable, poultry, beverages, frozen food, auxiliary ingredients, seafood and dried seafood. The price fluctuation and quality difference in food, beverages and ingredients purchased for our restaurant operations during the Track Record Period affected our cost of inventories consumed and our profit margin.

During the Track Record Period, we purchased substantially all of our food, beverages and ingredients from suppliers in China. Our food, beverage and ingredient purchases are generally determined by prevailing market prices in China and subject to fluctuation in market prices. We will continue to monitor our cost of food, beverages and ingredients, and implement adequate cost control measures to control and reduce our costs.

Staff Cost

Restaurant operations highly rely on our managerial staff and other employees to manage our restaurants and interact with our customers on a daily basis, which is critical to maintaining the quality and consistency of our services as well as our brand and reputation. We recruit our personnel from the open market and hotel management schools. The increase in salary level of employees in the restaurant industry in China and competition among restaurant operators may increase the costs associated with hiring and retaining talented employees. In addition, in accordance with the relevant PRC national and local labor and social welfare laws and regulations, we are required to contribute to various housing provident and social security funds. Furthermore, our obligation to comply with the PRC Labor Contract Law and the relevant implementation regulations have increased and may continue to increase our staff cost. For the years ended December 31, 2008, 2009 and 2010, our staff cost amounted to approximately RMB80.4 million, RMB98.1 million and RMB133.3 million, respectively, representing approximately 20.4%, 21.8% and 22.0% of our revenue, respectively. As of December 31, 2008, 2009 and 2010, we had approximately 2,500, 2,900 and 3,500 full-time employees, respectively. As of the Latest Practicable Date, we had approximately 3,800 full-time employees. We expect that our staff cost will increase in the future as we hire additional personnel in connection with the expansion of our business.

Rental Expenses

As we operate all of our restaurants and Shanghai Food Plant on leased properties, we have significant exposure to the retail rental market. The terms of lease of such properties are mostly for a period of three to 10 years. For the years ended December 31, 2008, 2009 and 2010, our rental and related expenses amounted to approximately RMB24.9 million, RMB31.9 million and RMB45.3 million, respectively, representing approximately 6.3%, 7.1% and 7.5% of our revenue, respectively.

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Since rental expenses represent a significant portion of our total operating costs, our profitability may be adversely affected by any substantial increase in market rentals. See “Risk Factors — Risks Relating to Our Business — Our profitability could be adversely affected by the lack of commercially attractive locations and the increasing rental expenses for our restaurant business.”

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. These significant accounting policies are important for an understanding of our financial condition and results of operations and are set forth in Note 4 “Significant Accounting Policies” of the Accountants’ Report in Appendix I to this prospectus. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set forth in Note 5 “Key Sources of Estimation Uncertainty” of the Accountants’ Report in Appendix I to this prospectus.

Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition, cost or expense allocation and provision for liabilities. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. We believe the followings are the most significant accounting policies involving the most significant estimates and judgments used in the preparation of our financial statements. In addition, we discuss our revenue recognition policy below because of its significance, even though it does not involve significant estimates or judgments.

Merger accounting for business combination involving entities under common control

The financial information discussed herein incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party perspective. No amount is recognized in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The combined statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the financial information discussed herein are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

FINANCIAL INFORMATION

Revenue recognition

We measure revenue at the fair value of the consideration received or receivable, representing amounts receivable for food sold and catering services provided from our restaurant and food plant operations, net of discounts and sales related taxes.

We recognize service income when we provide our catering services. We recognize revenue from sale of food when we render food to our customers for their consumption.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to our Company and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

We evaluate and determine the useful lives of items of property, plant and equipment other than construction in progress, and recognize depreciation over their estimated useful lives taking into account their estimated residual value, using the straight-line method. Specifically:

Leasehold improvement	Either the shorter of the period of the respective lease or 5 years
Furniture, fixtures and equipment	20% - 33%
Motor vehicles	20% - 25%

We recognize construction in progress at cost, less any impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

We derecognize an item of property, plant and equipment upon disposal or when no future economic benefits are expected to arise from the continued use of the item. Any gain or loss arising from the derecognition of the item (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

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Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit.

We generally recognize deferred tax liabilities for all taxable temporary differences. We recognize deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, except where our Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

We only recognize deferred tax assets arising from deductible temporary differences associated with such investments and interests to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

We do not recognize deferred tax assets and liabilities if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

We review the carrying amount of deferred tax assets at the end of each reporting period and reduce it to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

We measure deferred tax assets and liabilities at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized into profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Customer loyalty award credits

We account for customer loyalty award credits granted to customers as part of a sales transaction as a separate component of the sales transaction in which they are granted. We allocate the consideration received in the sales transaction between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

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SUMMARY OF RESULTS OF OPERATIONS

The following table, as extracted from the “Accountants’ Report” in Appendix I to this prospectus, sets forth a summary of our combined statements of comprehensive income for the Track Record Period:

	Year ended December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	393,309	449,890	606,529
Other gains and losses.....	6,777	7,821	11,564
Cost of inventories consumed.....	(187,143)	(194,262)	(260,384)
Staff cost.....	(80,392)	(98,059)	(133,338)
Depreciation of property, plant and equipment.....	(15,345)	(21,499)	(27,950)
Utilities and consumables.....	(26,974)	(28,858)	(37,455)
Rental and related expenses.....	(24,856)	(31,883)	(45,287)
Other expenses	(27,012)	(35,215)	(43,340)
Finance cost	—	—	(204)
Profit before tax.....	38,364	47,935	70,135
Income tax expense	(12,501)	(15,939)	(23,604)
Profit and total comprehensive income for the year.....	<u>25,863</u>	<u>31,996</u>	<u>46,531</u>
Profit and total comprehensive income for the year attributable to:			
Owners of our Company	25,322	31,240	46,531
Non-controlling interests.....	<u>541</u>	<u>756</u>	<u>—</u>
	<u>25,863</u>	<u>31,996</u>	<u>46,531</u>
Earnings per share - basic (RMB)	<u>0.084</u>	<u>0.104</u>	<u>0.155</u>

Principal Income Statement Items

Revenue

We derived our revenue principally from the amounts received and receivable for the operation of restaurants, net of discounts and sales related taxes, during the Track Record Period.

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All of our operations are located in China. The breakdown of our revenue (net of inter-segment sales) by geographical market in China is set forth below:

	Year ended December 31,					
	2008		2009		2010	
	(RMB'000)	Number of restaurants	(RMB'000)	Number of restaurants	(RMB'000)	Number of restaurants
Northern China ⁽²⁾	147,837	5	172,546	6	220,748	7
Eastern China ⁽¹⁾⁽²⁾	128,112	5	158,198	6	266,478	9
Southern China ⁽²⁾	<u>117,360</u>	<u>4</u>	<u>119,146</u>	<u>4</u>	<u>119,303</u>	<u>5</u>
Total	<u><u>393,309</u></u>	<u><u>14</u></u>	<u><u>449,890</u></u>	<u><u>16</u></u>	<u><u>606,529</u></u>	<u><u>21</u></u>

Notes:

- (1) The number of restaurants has included Shanghai Food Plant. For the years ended December 31, 2008, 2009 and 2010, the revenue generated by Shanghai Food Plant amounted to approximately nil, RMB449,000 and RMB1.4 million, respectively.
- (2) Northern China includes Beijing and Tianjin. Eastern China includes Shanghai, Suzhou and Hangzhou. Southern China includes Shenzhen and Dongguan.

Other gains and losses

Other gains and losses primarily consist of loss on disposal of property, plant and equipment, interest income from bank deposits, commission income which represents commission derived from sale of tea related products (see “Business — Sales and Marketing — Commission income from sale of tea related products”) and other items such as tax incentives from local government authorities, which represent subsidies granted by the local government in recognition of our business operations in compliance with local laws and regulations, our tax payments made in accordance with the relevant PRC tax laws and our contributions to the national economic development.

The following table sets forth the breakdown of other gains and losses for the years as indicated:

	Year ended December 31,		
	2008	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)
Loss on disposal of property, plant and equipment	(38)	(236)	(38)
Interest income.....	494	398	449
Commission income	5,630	6,650	8,979
Others	<u>691</u>	<u>1,009</u>	<u>2,174</u>
	<u><u>6,777</u></u>	<u><u>7,821</u></u>	<u><u>11,564</u></u>

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Cost of inventories consumed

Cost of inventories consumed comprises primarily the cost of all food, beverages and ingredients used in our restaurant operations. The principal components of cost of inventories consumed associated with our restaurant operations are meat, vegetable, poultry, beverages, frozen food, auxiliary ingredients, seafood and dried seafood.

Staff cost

Staff cost primarily consists of wages, salaries and bonuses, retirement benefit costs, housing provident fund, social security costs, other allowances and benefits, and Directors' emoluments.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment comprises primarily leasehold improvement furniture, fixtures and equipment and motor vehicles.

Utilities and consumables

Utilities and consumables comprise primarily consumables, water, electricity and gas expenses.

Rental and related expenses

Rental and related expenses comprise primarily lease payments made under operating leases for the rental of premises, including the premises of our restaurants, our Shanghai Food Plant and our offices in various regions.

Other expenses

Other expenses comprise primarily professional fees, sales and marketing expenses, administrative expenses, donations, bank charges and miscellaneous expenses.

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The following table sets forth the breakdown of other expenses for the years as indicated:

	Year ended December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Professional fees	3,773	10,325	9,843
Sales & marketing expenses	955	1,436	3,055
Administrative expenses	9,133	10,520	13,614
Donations	—	600	120
Bank charges ⁽¹⁾	4,626	5,441	7,513
Miscellaneous	8,525	6,893	9,195
Cuisine tasting	1,360	1,247	1,366
Recruitment	1,133	1,286	1,225
Business functions and conferences	1,101	716	918
Labor safety	869	698	557
IT maintenance and related expenses	543	627	527
Sundries ⁽²⁾	3,519	2,319	4,602
Total	<u>27,012</u>	<u>35,215</u>	<u>43,340</u>

Notes:

- (1) Bank charges represent the service charges paid to credit card companies when our customers made payments by credit card.
- (2) Mainly represent expenses for sample testing, decorations and plants.

Profit before tax

Profit before tax mainly represents our revenue after charging (i) staff costs, which include Directors' emoluments, other staff costs and retirement benefit scheme contributions (excluding those of Directors), (ii) auditors' remuneration, (iii) loss on disposal of property, plant and equipment, (iv) depreciation of property, plant and equipment and (v) amortization of intangible assets.

Income tax expense

Income tax expense represents the PRC enterprise income tax and deferred tax payable by our subsidiaries.

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Companies in our Group located in Beijing, Shanghai and Dongguan except Tang Palace Shanghai Pudong were subject to the PRC enterprise income tax at a rate of 33% for 2007. Tang Palace Shanghai Pudong and companies in our Group located in Shenzhen were eligible for a preferential tax rate of 15% for the same period.

On March 16, 2007, the National People's Congress of the PRC adopted the PRC Enterprise Income Tax Law that imposes a single uniform income tax rate of 25% for domestic enterprises and foreign-invested enterprises. The PRC Enterprise Income Tax Law and the implementation rules became effective as of January 1, 2008. In particular, enterprises that were taxed at a preferential tax rate of 15% before 2008 would be taxed at a rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. Tang Palace Shanghai Pudong and companies in Shenzhen are subject to this arrangement. For Tang Palace Shenzhen WE, the applicable income tax rate was changed to 25% from January 1, 2008 onwards. We expect that our overall effective tax rate may increase as a result of the implementation of the PRC Enterprise Income Tax law.

Moreover, under the PRC Enterprise Income Tax law, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid by our PRC subsidiaries to our Company, unless we are entitled to reduction or elimination of such tax, including by tax treaties.

The following table sets forth the preferential PRC Enterprise Income Tax rate enjoyed by three of our entities, namely Tang Palace Shanghai Pudong, Tang Palace Shenzhen and Tang Palace Ninja House, for the years as indicated:

	Year ended December 31,		
	2008	2009	2010
Tang Palace Shanghai Pudong	18%	20%	22%
Tang Palace Shenzhen	18%	20%	22%
Tang Palace Ninja House	18%	20%	22%

Our PRC legal advisors, Jingtian & Gongcheng, have confirmed to us that the preferential tax treatments to our Group were granted by appropriate and competent authorities or stipulated directly under relevant laws and regulations. We believe that as of the Latest Practicable Date, our Group had made all the required tax filings under the relevant tax laws and regulations in the respective jurisdictions and had paid all outstanding tax liabilities.

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REVIEW OF HISTORICAL OPERATING RESULTS

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Revenue

Our revenue increased by approximately RMB156.6 million, or by approximately 34.8%, from approximately RMB449.9 million in 2009 to approximately RMB606.5 million in 2010, primarily due to the opening of five new restaurants.

Our increased revenue primarily derived from Northern China and Eastern China. Our revenue from Northern China increased by approximately RMB48.2 million, or by approximately 27.9%, from approximately RMB172.5 million in 2009 to approximately RMB220.7 million in 2010 mainly due to the full year operation of Beijing Xinqiao Restaurant, the increased revenue in the respective restaurant in Northern China and the opening of Beijing Joy City Pepper Lunch. Our revenue from Eastern China increased by approximately RMB108.3 million, or by approximately 68.4%, from approximately RMB158.2 million in 2009 to approximately RMB266.5 million in 2010 mainly due to the opening of Shanghai Sky Fortune Tang's Cuisine, Shanghai Metropark Restaurant and Hangzhou MIXC Restaurant and the full year operation of Suzhou Matro Restaurant.

Other gains and losses

Our other gains increased by approximately RMB3.7 million, or by approximately 47.9%, from approximately RMB7.8 million in 2009 to approximately RMB11.6 million in 2010. Such an increase was mainly due to (i) an increase of our commission income of approximately RMB2.3 million due to (x) our increased sale of tea related products in certain restaurants, (y) the opening of four new restaurants in 2010, namely Shanghai Metropark Restaurant, Shanghai Sky Fortune Tang's Cuisine, Hangzhou MIXC Restaurant and Shenzhen Dongmen Jiangnan Cuisine, which started to sell tea related products and the commencement of selling tea related products by one existing restaurant, namely Beijing Xinqiao Restaurant, in 2010, respectively, and (ii) an increase of our other income, which comprised primarily the tax incentives from local government authorities and interest income. Our other gains were partially offset by the loss on disposal of property, plant and equipment such as furniture, decoration items and kitchen equipment.

Cost of inventories consumed

Our cost of inventories consumed increased by approximately RMB66.1 million, or by approximately 34.0%, from approximately RMB194.3 million in 2009 to approximately RMB260.4 million in 2010, primarily due to the increase in food consumption in our existing and new restaurants. Such increase was in line with the growth in our revenue and as a result of the opening of five new restaurants, namely Beijing Joy City Pepper Lunch, Shanghai Sky Fortune Tang's Cuisine, Shanghai Metropark Restaurant, Hangzhou MIXC Restaurant and Shenzhen Dongmen Jiangnan Cuisine. As a

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percentage of our revenue, cost of inventories consumed decreased from approximately 43.2% in 2009 to approximately 42.9% in 2010, primarily because we were able to adjust the prices of our dishes which outweighed the increased cost of raw materials.

Staff cost

Our staff cost increased by approximately RMB35.3 million, or by approximately 36.0%, from approximately RMB98.1 million in 2009 to approximately RMB133.3 million in 2010. The increase in our staff cost was primarily due to an increase in the number of employees hired for operations of the additional restaurants opened in 2010, which was approximately 3,500, as compared to 2009, which was approximately 2,900, as well as an overall increase in the level of salaries and other employee benefits. As a percentage of our revenue, staff cost remained relatively stable in 2010 compared to 2009.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by approximately RMB6.5 million, or by approximately 30.0%, from approximately RMB21.5 million in 2009 to approximately RMB28.0 million in 2010. Such increase was mainly due to the increase in our depreciation expenses, which was attributable to the increase in the number of restaurants and the renovations undertaken at certain existing restaurants, as well as depreciation expenses relating to certain equipment and other fixed assets acquired for our new restaurants.

Utilities and consumables

Utilities and consumables increased by approximately RMB8.6 million, or approximately 29.8%, from approximately RMB28.9 million in 2009 to approximately RMB37.5 million in 2010. As a percentage of revenue, utilities and consumables decreased from approximately 6.4% in 2009 to approximately 6.2% in 2010, primarily due to the continued implementation of our “resources add-value plan” (資源增值計劃) under which each of our restaurants devised and implemented measures to enhance the efficiency of utilities and consumables use and to reduce waste.

Rental and related expenses

Rental and related expenses increased by approximately RMB13.4 million, or approximately by 42.0%, from approximately RMB31.9 million in 2009 to approximately RMB45.3 million in 2010, which was mainly due to the opening of five new restaurants in 2010, namely Beijing Joy City Pepper Lunch, Shanghai Sky Fortune Tang’s Cuisine, Shanghai Metropark Restaurant, Hangzhou MIXC Restaurant and Shenzhen Dongmen Jiangnan Cuisine, in connection with which rental payments commenced in October 2009, April 2010, May 2010, July 2010 and August 2010, respectively, and the general increase in rental for the restaurants with tenancy leases renewed during 2010.

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Other expenses

Other expenses increased by approximately RMB8.1 million, or approximately 23.1%, from approximately RMB35.2 million in 2009 to approximately RMB43.3 million in 2010, primarily due to an increase in the size of our restaurant operations with the opening of five restaurants, namely Beijing Joy City Pepper Lunch, Shanghai Sky Fortune Tang's Cuisine, Shanghai Metropark Restaurant, Hangzhou MIXC Restaurant and Shenzhen Dongmen Jiangnan Cuisine. As a percentage of revenue, other expenses decreased from approximately 7.8% in 2009 to approximately 7.1% in 2010, as our revenue increased at a faster rate in the same period.

Finance cost

We incurred finance cost of approximately RMB204,000 in 2010 in connection with bank loans we obtained in 2010.

Income tax expense

Our income tax expense increased by approximately RMB7.7 million, or by approximately 48.1%, from approximately RMB15.9 million in 2009 to approximately RMB23.6 million in 2010, as a result of an increase in our income tax due to an increase in taxable profit in 2010 as compared to 2009. Our effective income tax rate increased from approximately 33.3% in 2009 to approximately 33.7% in 2010.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year increased by approximately RMB14.5 million, or by approximately 45.4%, from approximately RMB32.0 million in 2009 to approximately RMB46.5 million in 2010, as a result of the cumulative effect of the foregoing factors.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenue

Our revenue increased by approximately RMB56.6 million, or by approximately 14.4%, from approximately RMB393.3 million in 2008 to approximately RMB449.9 million in 2009, primarily due to the opening of two new restaurants.

Our increased revenue primarily derived from Northern China and Eastern China. Our revenue from Northern China increased by approximately RMB24.7 million, or by approximately 16.7%, from approximately RMB147.8 million in 2008 to approximately RMB172.5 million in 2009 primarily due to the opening of Beijing Xinqiao Restaurant. Our revenue from Eastern China increased by approximately RMB30.1 million, or by approximately 23.5%, from approximately RMB128.1 million in 2008 to approximately RMB158.2 million in 2009 mainly due to the opening of Suzhou Matro Restaurant and the full year operation of Shanghai Dickson Tang's Cuisine. We experienced the most growth in Eastern China primarily due to the full year operation of Shanghai Dickson Tang's Cuisine.

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Other gains and losses

Our other gains increased slightly by approximately RMB1.0 million, or by approximately 15.4%, from approximately RMB6.8 million in 2008 to approximately RMB7.8 million in 2009. Such an increase was mainly due to (i) an increase of our commission income of approximately RMB1.0 million due to (x) our increased sale of tea related products in certain restaurants, (y) the opening of a new restaurant in 2009, namely Suzhou Matro Restaurant, which started to sell tea related products and the commencement of selling tea related products by the existing restaurant, namely, Beijing Chaoyang Restaurant, in the second half of 2009, and (ii) an increase of our other income, which comprised primarily the tax incentives from local government authorities. Our other gains were partially offset by the loss on disposal of property, plant and equipment such as furniture, decoration items and kitchen equipment.

Cost of inventories consumed

Our cost of inventories consumed increased by approximately RMB7.1 million, or approximately 3.8%, from approximately RMB187.1 million in 2008 to approximately RMB194.3 million in 2009, primarily due to the increase in food consumption in our existing and new restaurants. Such increase was in line with the growth in our revenue and as a result of the opening of two new restaurants, namely Beijing Xinqiao Restaurant and Suzhou Matro Restaurant. As a percentage of our revenue, cost of inventories consumed decreased from approximately 47.6% in 2008 to approximately 43.2% in 2009, primarily due to the decrease in the average unit purchase price of certain ingredients consumed in our restaurants.

Staff cost

Our staff cost increased by approximately RMB17.7 million, or approximately 22.0%, from approximately RMB80.4 million in 2008 to approximately RMB98.1 million in 2009. The increase in our staff cost was primarily due to an increase in the number of employees hired for operations of the additional restaurants opened in 2009 and full year operation of Shanghai Food Plant, which was approximately 2,900, as compared to that in 2008, which was approximately 2,500, as well as an overall increase in the level of salaries and other employee benefits. As a percentage of our revenue, staff cost increased from approximately 20.4% in 2008 to approximately 21.8% in 2009, primarily due to (i) an increase in headcount in connection with the newly opened Beijing Xinqiao Restaurant and Suzhou Matro Restaurant, (ii) the comparatively lower revenue generated by the newly opened restaurants during the first few months after their respective commencement of operations, and (iii) an overall increase in wages, salaries and other staff benefits.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by approximately RMB6.2 million, or by approximately 40.1%, from approximately RMB15.3 million in 2008 to approximately RMB21.5 million in 2009. Such increase was mainly due to the increase in our depreciation expenses, which was attributable to the increase in the number of restaurants and the renovations undertaken at certain existing restaurants, as well as depreciation expenses relating to certain equipment and other fixed assets acquired for our Shanghai Food Plant opened at the end of 2008.

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Utilities and consumables

Utilities and consumables increased by approximately RMB1.9 million, or approximately 7.0%, from approximately RMB27.0 million in 2008 to approximately RMB28.9 million in 2009. As a percentage of revenue, utilities and consumables decreased slightly from approximately 6.9% in 2008 to approximately 6.4% in 2009, primarily due to the implementation of our “resources add-value plan.”

Rental and related expenses

Rental and related expenses increased by approximately RMB7.0 million, or by approximately 28.3%, from approximately RMB24.9 million in 2008 to approximately RMB31.9 million in 2009, which was mainly due to the opening of two new restaurants in 2009, namely Beijing Xinqiao Restaurant and Suzhou Matro Restaurant, in connection with which rental payments commenced in April and September 2009, respectively, and the general increase in rental for the restaurants with tenancy leases renewed during 2009.

Other expenses

Other expenses increased by approximately RMB8.2 million, or by approximately 30.4%, from approximately RMB27.0 million in 2008 to approximately RMB35.2 million in 2009. As a percentage of revenue, other expenses increased slightly from approximately 6.9% in 2008 to approximately 7.8% in 2009, primarily due to an increase in the size of our restaurant operations and more expenses were incurred related to the two new restaurants opened in 2009, namely Beijing Xinqiao Restaurant and Suzhou Matro Restaurant, and more professional fees were incurred such as listing related expenses.

Income tax expense

Our income tax expense increased by approximately RMB3.4 million, or approximately 27.5%, from approximately RMB12.5 million in 2008 to approximately RMB15.9 million in 2009, as a result of an increase in our income tax due to an increase in taxable profit in 2009. Our effective income tax rate increased from approximately 32.6% in 2008 to approximately 33.3% in 2009.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year increased by approximately RMB6.1 million, or approximately 23.7%, from approximately RMB25.9 million in 2008 to approximately RMB32.0 million in 2009, as a result of the cumulative effect of the foregoing factors.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have funded our liquidity and capital requirements principally through cash inflow from our operating activities and capital contribution from our Shareholders.

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We had cash and cash equivalents of approximately RMB78.1 million, RMB108.7 million and RMB126.9 million as of December 31, 2008, 2009 and 2010, respectively. Substantially all of our cash and cash equivalents are held in Renminbi. Our cash position has been affected primarily by the results of our business operations.

Our capital requirements relate primarily to network expansion through the opening of new restaurants (including fast food restaurants) and our Shanghai Food Plant, upgrading and/or renovation of our restaurants, and information technology system enhancement.

Cash Flow

The following table sets forth selected cash flow data from our combined statements of cash flows, as set forth in the “Accountants’ Report” in Appendix I to this prospectus, for the periods indicated:

	Year ended December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net cash from operating activities	47,752	65,102	80,765
Net cash used in investing activities.....	(54,062)	(26,086)	(48,041)
Net cash (used in) from financing activities	7,329	(8,388)	(14,559)
Net increase in cash and cash equivalents	1,019	30,628	18,165
Cash and cash equivalents at beginning of the year.....	77,090	78,109	108,737
Cash and cash equivalents at end of the year	78,109	108,737	126,902

Cash flow from operating activities

Cash generated by our operating activities reflects our profit and total comprehensive income for the year as adjusted for non-cash items, such as depreciation of property, plant and equipment, amortization of intangible assets, loss on disposal of property, plant and equipment, and interest income. Our net cash from operating activities amounted to approximately RMB47.8 million, RMB65.1 million and RMB80.8 million for the years ended December 31, 2008, 2009 and 2010, respectively.

Our net cash inflow from operating activities of approximately RMB80.8 million in 2010 was attributable to cash generated from operations of approximately RMB103.6 million, offset by income tax paid of approximately RMB22.8 million. Operating cash flows before movements in working capital amounted to approximately RMB98.2 million. Changes in working capital contributed to a net cash inflow of approximately RMB5.4 million, comprising primarily the increase in trade and other payables of approximately RMB21.5 million in line with the expansion of our restaurant network partially offset by (i) the increase in trade and other receivables of approximately RMB6.8 million primarily due to the increase in trade receivables related to corporate customers and the increase in prepayments due to opening of new restaurants, (ii) the increase in rental deposits of approximately RMB4.9 million primarily due to the rental deposits paid to the landlord for Beijing Joy City Pepper

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Lunch, Shanghai Sky Fortune Tang's Cuisine, Shanghai Metropark Restaurant, Hangzhou MIXC Restaurant and Shenzhen Dongmen Jiangnan Cuisine, and (iii) the increase in inventories of approximately RMB4.3 million primarily due to the increased food purchase to support the existing and new restaurants.

Our net cash inflow from operating activities of approximately RMB65.1 million in 2009 was attributable to cash generated from operations of approximately RMB78.8 million, offset by income tax paid of approximately RMB13.7 million. Operating cash flows before movements in working capital amounted to approximately RMB69.3 million. Changes in working capital contributed to a net cash inflow of approximately RMB9.5 million, comprising primarily the increase in trade and other payables of approximately RMB13.9 million in line with the expansion of our restaurant network, partially offset by the increase in trade and other receivables of approximately RMB2.8 million primarily due to the increase in credit card receivables, the increase in trade receivables related to regular customers and the increase in prepayments due to opening of new restaurants.

Our net cash inflow from operating activities of approximately RMB47.8 million in 2008 was attributable to cash generated from operations of approximately RMB60.5 million, offset by income tax paid of approximately RMB12.7 million. Operating cash flows before movements in working capital amounted to approximately RMB53.3 million. Changes in working capital contributed to a net cash inflow of approximately RMB7.2 million, comprising primarily the increase in trade and other payables of approximately RMB9.7 million primarily due to increase in issue of pre-paid cards and provisions for social securities and housing provident fund, partially offset by the increase in rental deposits of approximately RMB2.0 million primarily due to the rental deposits paid to the landlord for Beijing Wangjing Restaurant, Shanghai Hongkou Restaurant and Shanghai Dickson Tang's Cuisine.

Cash flow from investing activities

Our investing activities mainly comprise investments in property, plant and equipment.

Net cash outflow from investing activities was approximately RMB48.0 million in 2010, primarily due to (i) the purchase of property, plant and equipment of approximately RMB44.0 million in the ordinary course of our business, and (ii) purchase of intangible asset of approximately RMB8.1 million related to licenses and franchises for Pepper Lunch and a trademark. Net cash outflow from investing activities in 2010 was partially offset by repayment from related parties of approximately RMB3.3 million.

Net cash outflow from investing activities was approximately RMB26.1 million in 2009, primarily due to (i) the purchase of property, plant and equipment of approximately RMB23.2 million in the ordinary course of our business, and (ii) the deposits paid for purchases of items of property, plant and equipment of approximately RMB2.0 million.

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Net cash outflow from investing activities was approximately RMB54.1 million in 2008, primarily due to the purchase of property, plant and equipment of approximately RMB55.4 million in the ordinary course of our business. Net cash outflow from investing activities in 2008 was partially offset by repayment from shareholders of approximately RMB1.6 million.

During the Track Record Period, we did not hold any securities in other companies (other than in members of our Group) or investments in the form of financial instruments (other than bank deposits).

Cash flow from financing activities

Our financing activities mainly comprise advance from and repayment to shareholders and related parties, distributions of dividends, bank loans and capital contributions.

Net cash outflow from financing activities was approximately RMB14.6 million in 2010, primarily attributable to (i) dividend paid of approximately RMB28.4 million, (ii) repayment to related parties of approximately RMB72.9 million for settlement of balance, (iii) payment to related parties upon reorganization of approximately RMB69.8 million, and (iv) repayment to our Shareholders of approximately RMB12.0 million, partially offset by advance from Shareholders of approximately RMB107.2 million and new bank loans raised of approximately RMB41.0 million and advance from related parties of approximately RMB21.0 million.

Net cash outflow from financing activities in 2009 was approximately RMB8.4 million, primarily attributable to (i) dividend paid of approximately RMB18.5 million, and (ii) repayment to related parties of approximately RMB5.7 million, partially offset by advance from related parties of approximately RMB11.5 million in connection with financing of daily operations, renovation of restaurants and opening of new restaurants and capital contribution from shareholders of approximately RMB5.3 million to Beijing Xinqiao Restaurant and Suzhou Matro Restaurant.

Net cash inflow from financing activities in 2008 was approximately RMB7.3 million, primarily attributable to (i) advance from related parties of approximately RMB22.8 million in connection with financing of daily operations, renovation of restaurants and opening of new restaurants, and (ii) capital contribution from shareholders of approximately RMB13.5 million to Shanghai Hongkou Restaurant, partially offset by (i) dividend paid of approximately RMB27.2 million, and (ii) repayment to related parties of approximately RMB1.2 million.

OFF BALANCE SHEET ARRANGEMENT

During the Track Record Period and up to the Latest Practicable Date, we did not have any off-balance sheet transactions.

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WORKING CAPITAL

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated below:

	As of December 31,			As of
	2008	2009	2010	February 28,
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> <i>(unaudited)</i>
CURRENT ASSETS				
Inventories	7,820	8,446	12,773	14,918
Trade and other receivables.....	7,677	10,435	17,273	17,369
Amounts due from related parties	2,673	3,684	465	—
Amounts due from shareholders	34	407	—	—
Bank balances and cash	78,109	108,737	126,902	146,953
	<u>96,313</u>	<u>131,709</u>	<u>157,413</u>	<u>179,240</u>
CURRENT LIABILITIES				
Trade and other payables	49,768	67,542	85,098	82,675
Amount due to a director	500	500	—	—
Amounts due to related parties.....	46,388	52,161	263	147 ⁽¹⁾
Amounts due to shareholders	13,267	12,004	—	—
Bank loans	—	—	41,019	53,019
Tax payable	3,763	4,566	6,341	9,446
	<u>113,686</u>	<u>136,773</u>	<u>132,721</u>	<u>145,287</u>
NET CURRENT (LIABILITIES)/ASSETS	<u>(17,373)</u>	<u>(5,064)</u>	<u>24,692</u>	<u>33,953</u>

Note:

(1) These amounts were incurred in continuing connected transactions and are trade in nature.

As of December 31, 2008, 2009 and 2010, we had net current liabilities of approximately RMB17.4 million and RMB5.1 million and net current assets of approximately RMB24.7 million, respectively. The net current liabilities in 2008 and 2009 were primarily due to the amounts due to related parties resulting from financing of daily operations, renovation of restaurants and opening of new restaurants. Given that the amounts due to related parties were substantially settled in 2010, our working capital position was enhanced.

As of February 28, 2011, we had net current assets of approximately RMB34.0 million.

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During the years ended December 31, 2008, 2009 and 2010, we had net cash inflow of approximately RMB1.0 million, RMB30.6 million and RMB18.2 million, respectively. Based on our proven track record, it is expected that we will continue to have net cash inflow from operating activities for at least next 12 months from the date of this prospectus.

We are capable of obtaining bank loan facilities of approximately RMB53.2 million from financial institutions without reliance on related parties to finance our operation. As of December 31, 2010, we had a cash balance of approximately RMB126.9 million and unutilized bank facilities of approximately RMB12.0 million in total.

Our funding needs for investment activities will be supported by the proceeds from the Global Offering and our internal resources.

Taking into account the net proceeds of the Global Offering and other financing services (including net cash flow from operating activities), the cash and cash equivalents on hand, available banking facilities and cash generated from future operations in relation to our planned capital expenditure, our Directors are of the opinion that we have sufficient working capital for our requirements for at least 12 months from the date of this prospectus.

INDEBTEDNESS

Bank Borrowings

Historically, we have relied primarily on related parties to finance our operations. To finance our business expansion and to meet our working capital requirements, we obtained bank loan facilities from various commercial banks for an aggregate principal amount of approximately RMB53.2 million in 2010. As of February 28, 2011, the lines of credit available to us totaled approximately RMB53.0 million, all of which were fully utilized. The drawdowns were all secured by our related parties and repayable within one year as of the same date. The banks have given their agreement in principle to release all such security provided by such related parties upon the Listing. As such, we believe that we do not have any material difficulty in securing loans from financial institutions. We expect to increase our bank and borrowings from Independent Third Parties as another source of financing in the future.

Our Directors have confirmed that as of the Latest Practicable Date, there had been no material change in the indebtedness or contingent liabilities of our Group since February 28, 2011.

No other outstanding indebtedness

Except as disclosed in “— Indebtedness — Bank Borrowings,” we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees outstanding as of February 28, 2011.

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Contingent Liabilities

We did not have any contingent liabilities during the Track Record Period and as of February 28, 2011.

Operating Lease Commitment

We had future minimum rentals payable under non-cancellable operating leases falling due as of the dates indicated below:

	As of December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Within one year	27,791	31,570	68,359
In the second to fifth year, inclusive	93,499	94,665	141,931
After five years	<u>44,929</u>	<u>48,075</u>	<u>87,256</u>
Total	<u><u>166,219</u></u>	<u><u>174,310</u></u>	<u><u>297,546</u></u>

The leases are generally negotiated for terms ranging from three to 10 years.

Our operating lease commitment increased by approximately RMB123.2 million, or by approximately 70.7%, from approximately RMB174.3 million as of December 31, 2009 to approximately RMB297.5 million as of December 31, 2010. Such substantial increase was primarily due to the opening of five new restaurants in 2010, namely Beijing Joy City Pepper Lunch, Shanghai Sky Fortune Tang's Cuisine, Shanghai Metropark Restaurant, Hangzhou MIXC Restaurant and Shenzhen Dongmen Jiangnan Cuisine, and the opening of a new restaurant, Beijing Chaobei Joy City Restaurant, in 2011.

Capital Expenditure and Capital Commitments

Our capital expenditures were approximately RMB55.4 million, RMB23.2 million and RMB54.1 million for the years ended December 31, 2008, 2009 and 2010, respectively. Capital expenditure during these periods was primarily related to the acquisition of licenses, franchises and trademark, the opening and refurbishment of our restaurants and our Shanghai Food Plant which commenced operations during the Track Record Period. As of December 31, 2010, our capital commitments were approximately RMB3.4 million.

The following table summarizes the breakdown of our capital expenditure during the Track Record Period:

	Year ended December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Purchase of property, plant and equipment	55,408	23,161	45,943
Acquisition of licenses, franchises and trademark	—	—	8,112
Total	<u><u>55,408</u></u>	<u><u>23,161</u></u>	<u><u>54,055</u></u>

FINANCIAL INFORMATION

Our capital expenditure increased by approximately RMB30.9 million, or by approximately 133.4%, from approximately RMB23.2 million as of December 31, 2009 to approximately RMB54.1 million as of December 31, 2010, primarily due to the opening of five new restaurants in 2010, namely Beijing Joy City Pepper Lunch, Shanghai Sky Fortune Tang's Cuisine, Shanghai Metropark Restaurant, Hangzhou MIXC Restaurant and Shenzhen Dongmen Jiangnan Cuisine, acquisition of licenses and franchises for Pepper Lunch and a trademark.

We had the following capital commitments as of the dates indicated below:

	As of December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Contracted, but not provided for:			
Purchase of property, plant and equipment	263	988	3,366

DISCUSSION OF CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

Our inventories primarily comprise all food, beverages and ingredients used in our restaurant operations, such as meat, vegetable, poultry, beverages, frozen food, auxiliary ingredients, seafood and dried seafood.

Our inventories amounted to approximately RMB7.8 million, RMB8.4 million and RMB12.8 million as of December 31, 2008, 2009 and 2010, respectively.

Our inventories increased as of December 31, 2010 compared to December 31, 2009 and as of December 31, 2009 compared to December 31, 2008 primarily due to the opening of five and two new restaurants in 2010 and 2009, respectively, and greater operating requirements of our existing restaurants, which stock up a higher level of inventories in the aggregate at the year end.

As of the Latest Practicable Date, approximately 85% of our inventories as of December 31, 2010 were subsequently utilized. As we currently expect no slow moving or obsolete inventory issues relating to our inventories, we believe that no provision for our inventories is necessary.

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We calculate cost of inventories on a first-in, first-out basis. The following table sets forth the turnover of our inventories during the Track Record Period:

	Year ended December 31,		
	2008	2009	2010
Turnover of inventories (number of days) ⁽¹⁾	15	15	15

Note:

(1) The calculation of turnover of inventories is based on the average of opening inventories and closing inventories divided by the cost of inventories consumed and multiplied by 365 for the years ended December 31, 2008, 2009 and 2010.

The turnover of inventory days remained stable during the Track Record Period.

Trade and Other Receivables

Our trade and other receivables primarily consist of rental and utility deposits, advance from customers and trade receivables. Generally, there was no credit period for sales from our restaurant operations, except for certain well established corporate customers for which the credit terms are ranging from 30 to 80 days. The trading terms with our customers are mainly on cash and credit card settlement.

An aging analysis of our trade and other receivables during the Track Record Period is as follows:

	As of December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Trade receivables:			
0 — 30 days	858	3,153	5,391
31 — 60 days	2,326	1,688	807
61 — 90 days.....	254	377	571
Over 90 days.....	8	35	903
Total	3,446	5,253	7,672

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	As of December 31,		
	2008	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)
Other receivables and deposits:			
Prepayments	2,393	4,175	8,298
Others ⁽¹⁾	<u>1,838</u>	<u>1,007</u>	<u>1,303</u>
	<u>4,231</u>	<u>5,182</u>	<u>9,601</u>
Total	<u><u>7,677</u></u>	<u><u>10,435</u></u>	<u><u>17,273</u></u>

Note:

- (1) Others represent mainly payment on behalf of employees for their income taxes and advances to employees for marketing and operations.

The increase of our trade and other receivables as of December 31, 2010 by approximately RMB6.8 million, representing approximately 65.5%, as compared to that as of December 31, 2009 was mainly due to the increase in credit card receivables, the increase in trade receivables related to corporate customers and the increase in prepayments related to the renovation of new restaurants prior to its opening and the increased rental prepayment (including restaurant and staff quarters) related to five new restaurants opened in 2010. The increase of our trade and other receivables as of December 31, 2009 by approximately RMB2.8 million, representing approximately 35.9%, as compared to that as of December 31, 2008 was mainly due to the increase in credit card receivables, the increase in trade receivables related to regular customers and the increase in prepayments related to the opening of new restaurants.

The following table sets forth the turnover of our trade receivables during the Track Record Period:

	Year ended December 31,		
	2008	2009	2010
Trade receivable turnover days (number of days) ⁽¹⁾	3	4	5

Note:

- (1) The calculation of trade receivable turnover days is based on trade receivables divided by revenue and multiplied by 365 for the years ended December 31, 2008, 2009 and 2010.

FINANCIAL INFORMATION

The trade receivable turnover days remained stable during the Track Record Period.

An aging analysis of our trade receivables during the Track Record Period is as follows:

	As of December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Aging analysis of trade receivables which are past due but not impaired:			
31 — 60 days.....	2,236	1,660	807
61 — 90 days	219	346	571
Over 90 days.....	8	35	903
Total.....	2,463	2,041	2,281

Our trade receivables past due but not impaired increased by approximately RMB240,000, or by approximately 11.8%, from approximately RMB2.0 million as of December 31, 2009 to approximately RMB2.3 million as of December 31, 2010. Such increase was primarily due to the increase in trade receivables related to our corporate customers. In particular, the substantial increase in trade receivables past due over 90 days but not impaired was primarily due to increased incidents in delayed payments from our corporate customers. As of the Latest Practicable Date, approximately 93% of our trade receivables past due over 90 days as of December 31, 2010 were settled. Our Directors considered that such amounts were substantially recovered and that no provision was required to be made. For the years ended December 31, 2008, 2009 and 2010, we wrote off approximately RMB8,000, nil and RMB20,000, respectively. Except for these amounts being written off in respect of trade receivables of a customer which were considered uncollectable during the Track Record Period, we have no further provision of or written off trade receivables during the Track Record Period.

We have performed an extensive trade receivables analysis and considered both individual trade receivable balances (individual assessment) and a group of trade receivable balances of similar credit risk characteristics (collective assessment). We also considered other information about trade receivables in order to assess the adequacy of the provision made, including subsequent settlement, analysis of impairment, debtors' type, past due experience, aging of balances and other relevant factors. As of the Latest Practicable Date, approximately 99% of our trade receivables as of December 31, 2010 were settled, in which approximately 96% were past due but not impaired.

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables, (ii) other payables and accruals, which represent primarily payables related to payroll and employee benefits, (iii) receipts in advance, which represent primarily advance payments from pre-paid card holders, and (iv) dividend payable. We are generally granted credit periods by our suppliers with terms of one to two months.

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An aging analysis of our trade and other payables during the Track Record Period is as follows:

	As of December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Trade payables:			
0 — 30 days	17,478	19,979	24,377
31 — 60 days	476	1,241	2,349
61 — 90 days.....	106	128	388
91 — 180 days	110	72	934
Over 180 days.....	831	459	719
Total	<u>19,001</u>	<u>21,879</u>	<u>28,767</u>

	As of December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Other payables:			
Other payables and accruals	22,773	29,842	37,929
Receipts in advance	7,994	11,916	18,402
Dividend payable.....	—	3,905	—
	<u>30,767</u>	<u>45,663</u>	<u>56,331</u>
Total	<u>49,768</u>	<u>67,542</u>	<u>85,098</u>

As of December 31, 2008, 2009 and 2010, our trade and other payables amounted to approximately RMB49.8 million, RMB67.5 million and RMB85.1 million, respectively. We believe that the amounts of our trade and other payables during the Track Record Period were in line with the industry practice.

The increase of our trade and other payables as of December 31, 2010 by approximately RMB17.6 million, representing approximately 26.0%, as compared to that as of December 31, 2009, was in line with the expansion of our restaurant network. The increase of our trade and other payables as of December 31, 2009 by approximately RMB17.8 million, representing approximately 35.7%, as compared to that as of December 31, 2008, was in line with the expansion of our restaurant network.

Our trade payables increased by approximately RMB6.9 million, or by approximately 31.5%, from approximately RMB21.9 million as of December 31, 2009 to approximately RMB28.8 million as of December 31, 2010, primarily due to the opening of five new restaurants in 2010, namely Shanghai Sky Fortune Tang's Cuisine, Beijing Joy City Pepper Lunch, Shanghai Metropark Restaurant, Hangzhou MIXC Restaurant and Shenzhen Dongmen Jiangnan Cuisine, which required that more raw materials were purchased from our suppliers. Our trade payables increased by approximately RMB2.9

FINANCIAL INFORMATION

million, or by approximately 15.1%, from approximately RMB19.0 million as of December 31, 2008 to approximately RMB21.9 million as of December 31, 2009, primarily due to the opening of two new restaurants, namely Beijing Xinqiao Restaurant and Suzhou Matro Restaurant which required that more raw materials were purchased from our suppliers.

The increase of our other payables and accruals as of December 31, 2010 by approximately RMB8.1 million, representing approximately 27.1%, as compared to that as of December 31, 2009, was primarily due to the increase in payroll payables and social security contributions. The increase of our other payables and accruals as of December 31, 2009 by approximately RMB7.1 million, representing approximately 31.0%, as compared to that as of December 31, 2008, was primarily due to the increase in payables related to listing expenses, social security contributions and tax.

Our receipts in advance as of December 31, 2010 increased by approximately RMB6.5 million, representing approximately 54.4%, as compared to that as of December 31, 2009. Our receipts in advance as of December 31, 2009 increased by approximately RMB3.9 million, representing approximately 49.1%, as compared to that as of December 31, 2008. Such continuous increase of our receipts in advance during the Track Record Period was primarily due to increased sales of pre-paid cards during such period.

We recorded dividend payable of approximately RMB3.9 million as of December 31, 2009.

The following table sets forth the turnover of our trade payables during the Track Record Period:

	Year ended December 31,		
	2008	2009	2010
Trade payable turnover days (number of days) ⁽¹⁾	37	41	40

Note:

(1) The calculation of trade payable turnover days is based on trade payable divided by cost of inventories consumed and multiplied by 365 for the years ended December 31, 2008, 2009 and 2010.

During the Track Record Period, our trade payable turnover days were maintained generally within the credit periods granted by our suppliers, which typically ranged from 30 to 60 days. Our trade payable turnover days remained relatively stable during such period.

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Related Party Transactions

With respect to the related parties transactions set forth in Note 30 of the Accountants' Report in Appendix I to this prospectus, our Directors confirm that the transactions with Chiu Kwun Engineering (Shenzhen) Co., Ltd., C & W (Nominees) Ltd., Meco Group Company Limited and Dongguan Well Excellent Hotel Management Services Co., Ltd. were conducted on arm's length basis, on normal commercial terms and in the ordinary course of business.

Amounts Due from Related Parties and Shareholders

The following table sets forth an analysis of the amounts due from related parties and shareholders during the Track Record Period:

	As of December 31,		
	2008	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)
Related parties	2,673	3,684	465
Shareholders	<u>34</u>	<u>407</u>	<u>—</u>
Total	<u><u>2,707</u></u>	<u><u>4,091</u></u>	<u><u>465</u></u>

The amounts due from related parties increased from approximately RMB2.7 million as of December 31, 2008 to approximately RMB3.7 million as of December 31, 2009, primarily due to settlement from Meco Group and HK Well Excellent. The amounts due from related parties decreased from approximately RMB3.7 million as of December 31, 2009 to approximately RMB465,000 as of December 31, 2010, due to settlement from most of the related parties.

Our Directors confirm that all outstanding balances with related parties which are of non-trade nature will be fully settled by way of repayment prior to the commencement of trading in our Shares on the Stock Exchange.

The amounts due from shareholders mainly represented the amounts due from Mr. Chan, Mr. Yip and Mr. Ku for travel expenses paid by us on behalf of such shareholders, which amounted to approximately RMB34,000, RMB407,000 and nil, respectively, as of December 31, 2008, 2009 and 2010. Such amounts are interest-free, unsecured and have no fixed terms of repayment. All balances were fully settled in 2010.

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Amounts Due to Related Parties and Shareholders

The following table sets forth an analysis of the amounts due to related parties and shareholders during the Track Record Period:

	As of December 31,		
	2008	2009	2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Related parties	46,388	52,161	263
Shareholders	13,267	12,004	—
Total	<u>59,655</u>	<u>64,165</u>	<u>263</u>

The amounts due to related parties increased from approximately RMB46.4 million as of December 31, 2008 to approximately RMB52.2 million as of December 31, 2009, primarily due to the increase in financing of daily operations, renovation of restaurants and opening of new restaurants by such related parties, namely Meco Group and HK Well Excellent, offset by repayments to certain related parties. The amounts due to related parties decreased significantly from approximately RMB52.2 million as of December 31, 2009 to approximately RMB263,000 as of December 31, 2010, due to substantial repayment to related parties. As of the Latest Practicable Date, outstanding amounts due to related parties were approximately RMB147,000. These amounts were incurred in continuing connected transactions and are trade in nature.

The amounts due to shareholders mainly represented the amounts due to Mr. Chan, Mr. Yip and Mr. Ku for financing of daily operations, renovation of restaurants and opening of new restaurants, which amounted to approximately RMB13.3 million, RMB12.0 million and nil, respectively, as of December 31, 2008, 2009 and 2010. Such amounts are interest-free, unsecured and have no fixed terms of repayment. All balances were fully settled in 2010.

FINANCIAL RATIOS

	Year ended December 31,		
	2008	2009	2010
Current ratio ⁽¹⁾	0.8	1.0	1.2
Return on equity ⁽²⁾	41%	41%	34%
Gearing ratio ⁽³⁾	—	—	15%

Notes:

- (1) The calculation of current ratio is based on current assets divided by current liabilities.
- (2) The calculation of return on equity is based on profit and total comprehensive income for the year divided by capital and reserves multiplied by 100%.
- (3) The calculation of gearing ratio is based on total borrowing divided by total assets multiplied by 100%.

FINANCIAL INFORMATION

Current Ratio

As of December 31, 2008, 2009 and 2010, our current ratio amounted to approximately 0.8, 1.0 and 1.2, respectively. Our current ratio increased by approximately 0.2 as of December 31, 2010 as compared to that as of December 31, 2009 primarily due to the substantial settlement of the balances with related parties, Shareholders and Directors. Our current ratio increased by approximately 0.2 as of December 31, 2009 as compared to that as of December 31, 2008 because the increase in our current assets outweighed the increase in our current liabilities.

Return on Equity

For the years ended December 31, 2008, 2009 and 2010, our return on equity amounted to approximately 41%, 41% and 34%, respectively. The decrease trend was mainly due to the fact that during the Track Record Period, we have injected capital for the opening of new restaurants and renovation of restaurants, and the injection of capital outweighed the increase in revenue during the Track Record Period as the revenue generated is comparatively lower during the first few months after their respective commencement of operations and the revenue was decreased during the suspension of operation for renovation.

Gearing Ratio

As of December 31, 2010, our gearing ratio amounted to approximately 15%, primarily reflecting bank loans we obtained in 2010 for general working capital purposes. See “— Indebtedness — Bank borrowings.”

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In the normal course of business, we are exposed to various types of risks, including market risk (currency risk and interest rate risk), credit risk and liquidity risk.

Market Risk

Currency risk

Our Group has foreign currency transactions, which expose our Group to market risk arising from changes in foreign exchange rates. Our Group currently does not have a foreign currency hedging policy. However management closely monitors its foreign currency risk exposure and enters into foreign currency forward contracts should the need arise.

Interest rate risk

Our Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits. Our Group's fair value interest rate risk relates primarily to its fixed-rate bank deposits. It is our Group's policy to maintain a certain level of bank deposits primarily at fixed rate of interest so as to minimize the cash flow interest rate risk.

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Credit Risk

As of the respective reporting dates, our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the combined statement of financial position. In order to minimize the credit risk, the management of our Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced. The credit risk on liquid funds is limited because the counterparties are banks with good reputations. There was no significant concentration of credit risk as the balance of the exposure is spread over a number of counterparties and customers.

Liquidity Risk

We had net current liabilities as of December 31, 2008 and 2009 and had net current assets as of December 31, 2010. We monitor our current and expected liquidity requirements regularly and ensure that sufficient cash and adequate committed lines of funding from financial institutions are available to meet our liquidity requirements in both short and long term. Our Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of advance from related parties.

Inflation

In recent years, the PRC has not experienced significant inflation, and thus inflation has not had a significant effect on our business during the Track Record Period. According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately 5.9% in 2008. In 2009, China experienced deflation of approximately 0.7%. And in 2010, China experienced inflation of approximately 3.3%. As of the date of this prospectus, we had not been materially affected by any inflation or deflation.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Sallmanns, an independent property valuer, has valued our property interests as of January 31, 2011 at no commercial value. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2010 assuming the Over-allotment Option is not exercised. It has been prepared for illustrative purpose only and, because of our hypothetical nature, may not give a true and fair picture of the financial position of our Group.

	Audited combined net tangible assets attributable to owners of the Company as at December 31, 2010	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per Share
	<i>RMB'000 (Note 1)</i>	<i>RMB'000 (Note 2)</i>	<i>RMB'000</i>	<i>RMB (Note 3)</i>	<i>(HK\$ equivalent) (Note 4)</i>
Based on an Offer Price of HK\$1.25 per Share.....	<u>130,452</u>	<u>85,581</u>	<u>216,033</u>	<u>0.54</u>	<u>0.64</u>
Based on an Offer Price of HK\$1.65 per Share.....	<u>130,452</u>	<u>118,386</u>	<u>248,838</u>	<u>0.62</u>	<u>0.73</u>

Notes:

- (1) The audited combined net tangible assets attributable to owners of our Company as of December 31, 2010 has been derived from the net assets of our Group after deducting the intangible assets of approximately RMB7,792,000 as set out in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK\$1.25 or HK\$1.65 per Share, being the low or high end of the stated Offer Price range, respectively, after deduction of the underwriting fees and related expenses payable by our Company. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB1 to HK\$1.176.
- (3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 400,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering but takes no account of any Shares which have been or may be allotted and issued pursuant to the exercise of the options which were granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.
- (4) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB1 to HK\$1.176. No representation is made that the Renminbi amounts have been, could have or may be converted to Hong Kong dollars, or vice versa, at that rate.

DISTRIBUTABLE RESERVE

As of December 31, 2010, there was no distributable reserve available for distribution to the shareholders of our Company.

FINANCIAL INFORMATION

DIVIDEND AND DIVIDEND POLICY

We have declared dividends of approximately RMB13.7 million, RMB22.4 million and RMB24.5 million for the years ended December 31, 2008, 2009 and 2010, respectively, all of which were paid as of the Latest Practicable Date.

After completion of the Global Offering, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. As regards our PRC-incorporated subsidiaries, the PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including HKFRS. The PRC laws also require foreign-invested enterprises, such as our subsidiaries in China, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

Subject to the factors described above, we currently intend to recommend at the annual general meetings of our Company that dividends of no more than 50% of our net profit for each year after the Listing (that is, for the avoidance of doubt, commencing from the year ending December 31, 2011) would be available for distribution to shareholders after the Global Offering.

Cash dividends on our shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our shareholders by any means which our Directors deem legal, fair and practicable. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since December 31, 2010, being the date of our latest audited financial statements, there has been no material adverse change in our financial or trading positions or prospects.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Our goal is to become one of the most highly regarded restaurant groups in the PRC which provides quality food, services and dining experience. We aim to continue to expand our restaurant network strategically as we believe that scale and broad geographical coverage promote brand recognition. We plan to focus our efforts on opening new restaurants in larger and more developed cities in the PRC, where we expect future growth to be concentrated. In order to achieve our goal, we intend to implement the business strategies as set out in “Business — Our Business Strategies”.

We plan to open eight new Chinese restaurants under the brand names of *Tang Palace Seafood Restaurant* (唐宮海鮮舫), *Tang’s Cuisine* (唐宮壹號) and *Excellent Tang Palace* (盛世唐宮) in certain first-tier cities and second-tier cities including Shanghai, Beijing, Tianjin, Guangzhou, Shenzhen and Nanjing by the end of 2012. We plan to open four, two and two new restaurants under the brand name *Tang Palace Seafood Restaurant* (唐宮海鮮舫), *Tang’s Cuisine* (唐宮壹號) and *Excellent Tang Palace* (盛世唐宮), respectively, by the end of 2012. The gross floor area of each new restaurant will range between 1,200 sq.m. and 3,000 sq.m. with a seating capacity of about 200 to 800 persons.

We also plan to open 19 new *Pepper Lunch* (胡椒廚房) fast food restaurants in certain first-tier cities including Beijing, Tianjin and Shanghai by the end of 2012. We plan to open 10, three and six new *Pepper Lunch* (胡椒廚房) fast food restaurants in Beijing, Tianjin and Shanghai, respectively, by the end of 2012. The gross floor area of each new *Pepper Lunch* (胡椒廚房) fast food restaurant will range between 50 sq.m. and 150 sq.m. with a seating capacity up to 65 persons.

The following tables set out details of the new restaurants we intend to open in 2011 and 2012:

Year	Brand	No. of restaurants	Intended location	Estimated capital expenditure (RMB in million)
2011	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), <i>Tang’s Cuisine</i> (唐宮壹號) and <i>Excellent Tang Palace</i> (盛世唐宮)	3	Shanghai, Beijing and Shenzhen	38.0
	<i>Pepper Lunch</i> (胡椒廚房)	8	Beijing, Tianjin and Shanghai	17.1
2012	<i>Tang Palace Seafood Restaurant</i> (唐宮海鮮舫), <i>Tang’s Cuisine</i> (唐宮壹號) and <i>Excellent Tang Palace</i> (盛世唐宮)	5	Beijing, Tianjin, Shanghai, Nanjing and Guangzhou	48.9
	<i>Pepper Lunch</i> (胡椒廚房)	11	Beijing, Tianjin and Shanghai	20.5

FUTURE PLANS AND USE OF PROCEEDS

Our expansion is expected to be financed out of our net proceeds from the Global Offering and internal resources generated from our operating activities from time to time and, if our Directors consider necessary and appropriate, through external financing from debt and equity financing.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$120.0 million (assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.45 per Offer Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering. We currently intend to apply these net proceeds for the following purposes:

- approximately 54.6%, or approximately HK\$65.6 million, and HK\$15.1 million will be funded by our internal resources and/or bank borrowings, respectively, for the opening of about eight new Chinese restaurants in certain first-tier and second tier cities in the PRC by the end of 2012;
- approximately 29.2%, or approximately HK\$35.0 million, for the opening of about 19 *Pepper Lunch* (胡椒廚房) fast food restaurants in certain first-tier cities in the PRC by the end of 2012;
- approximately 6.2%, or approximately HK\$7.4 million, for sales and marketing promotions and brand awareness activities in certain first-tier cities, including launching of promotional campaigns and conducting of market surveys; and
- approximately 10.0%, or approximately HK\$12.0 million, for general working capital purposes.

As of the Latest Practicable Date, we had committed a capital expenditure of approximately RMB1.6 million for the two *Pepper Lunch* (胡椒廚房) fast food restaurants out of the 27 new restaurants to be opened by us.

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK\$21.0 million (assuming the mid-point of the stated Offer Price range of HK\$1.45 per Offer Share). Our Directors currently intend to apply such additional net proceeds in the manner and proportions stated above.

In the event that the Offer Price is set at the high-end of the indicative Offer Price range and the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$139.3 million. The additional net proceeds will be applied in the manner and proportions stated above. In the event that the Offer Price is set at the high-end of the indicative Offer Price range and the Over-allotment Option is exercised in full, we will receive net proceeds of approximately HK\$163.2 million. The additional net proceeds will be applied in the manner and proportions stated above.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Offer Price is set at the low-end of the indicative Offer Price range and the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$100.7 million. Under such circumstances, the reduced net proceeds will be allocated in the manner and proportions stated above. In the event that the Offer Price is set at the low-end of the indicative Offer Price range and the Over-allotment Option is exercised in full, we will receive net proceeds of approximately HK\$118.8 million. We intend to use the additional net proceeds in the manner and proportions stated above. The amount of proceeds assigned for our expansion will be reduced accordingly and we intend to finance the shortfall by our internal resources and bank borrowings.

Our intended use of proceeds as described above may change in light of our evolving business needs and conditions. Our business operations and the industry in which we operate could cause changes to our strategies and business plans. In the event that there is any change in our development plans, our Directors will carefully evaluate the situation and may reallocate the intended funds and hold any relevant funds on short-term deposit as our Directors consider to be in our interests and in the interests of our Shareholders as a whole.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will issue an announcement if there is any material change in our intended use of proceeds as described above.

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HONG KONG UNDERWRITERS

Joint Lead Managers

ICBC International Securities Limited
Guotai Junan Securities (Hong Kong) Limited

Co-Managers

President Securities (Hong Kong) Limited
TC Capital Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 10,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and Capitalization Issue (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme, and the Shares, up to 10% of the Shares in issue as at the Listing Date, to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Hong Kong Underwriting

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Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

- (a) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change or development in, or any event or series of events resulting or likely to result in or representing any prospective change or development in, local, national, regional or international financial, political, military, industrial, legal, economic, currency market, credit, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, credit markets, and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof), or any other jurisdiction relevant to any member of our Group (each a “*Relevant Jurisdiction*”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of *force majeure* (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), H5N1, H1N1)), economic sanctions, in or affecting any of the Relevant Jurisdictions; or
 - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
 - (v) (A) any moratorium, suspension, restriction or limitation on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the American Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services procedures or matters in or affecting any of the Relevant Jurisdictions; or
 - (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or

UNDERWRITING

- (vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (viii) any adverse change or development or event or a prospective adverse change or development or event in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position, prospects, properties, results of operations, general affairs, shareholders' equity, management, position or condition, financial or otherwise, whether or not arising in the ordinary course of business, as determined by the Sole Global Coordinator in its sole and absolute discretion; or
- (ix) the commencement by any judicial, regulatory, governmental or political body or organization of any action, claim or proceedings against any Director or an announcement by any judicial, regulatory, governmental or political body or organization that it intends to take any such action; or
- (x) save as disclosed in this prospectus, a demand by any tax authority for payment for any tax liability for any member of our Group; or
- (xi) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xii) the chairman or chief executive officer of our Company vacating his office; or
- (xiii) an authority or a political body or organization in any jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiv) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or any applicable laws or regulations in the PRC, Cayman Islands, Hong Kong and the BVI; or
- (xv) an order or petition is presented for the winding up or liquidation of our Company or any of our subsidiaries, or our Company or any of our subsidiaries make any compromise or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of our subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of our subsidiaries or anything analogous thereto occurs in respect of our Company or any of our subsidiaries; or
- (xvi) a demand by any creditor for repayment or payment of any of our Company's indebtednesses or those of any of our subsidiaries or in respect of which our Company or any of our subsidiaries is liable prior to its stated maturity; or

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- (xvii) any loss or damage sustained by our Company or any of our subsidiaries as a result of a breach of its respective obligations or non-compliance with the applicable laws and regulations (howsoever caused and whether or not the subject of any insurance or claim against any person); or
 - (xviii) any litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the covenantors as defined in the Hong Kong Underwriting Agreement (the “**Covenantors**”); or
 - (xix) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including our Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
 - (xx) non-compliance by our Group or our Directors of this prospectus (of any other documents used in connection with the contemplated offer and sale of our Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
 - (xxi) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of our Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
 - (xxii) any event which give rise or would give rise to liability on the part of our Company pursuant to the indemnity provisions in the Hong Kong Underwriting Agreement; or
 - (xxiii) any change or prospective change in, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this Prospectus,
- and which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters),
- (A) has or may have or will have or is likely to have a materially adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders’ equity, profits, losses, trading position, results of operation, prospects, position or condition, financial or otherwise, or performance of our Company or our subsidiaries as a whole; or
 - (B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
 - (C) makes, may make or will or is likely to make it impracticable or inadvisable or in expedient for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering; or

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- (D) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (b) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in this prospectus and other Offering Documents (as defined in the Hong Kong Underwriting Agreement), the formal notice or any announcements in the agreed form issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become untrue or incorrect or misleading in a material respect, or that any forecast, expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
 - (ii) that any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus which would or might constitute a material omission from this prospectus or the Application Forms and/or in any notices or announcements issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
 - (iii) that any of the warranties given by our Company or the Covenantors or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached; or
 - (iv) that any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or the Covenantors out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties as set out in the Hong Kong Underwriting Agreement and/or pursuant to the indemnities given by our Company, the Covenantors or any of them under the Hong Kong Underwriting Agreement; or
 - (v) that any breach of any of the obligations or undertakings of any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than the Sole Global Coordinator, the Joint Lead Managers, the Hong Kong Underwriters or the International Underwriters); or
 - (vi) that our Company withdraws this prospectus and/or the Application Forms; or
 - (vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, our Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme, and Shares, up to 10%

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of the Shares in issue as at the Listing Date, to be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

- (viii) that any of the experts described under the paragraph headed “Other information — 24. Qualifications of experts” in Appendix V to this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

Undertakings

Under Rule 10.08 of the Listing Rules, no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date, except in the circumstances prescribed by Rule 10.08 of the Listing Rules.

We have undertaken to the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) under the Hong Kong Underwriting Agreement, and we further undertake to procure each of our subsidiaries (as the case may be and where appropriate), that except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the exercise of the options granted under the Pre-IPO Share Option Scheme, the grant of options under the Share Option Scheme and the allotment and issue of Shares pursuant to the exercise of the options so granted, (1) we will not without the prior written consent of the Sole Global Coordinator and unless in compliance with the Listing Rules, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “First Six Month Period”), (i) offer, accept subscription for, allot, issue, contract to allot, issue, grant or agree to grant any option, right or warrant to subscribe for, or repurchase, either directly or indirectly, conditionally or unconditionally, any of our share or debt capital or other securities of our Company or any interest therein or any voting right or any other right attaching thereto (including, but not limited to, any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such share capital or securities or any interest therein) save as pursuant to the repurchase mandate granted by our Shareholders to our Directors as described in Appendix V to this prospectus, or (ii) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or repurchase, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of our share or debt capital or any securities of any of our subsidiaries or any interest therein or any voting right or any other right attaching thereto (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein) to or in favor of any third parties other than any member of our Group; or enter into any swap or other arrangement that transfers to or in favor

UNDERWRITING

of any third party other than any member of our Group, in whole or in part, any of the economic consequences of ownership of such capital or securities or interest therein or any voting right or any other right attaching thereto, or (iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above, or (iv) agree or contract to, or publicly announce any intention to enter into, any foregoing transaction described in (i), (ii) and (iii); whether any of the foregoing transactions described in (i), (ii) and (iii) is to be settled by delivery of Shares or such other securities, in cash or otherwise; and (2) in the event of an issue or disposal of any Shares or any interest therein or any voting right or any other right attaching thereto during the six-month period (the “**Second Six Month Period**”) immediately following the First Six-month Period, we will take all reasonable steps to ensure that such issue or disposal will not create a disorderly or false market in the securities of our Company.

Under Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders, namely Mr. Chan, Mr. Yip, Mr. Ku, Best Active Investments, Current Success Investments and Bright Mind Investments has undertaken to the Stock Exchange that except pursuant to the Global Offering or the Over-allotment Option that they shall not, and shall procure that the relevant registered holder(s) shall not (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owners; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would then cease to be our Company’s controlling shareholders (as defined under the Listing Rules).

Note (2) of Rule 10.07 of the Listing Rules provides that the rule does not prevent our Controlling Shareholders from using the Shares owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

In accordance with Note (3) of Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to us and the Stock Exchange that they will, within a period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholder is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

- (a) any pledges or charges of any of our Shares or securities of our Company beneficially owned by any of them in favor of any authorized institution pursuant to Note(2) to Rule 10.07(2) of the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

UNDERWRITING

- (b) any indication received by any of them, either verbal or written, from any pledgee or chargee of any of our pledged or charged Shares or other securities of our Company that any of such pledged or charged Shares or other securities will be sold, transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters in accordance with the publication requirements under the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

Each of our Controlling Shareholders has jointly and severally undertaken to the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) under the Hong Kong Underwriting Agreement, that it will not without the prior written consent of the Sole Global Coordinator and unless in compliance with the Listing Rules, (i) at any time during the First Six-Month Period offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase for, lend or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by him or it or any voting right or any other right attaching thereto (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) whether currently held or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree or contract to do any of the foregoing or announce any intention to do so, provided that the restriction shall not apply to the lending of Shares pursuant to the Stock Borrowing Agreement or any pledge or charge of Shares by our Controlling Shareholders in favor of an authorized institution as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan; (ii) at any time during the Second Six-Month Period enter into any of the transactions described in (i) above if, immediately following such transaction, he or it would cease to be the controlling shareholder (as defined in the Listing Rules) of our Company provided that the restriction shall not apply to any pledge or charge of Shares by our Controlling Shareholders in favor of an authorized institution as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan; and (iii) in the event of a disposal by him or it of any share capital or any interest therein or any voting right or any other right attaching thereto during the period referred to in (ii) above, he or it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares or other securities of our Company.

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International Offering

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally agree to subscribe for the International Offer Shares or procure subscribers for the International Offer Shares. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Under the International Underwriting Agreement, our Company expects to grant to the Sole Global Coordinator the Over-allotment Option at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of the Application Forms under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 15,000,000 additional Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be issued at the Offer Price and used to cover over-allocation, if any, in the International Offering.

Underwriting Commission and Expenses

The International Underwriters and Hong Kong Underwriters will receive a commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commission. Including the commission payable to the International Underwriters and the Hong Kong Underwriters, the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering are currently estimated to be about HK\$25.0 million in aggregate (based on an Offer Price of HK\$1.45 per Share, being the mid-point of the indicative range of the Offer Price between HK\$1.25 and HK\$1.65 per Share, and on the assumption that the Over-allotment Option is not exercised), which is to be borne by our Company.

In addition, our Company may, at our sole discretion, pay an incentive fee of up to 1% of the proceeds derived from the Offer Shares offered by our Company under the Global Offering to the Sole Global Coordinator.

INDEMNITY

Our Company and our Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and our Controlling Shareholders of the Hong Kong Underwriting Agreement.

UNDERWRITING

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the relevant Underwriting Agreement(s), none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 10,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offering” below; and
- (b) the International Offering of an aggregate of initially 90,000,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after the Capitalization Issue and the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after the Capitalization Issue, and the completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed “Over-allotment Option” below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering 10,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The total number of Offer Shares initially available under the Hong Kong Public Offering will represent approximately 2.5% of our Company’s total share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “Conditions of the Hong Kong Public Offering” below.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares (after taking into account of any reallocation referred to below and deducting 1,000,000 Hong Kong Offer Shares available for subscription by Eligible Employees using the **PINK** Application Forms) initially available under the Hong Kong Public Offering is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants (other than the Eligible Employees making the applications on **PINK** Application Forms) who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, SFC transaction levy, and Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants (other than the Eligible Employees making the applications on **PINK** Application Forms) who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering after deducting the 1,000,000 Hong Kong Offer Shares available for subscription by the Eligible Employees using the **PINK** Application Forms (that is, 4,500,000 Hong Kong Offer Shares) are liable to be rejected.

Employee Preferential Offering

A maximum of 1,000,000 Shares (not subject to any reallocation), being 10% of the initial number of the Hong Kong Offer Shares or 1% of the Offer Shares upon completion of the Global Offering assuming Over-allotment Option is not exercised, will be available for subscription by the Eligible Employees, who made their applications on the **PINK** Application Forms on a preferential basis. In the event of over-subscription on **PINK** Application Forms, the 1,000,000 Shares initially available to applicants on **PINK** Application Forms will be allocated to such applicants on a pro rata basis on proportion (as nearly as possible without involving portions of a board lot) to the level of valid applications received from the Eligible Employees, or balloted if there are insufficient Shares available to **PINK** Application Form applicants. If balloting is conducted, some Eligible Employees may be allocated more Shares than others who have applied for the same number of Shares. No favor will be given to the employees who apply for a large number of Shares or any employees who held

STRUCTURE OF THE GLOBAL OFFERING

a senior position within our Group. Nor will allocation be based on the length of service or the work performance of the Eligible Employees. Applications in excess of the 1,000,000 Shares initially available to applicants on **PINK** Application Forms will be rejected. In case not all the 1,000,000 Shares are subscribed for by Eligible Employees of our Group, the under-subscribed Shares will be available for subscription by the public under the Hong Kong Public Offering. Allocation of Hong Kong Offer Shares to applications made on **PINK** Application Forms will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules and, in case any exceptions are noted, an announcement will be made in accordance with Practice Note 20 to the Listings Rules. **Such Shares comprise not more than 10% of the initial number of the Hong Kong Offer Shares. This maximum number of Shares will not be adjusted irrespective of any reallocation of the Hong Kong Offer Shares. Any application made by any Eligible Employee of our Group for more than 100% of the Hong Kong Offer Shares being offered to the Eligible Employees of our Group will be rejected.**

Reallocation

The allocation of the Offer Shares between (i) the Hong Kong Public Offering and (ii) the International Offering is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 30,000,000 Shares (in the case of (i)), 40,000,000 Shares (in the case of (ii)) and 50,000,000 Shares (in the case of (iii)) representing approximately 30%, 40% and 50% of the total number of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Shares under the International Offering.

STRUCTURE OF THE GLOBAL OFFERING

The listing of the Shares on the Stock Exchange is sponsored by ICBCI. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.65 per Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed “Pricing of the Global Offering” below, is less than the maximum price of HK\$1.65 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares “in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the number of the Offer Shares to be initially offered for sale under the International Offering will be 90,000,000 Shares, representing approximately 90% of the Offer Shares initially available under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised. The International Offering will be offered by us outside of the United States in reliance on Regulation S under the U.S. Securities Act, including to professional and institutional investors in Hong Kong.

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for the International Offer Shares.

Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section entitled “Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

STRUCTURE OF THE GLOBAL OFFERING

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION AND STABILIZING

The Over-allotment Option

In connection with the Global Offering, we intend to grant the Over-allotment Option to the Sole Global Coordinator under the International Underwriting Agreement. Under the Over-allotment Option, which will be exercisable at any time for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering, we may be required to issue at the Offer Price and otherwise on the same terms and conditions as the Shares that are subject to the Global Offering up to an additional 15,000,000 Shares in aggregate, representing approximately 15% of the total number of Shares initially available under the Global Offering. If the Over-allotment Option is exercised in full, the additional Shares made available under the Over-allotment Option will represent approximately 3.6% of the total Shares in issue immediately after completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

In order to facilitate settlement of over-allocations in the International Offering and for the purpose of stabilizing of the market price of the Shares (if any), ICBCI Securities may borrow from Best Active Investments up to 15,000,000 Shares, equivalent to the maximum number of Shares to be issued on the exercise of the Over-allotment Option in full, pursuant to the Stock Borrowing Agreement. The loan of Shares by Best Active Investments pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by the Controlling Shareholders subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the provisions of Rule 10.07(3) of the Listing Rules:

- (i) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;
- (ii) the maximum number of Shares which may be borrowed from Best Active Investments must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Best Active Investments or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option, and (b) the date on which the Over-allotment Option is exercised in full;

STRUCTURE OF THE GLOBAL OFFERING

- (iv) the borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- (v) no payments will be made to Best Active Investments by the Stabilizing Manager in relation to the Stock Borrowing Agreement.

Stabilizing Action

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the International Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions, if commenced, may be discontinued at any time but any stabilizing activity is required to be brought to an end no later than the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering. The Stabilizing Manager has been or will be appointed as stabilizing manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO and, should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager.

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market, exercising the Over-allotment Option in full or in part, or by any combination of purchases and the exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilizing) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which are the subject of the Over-allotment Option, being 15,000,000 Shares representing approximately 15% of the Shares initially available under the Global Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in Shares should note that:

- The Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares;
- There is no certainty regarding the extent to which and the time period for which the Stabilizing Manager will maintain such a position;

STRUCTURE OF THE GLOBAL OFFERING

- Liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- No stabilizing action will be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire at the end of Thursday, May 12, 2011, being the last Business Day before the day which is expected to be the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- The price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilizing action; and
- Stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement, as required by the Securities and Futures (Price Stabilizing) Rules made under the SFO, will be made within seven days of the expiration of the stabilizing period.

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Tuesday, April 12 2011, and in any event on or before Friday, April 15, 2011, by agreement between the Sole Global Coordinator (on behalf of the Underwriters), and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$1.65 per Share and is expected to be not less than HK\$1.25 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.**

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares

STRUCTURE OF THE GLOBAL OFFERING

offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) a notice of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator, on behalf of the Underwriters and our Company, will be fixed within such revised offer price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement as currently disclosed in the section headed “Financial Information — Working Capital” in this prospectus and Global Offering statistics as currently set out in the section headed “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. **Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.** In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the offer price range as stated in this prospectus.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$120.0 million, assuming an Offer Price per Share of HK\$1.45 (being the mid-point of the stated indicative Offer Price range of HK\$1.25 to HK\$1.65 per Share) or if the Over-allotment Option is exercised in full, approximately HK\$141.0 million, assuming an Offer Price per Share of HK\$1.45 (being the mid-point of the stated indicative Offer Price range of HK\$1.25 to HK\$1.65 per Share).

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Monday, April 18, 2011 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

Underwriting Agreements

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, our executive Directors, the Sole Global Coordinator and the International Underwriters expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed “Underwriting” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

The Shares will be Eligible for CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, April 19, 2011, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, April 19, 2011.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);
- (b) the Offer Price having been fixed on or about the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters), or the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Monday, April 18, 2011 but will only become valid certificates of title at 8:00 a.m. on Tuesday, April 19, 2011 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised.

HOW TO APPLY FOR HONG KONG OFFER SHARES

METHODS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either using a **WHITE** or **YELLOW** Application Form or by applying through the designated website of the **HK eIPO White Form** Service Provider, referred to herein as the **HK eIPO White Form** service (www.hkeipo.hk) or giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Eligible Employees may also make an application for the Hong Kong Offer Shares using a **PINK** Application Form. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider.

WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S)
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for the Hong Kong Offer Shares online through the designated website at www.hkeipo.hk for the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **HK eIPO White Form**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Sole Global Coordinator of the Hong Kong Public Offering (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four (except for applications made using the **PINK** Application Form(s) where no joint application will be permitted).

We, the Sole Global Coordinator or the designated **HK eIPO White Form** Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of our Shares, our Directors or chief executive or a director or chief executive of any of our subsidiaries or their respective associates or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Global Offering or to legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) or U.S. persons (as defined in Regulation S) or U.S. persons who do not have a Hong Kong address.

You may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for the International Offer Shares under the International Offering, but may not do both.

1. Applying by using an Application Form

Which Application Form to use

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Use a **PINK** Application Form if you are an Eligible Employee, and want the Hong Kong Offer Shares to be registered in your own name and want your application to be given preferential treatment. Up to 1,000,000 Shares under the Hong Kong Public Offering, representing 10% of the total number of Shares initially available under the Hong Kong Public Offering and 1% of the Offer Shares, assuming Over-allotment Option is not exercised, are available for subscription by Eligible Employees. Joint applications are not permitted. You may not apply on behalf of other person(s) as a nominee.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, April 7, 2011 until 12:00 noon on Tuesday, April 12, 2011 from:

- any of the following addresses of the Hong Kong Underwriters

ICBC International Securities Limited

Levels 17 & 18
Three Pacific Place
1 Queen's Road East
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Guotai Junan Securities (Hong Kong) Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

TC Capital Asia Limited

Suite 1904, 19th Floor, Tower 6
The Gateway, Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

President Securities (Hong Kong) Limited

Unites 2603-6, 26th Floor
Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

- any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Central Branch	1/F, 9 Queen's Road Central
	Wan Chai Road Branch	G/F, 103-103A Wan Chai Road
	North Point Branch	G/F, 436-438 King's Road, North Point
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui
	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom
	Kwun Tong Branch	Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong

HOW TO APPLY FOR HONG KONG OFFER SHARES

	<u>Branch Name</u>	<u>Address</u>
New Territories	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City, Plaza II, 8 Yan King Road, Tseung Kwan O
	Kwai Fong Branch	C63A-C66, 2/F, Kwai Chung Plaza, Kwai Fong
	Yuen Long Branch	G/F, 197-199 Castle Peak Road, Yuen Long

- or any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
Kowloon	Kowloon Sub-Branch	G/F., 563 Nathan Road
New Territories	Shatin Sub-Branch	Shop No. 193, Level 3, Lucky Plaza, Shatin

Prospectuses and **WHITE** Application Forms will be available for collection at the above places during the following times:

Thursday, April 7, 2011 — 9:00 a.m. to 5:00 p.m.
Friday, April 8, 2011 — 9:00 a.m. to 5:00 p.m.
Saturday, April 9, 2011 — 9:00 a.m. to 1:00 p.m.
Monday, April 11, 2011 — 9:00 a.m. to 5:00 p.m.
Tuesday, April 12, 2011 — 9:00 a.m. to 12:00 noon

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, April 7, 2011 until 12:00 noon on Tuesday, April 12, 2011 from:

- (a) The Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (b) Your stockbroker, who may have such Application Forms and this prospectus available.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You can collect a **PINK** Application Form and this prospectus from our Company Secretary, Mr. Leung Wai Chuen, at our head office and principal place of business in Hong Kong at Unit 3, 10th Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong.

How to complete the Application Form and make payment

- (a) Obtain an application form as described in the section headed “Where to collect the Application Forms” above.
- (b) Complete the Application Form in English in ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying check or banker’s cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form. Each Application Form must be accompanied by payment, in the form of either one check or one banker’s cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the check or banker’s cashier order does not meet the requirements set out on the Application Form.
- (c) Lodge the **WHITE** or **YELLOW** Application Form in one of the collection boxes by the time and at one of the locations as described in section headed “— Where to Collect the Application Forms” above. If you are applying for Shares using a **PINK** Application Form, you should return your Application Form to our Company Secretary, Mr. Leung Wai Chuen, by the time and at the location referred to in the section headed “— Members of the Public —Time for applying for Hong Kong Offer Shares” below.

You should note that by completing and submitting the Application Form, amongst other things,

- (i) you confirm that you have received a copy of this prospectus and have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- (ii) you agree that our Company, the Sole Global Coordinator, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisors are liable only for the information and representations contained in this prospectus and any supplement thereto (and only then to the extent such liability is held to exist by a court of competent jurisdiction);
- (iii) you undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not indicated an interest for, applied for or taken up any International Offer Shares under the International Offering; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (iv) you agree to disclose to our Company and/or our registrars, the receiving bankers, the Sole Global Coordinator and their respective advisors and agents, personal data and any information which they require about you or the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- (a) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant): the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (b) If the application is made by an individual CCASS Investor Participant:
- (i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and
- (ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
- (c) If the application is made by a joint individual CCASS Investor Participant:
- (i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card Number of all the joint CCASS Investor Participants; and
- (ii) the participant I.D. must be inserted in the appropriate box in the Application Form.
- (d) If the application is made by a corporate CCASS Investor Participant:
- (i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and
- (ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omission of the details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name), or other similar matters may render the application invalid.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply for Shares using a **PINK** Application Form, in addition to the confirmations and agreements set out in this prospectus, you must:

- **warrant** that, in making an application, you are an Eligible Employee;
- **not** made more than one application using a **PINK** Application Form; and
- **confirm**, where you are an Eligible Employee employed by our Company, that your application for Shares using a **PINK** Application Form, any acceptance of it and the resulting contract will be construed with the laws of Hong Kong.

If your application is made through a duly authorized attorney, our Company and the Sole Global Coordinator as its agent may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company and the Sole Global Coordinator, in the capacity as its agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Terms and conditions of an application

(a) **Conditions of an application**

To apply for the Hong Kong Offer Shares, the applicant shall be deemed to have accepted the following conditions:

- **apply** for the number of Hong Kong Offer Shares set out below, subject to the terms and conditions set out in this prospectus and the Application Form, and subject to the Memorandum and Articles of Association of our Company;
- **enclose** payment in full for the Hong Kong Offer Shares applied for, being the maximum Offer Price of HK\$1.65 per Offer Share, plus 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee;
- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to the applicant pursuant to the application;
- **declare** that such application is the only application made and the only application intended by the applicant to be made using a **WHITE** or **YELLOW** Application Form or by way of giving **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service (www.hkeipo.hk) (other than an application (if any) made on a **PINK** Application Form by the applicant in the capacity of an Eligible Employee);
- **undertake** and **confirm** that the applicant or the person for whose benefit the applicant is applying has not indicated an interest for, applied for, or taken up, or

HOW TO APPLY FOR HONG KONG OFFER SHARES

received or been placed or allocated (including conditionally and/or provisionally) and will not indicate on interest for, apply or take up any Offer Shares in the International Offering nor receive, nor be placed or allocated, nor otherwise participate, in the International Offering;

- **understand** that these declarations and representations will be relied upon by our Company, our Directors and the Sole Sponsor in deciding whether or not to make any allotment of Hong Kong Offer Shares in response to such application;
- **authorize** our Company to place the applicant's name on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in the Application Forms and this prospectus) to send any share certificate(s) and/or any refund check(s) (where applicable) by ordinary post at the applicant's own risk to the address given on the Application Forms (except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and has indicated on the Application Forms that the applicant wishes to collect any share certificate(s) and/or refund check(s) (where applicable) in person in accordance with the procedures prescribed in the Application Forms);
- **authorize** our Company to dispatch any e-Refund payment instructions to the applicant's application payment bank account if such applicant has completed payment of the **HK eIPO White Form** application monies from a single bank account; or **authorize** our Company to issue and dispatch any refund check to the address given on the **HK eIPO White Form** application if such applicant has completed payment of the application monies from multi-bank accounts;
- **request** that any refund check(s) be made payable to the applicant (or in the case of joint applicants, to the first-named applicant) and (subject to the terms and conditions set out in the Application Forms and this prospectus) to send any refund check(s) by ordinary post at the applicant's own risk to the address given on the Application Forms (except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and has indicated on the Application Forms that the applicant wishes to collect any refund check in person in accordance with the procedures prescribed in the Application Forms and this prospectus);
- **have read** the terms and conditions and application procedures set out on the pages attached to the Application Forms and in this prospectus and agree to be bound by them, and are aware of the restrictions on the Hong Kong Public Offering described in this prospectus;
- **represent, warrant and undertake** that the allotment of or application for the Hong Kong Offer Shares to or by the applicant or for whose benefit the application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **represent, warrant and undertake** that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and the applicant is applying outside the United States (as defined in Regulation S under the U.S. Securities Act) when completing and submitting the Application Forms or the applicant is not a U.S. person/persons; and
- **agree** that the application, any acceptance of it and the resulting contract, shall be governed by and construed in accordance with the laws of Hong Kong.

(b) Effect of completing and submitting the Application Forms

By completing and submitting the Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee for and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct and authorize** our Company and/or the Sole Sponsor (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the Application Forms;
- **undertake** to sign all documents and to do all things necessary to enable you to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles of Association;
- **represent, warrant and undertake** that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Forms or you are not, and the other person(s) for whose benefit you are applying is/are not, a U.S. Person (as defined under Regulation S);
- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and will not rely on any other information or representation save as set out in any supplement to this prospectus;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) **warrant** that reasonable enquiries have been made of the beneficial owner that the application is the only application which will be made for your benefit in respect of Hong Kong Offer Shares on a

HOW TO APPLY FOR HONG KONG OFFER SHARES

WHITE or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service at www.hkeipo.hk, unless you are an Eligible Employee who has made an application on a **PINK** Application Form;

- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of the beneficial owner that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service www.hkeipo.hk and that you are duly authorized to sign the Application Form as that other person's agent;
- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for, taken up or indicated an interest in, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offering, nor be placed or allocated, nor otherwise participate in the International Offering;
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Shares applied for, or any lesser number allocated to you under the application;
- **authorize** our Company to place your name(s) on our Company's register of members as the holder(s) in Hong Kong of any Hong Kong Offer Shares allocated to you, and our Company and/or our Company's agents to send any Share certificate(s) (where applicable) and/or any refund check (where applicable) to you or (in the case of joint applicants, the first-named applicant in the Application Form) by ordinary post at your own risk to the address stated on your Application Form (except if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form your wish to collect your refund check and Share certificates (where applicable) on Monday, 18 April 2011 in person);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **confirm** that you are aware of the restrictions on offering of the Hong Kong Offer Shares described in this prospectus;
- **understand** that these declarations and representations will be relied upon by our Company and/or the Sole Sponsor in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sole Sponsor and the Underwriters, nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to subscribe, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;
- **agree** with our Company and each Shareholder that the Shares are freely transferable by the holder thereof; and
- **agree** to disclose to our Company, our Company's Hong Kong Share Registrar, the receiving bankers, the Sole Sponsor and their respective advisors and agents any personal data or other information which they require about you or the person(s) for whose benefit you have made the application.

(c) **Additional instructions for Yellow Application Forms**

By completing and submitting the **YELLOW** Application Forms you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee for and on behalf of each person for whom you act as agent or nominee:

- (if you are joint applicants, each of you jointly and severally) **agree** that any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;
- (if you are joint applicants, each of you jointly and severally) **agree** that each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are a joint applicant, to the first-named applicant) at your own risk and costs; and (3) to cause such allotted Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the Share certificates for such allotted Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if you are joint applicants, each of you jointly and severally) **agree** that each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;
- (if you are joint applicants, each of you jointly and severally) **agree** that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
- (if you are joint applicants, each of you jointly and severally) **agree** that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

Our Company, the Sole Sponsor, the Underwriters and their respective directors and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in your application. In the event of the application being made by joint applicants, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally. You may be prosecuted if you make a false declaration.

How to apply through HK eIPO White Form

General

If you are an individual and meet the criteria set out in paragraph above headed “Who can apply for the Hong Kong Offer Shares” under this section, you may apply through **HK eIPO White Form** by submitting an application through the designated website at www.hkeipo.hk. If you apply through **HK eIPO White Form**, the Shares will be issued in your own name.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at www.hkeipo.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to our Company.

In addition to the terms and conditions set out in this prospectus, the designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at www.hkeipo.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorized the designated **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and our registrars.

You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.hkeipo.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You should give **electronic application instructions** through **HK eIPO White Form** at the times set out in the paragraph headed “Time for inputting electronic application instructions” under this section below.

You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at www.hkeipo.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Tuesday, April 12, 2011, or such later time as described under the paragraph headed “Effect of bad weather on the opening of the application lists” under this section, the designated HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk.**

Warning: The application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers, and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website at www.hkeipo.hk for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form.

However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website at www.hkeipo.hk, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See the paragraph headed “How many applications you may make” under this section.

Additional information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **HK eIPO White Form** service to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at www.hkeipo.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph headed “Refund of application monies.”

How to make payment for the application

Each completed **WHITE, YELLOW or PINK** Application Form must be accompanied by either one check or one banker’s cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by check, the check must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account with a licensed bank in Hong Kong;
- bear an account name (or, in the case of joint applicants, the name of the first-named applicant), which must be either pre-printed on the check, or be endorsed on the reverse of the check by an authorized signatory of the bank on which it is drawn. The account name must be the same as the name on your Application Form. If the application is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to “ICBC (Asia) Nominee Limited — Tang Palace Public Offer”;
- be crossed “Account Payee Only”; and
- not be post dated.

Your application may be rejected if your check does not meet all of these requirements or is dishonored on first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

- be in Hong Kong dollars;
- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker’s cashier order by an authorized signatory of the bank on which it is drawn. The name on the reverse of the banker’s cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker’s cashier order must be the same as the name of the first-named applicant;
- be made payable to “ICBC (Asia) Nominee Limited — Tang Palace Public Offer”;
- be crossed “Account Payee Only”; and
- not be post-dated.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your check or banker's cashier order will not be presented for payment before 12:00 noon on Tuesday, April 12, 2011. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of dispatch of refund checks). The right is also reserved to retain any share certificates and/or any surplus application monies or refunds pending clearance of your check or banker's cashier order.

How many applications you may make

You may make more than one application for Hong Kong Offer Shares if and only if:

You are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name if each application is made on behalf of different owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are an Eligible Employee applying for Shares on a **PINK** Application Form, you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the **HK eIPO White Form** Service Provider www.hkeipo.hk.

Otherwise, multiple applications are not allowed and will be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

It will be a term and condition of all applications that by completing and delivering a **WHITE** or **YELLOW** Application Form or submitting an **electronic application instruction** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (www.hkeipo.hk), you:

- (if the application is made for your own benefit) warrant that the application made pursuant to a **WHITE** or **YELLOW** Application Form or **electronic application instruction** or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (www.hkeipo.hk); is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by submitting an application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk or by giving **electronic application instructions** to HKSCC;
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by submitting an application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk or by giving **electronic application instructions** to HKSCC and that you are duly authorized to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by submitting an application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk or by giving **electronic application instructions** to HKSCC;
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and submit **HK eIPO White Form** or give **electronic application instructions** to HKSCC;
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or submit **HK eIPO White Form** or by giving **electronic application instructions** to HKSCC for more than 10,000,000 Hong Kong Offer Shares initially being offered for sale under the Hong Kong Public Offering after deducting 1,000,000 Hong Kong Offer Shares available for subscription by the Eligible Employees using **PINK** Application Forms as more particularly described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus;
- make more than one application on a **PINK** Application Form;
- apply on one **PINK** Application Form for more than 100% of the Hong Kong Offer Shares being offered to Eligible Employees on a preferential basis; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) International Offer Shares under the International Offering.

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service by giving **electronic application instructions** through the designated website at www.hkeipo.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **HK eIPO White Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions** unless you are an Eligible Employee who has made an application on a **PINK** Application Form). If an application is made by an unlisted company and,

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of that company; or
- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

Members of the public — Time for applying for Hong Kong Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Tuesday, April 12, 2011, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather on the opening of the application lists” below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your completed **WHITE** or **YELLOW** Application Form, together with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of receiving bankers listed under the section headed “Where to collect the Application Forms” above at the following times:

Thursday, April 7, 2011 — 9:00 a.m. to 5:00 p.m.
Friday, April 8, 2011 — 9:00 a.m. to 5:00 p.m.
Saturday, April 9, 2011 — 9:00 a.m. to 1:00 p.m.
Monday, April 11, 2011 — 9:00 a.m. to 5:00 p.m.
Tuesday, April 12, 2011 — 9:00 a.m. to 12:00 noon

Your completed **PINK** application form, with a check or banker’s cashier order attached, must be returned to our Company Secretary, Mr. Leung Wai Chuen, at our head office and principal place of business in Hong Kong at Unit 3, 10th Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong by 12:00 noon on Monday, April 11, 2011.

HK eIPO White Form

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Thursday, April 7, 2011 until 11:30 a.m. on Tuesday, April 12, 2011 or such later time as described under the paragraph headed “Effect of bad weather on the opening of the application lists” under this section below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, April 12, 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in “Effect of bad weather on the opening of the application lists” under this section below.

You will not be permitted to submit your application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

The application lists will open **from 11:45 a.m. to 12:00 noon** on Tuesday, April 12, 2011.

No proceedings will be taken on applications for the Offer Shares and no allotment of any such Offer Shares will be made until after the closing of the application lists. No allotment of any of the Offer Shares will be made later than Tuesday, April 12, 2011.

Applicants should note that checks or banker’s cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, April 12 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Public Offering do not open and close on Tuesday, April 12, 2011 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this prospectus, such dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. A press announcement will be made in such event.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

Publication of results

We expect to announce the Offer Price, the general level of Indication of interest in the International Offering, the basis of allotment and the results of applications under the Hong Kong Public Offering on Monday, April 18, 2011 in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.tanggong.cn). The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Monday, April 18, 2011 to 12:00 midnight on Sunday, April 24, 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result.
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 36918488 between 9:00 a.m. and 6:00 p.m. from Monday, April 18, 2011 to Thursday, April 21, 2011. (excluding Saturday, Sunday and Public Holiday).
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Monday, April 18, 2011 to Wednesday, April 20, 2011 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed “Where to Collect the Application Forms” under this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Dispatch/collection of share certificates and refund checks

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the offer price of HK\$1.65 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your application:

- (a) for applications on **WHITE** Application Forms and **HK eIPO White Form**: (i) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **YELLOW** Application Forms: share certificates for their Hong Kong Offer Shares successfully applied for will be deposited into CCASS as described below); and/or
- (b) for applications on **WHITE** or **YELLOW** or **PINK** Application Forms and **HK eIPO White Form**, refund check(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including the brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.
- (c) Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund check, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund check.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Subject to personal collection as mentioned below, refund checks for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and share certificates for wholly and partially successful applicants under **WHITE** or **YELLOW** Application Forms and **HK eIPO White Form** are expected to be posted on or around Monday, April 18, 2011. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Tuesday, April 19, 2011 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised. You will receive one share certificate for all the Offer Shares issued to you.

(a) **If you apply using a WHITE Application Form:**

- If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your refund check(s) (where applicable) and/or share certificate(s) (where applicable) in person from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, and have provided all information required by your Application Form, you may collect your refund check(s) (where applicable) and share certificate(s) (where applicable) from the Hong Kong Share Registrar from 9:00 a.m. to 1:00 p.m. on Monday, April 18, 2011 or such other place and date as notified by our Company in the newspapers as the place and date of collection/dispatch of refund checks/share certificates.
- If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
- If you do not collect your refund check(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you have applied for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund check(s) and/or share certificates (where applicable) in person, your refund check(s) and/or share certificates (where applicable) are expected to be dispatched on Monday, April 18, 2011 to the address that is specified on your Application form by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) If you apply using a YELLOW Application Form:

- If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund check (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.
- If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund check(s) (where applicable) in person, your refund check(s) (where applicable) will be sent to the address on your Application Form on Monday, April 18, 2011, by ordinary post and at your own risk.
- If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Monday, April 18, 2011, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.
- If you are applying as a CCASS Investor Participant, our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Monday, April 18, 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Monday, April 18, 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

(c) If you apply using a PINK Application Form

- **Share certificate(s) and/or refund check(s) (if any) made on PINK** Application Forms will be sent to our Company on your behalf on the date of dispatch and our Company will arrange for onward dispatch to you at the address specified in your Application Form or as otherwise notified by you to our Company. Any dispatch to you will be by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(d) If you apply using HK eIPO White Form

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service by submitting an **electronic application** to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund check(s) (where applicable) in person from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, April 18, 2011, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/refund checks.
- If you do not collect your share certificate(s) and/or refund check(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) and/or refund check(s) (where applicable) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk on Monday, April 18, 2011 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **HK eIPO White Form** Service Provider set out above in the paragraph headed "How to apply through HK eIPO White Form — Additional information."

2. Applying by giving electronic application instructions to HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and its registrars.

Giving electronic application instructions to HKSCC to apply for Hong Kong Offer Shares by HKSCC Nominees On Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees does the following things on behalf of each such person:
 - agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that Person's CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - undertakes and confirms that that person has not applied for or taken up any International Offer Shares under the International Offering nor otherwise participated in the International Offering;
 - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- understands that the above declaration will be relied upon by our Company, our Directors and the Sole Global Coordinator in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- authorizes our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;
- agrees that our Company, the Sole Global Coordinator, the Underwriters and any of their respective directors, employees, partners, agents or advisors are liable only for the information and representations contained in this prospectus and any supplement hereto (and only then to the extent such liability is held to exist by a court of competent jurisdiction);
- agrees to disclose that person's personal data to our Company, our registrars, receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective agents and any information which they may require about that person;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before Friday, May 6, 2011, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person until Friday, May 6, 2011, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before Friday, May 6, 2011 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum offer price and related brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Broker/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, April 7, 2011 — 9:00 a.m. to 8:30 p.m.⁽¹⁾

Friday, April 8, 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾

Saturday, April 9, 2011 — 8:00 a.m. to 1:00 p.m.⁽¹⁾

Monday, April 11, 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾

Tuesday, April 12, 2011 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, April 7, 2011 until 12:00 noon on Tuesday, April 12, 2011 (24 hours daily, except the last application day).

Effect of bad weather on the last application day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, April 12, 2011, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, April 12, 2011, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12 noon on such day. Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Monday, April 18, 2011, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants' applications together with the results of the Hong Kong Public Offering on Monday, April 18, 2011, in the manner as described in the section headed "How to apply for Hong Kong Offer Shares — Publication of results" in this prospectus. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, April 18, 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, April 18, 2011. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Hong Kong Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, April 18, 2011. No interest will be paid thereon.

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Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance.

Personal Data

The section of the Application Form entitled “Personal Data” applies to any personal data held by our Company, our registrars, receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The application of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Sole Global Coordinator and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, April 12, 2011.

3. Circumstances in which you will not be allotted Hong Kong Offer Shares

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or to the designated **HK eIPO White Form** Service Provider or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully.

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You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:

- *If your application is revoked*

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC you agree that you cannot revoke your application or the application made by HKSCC Nominees on your behalf or by the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service on or before Friday, May 6, 2011. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person until Friday, May 6, 2011 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Friday, May 6, 2011 if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

- *Full discretion of our Company, the Sole Global Coordinator or our or their respective agents to reject or accept your application*

Our Company, the Sole Global Coordinator (as agent for our Company) or the designated eIPO Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

Our Company, the Sole Global Coordinator and the Hong Kong Underwriters, in their capacity as our Company's agents, and their agents and nominees do not have to give any reason for any rejection or acceptance.

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- *If the allotment of Hong Kong Offer Shares is void*

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Offer Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

You will not receive any allotment if:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefits you apply for have applied for or taken up, or indicated an interest for, or received or have been or will be placed or allocated (including conditionally and/or provisionally) International Offer Shares in the International Offering. By filling in any of the Application Forms or submitting **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service, you agree not to apply for or indicate an interest for International Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received International Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- you apply for more than 50% of the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offering after deducting 1,000,000 Hong Kong Offer Shares available for subscription by the Eligible Employees using **PINK** Application Forms;
- your payment is not made correctly or you pay by check or banker's cashier order and the check or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at www.hkeipo.hk.
- our Company and the Sole Sponsor believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address overleaf is located;

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- the Underwriting Agreements do not become unconditional; or
- the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

4. How much are the Hong Kong Offer Shares

The maximum offer price is HK\$1.65 per Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% in full. This means that for every board lot of 2,000 Hong Kong Offer Shares you will pay approximately HK\$3,333.27. The Application Forms have tables showing the exact amount payable for certain numbers of Hong Kong Offer Shares up to 4,500,000 Hong Kong Offer Shares.

You must pay the amount payable upon application for the Offer Shares by one check or one banker's cashier order in accordance with the terms set out in the Application Form (if you apply by an Application Form).

If the Offer Price as finally determined is less than HK\$1.65 per Hong Kong Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedure for refund are set out in the paragraph above headed "Dispatch/collection of share certificates and refunds checks" under the section.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy collected on behalf of the SFC).

5. Refund of application monies

If you do not receive any Hong Kong Offer Shares for any reason, our Company will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of dispatch of refund checks will be retained for the benefit of our Company.

If your application is accepted only in part, our Company will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than the offer price per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, without interest.

HOW TO APPLY FOR HONG KONG OFFER SHARES

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Sole Global Coordinator, checks for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Monday, April 18, 2011 in accordance with the various arrangements as described above.

All refunds will be by a check crossed “Account Payee Only,” and made out to you (or in case of joint applicants, the first-named applicant on the Application Form). Part of your Hong Kong identity card number/passport number, (or in case of joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant) provided by you may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purpose. A banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund check.

6. Dealings and settlement

Commencement of dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, April 19, 2011.

The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 1181.

Offer Shares will be eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

April 7, 2011

The Directors
Tang Palace (China) Holdings Limited
ICBC International Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to Tang Palace (China) Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended December 31, 2008, 2009 and 2010 (the “Track Record Period”) (the “Financial Information”) for inclusion in the prospectus dated April 7, 2011 issued by the Company (the “Prospectus”) in connection with the initial public offering of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company, which acts as an investment holding company, was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands on March 11, 2010. Pursuant to a group reorganization, as more fully explained in the paragraph headed “Group Reorganization” in Appendix (v) to the Prospectus (the “Group Reorganization”), the Company became the holding company of the Group on March 25, 2011.

As of each of the respective reporting period ends and at the date of this report, the Company has the following subsidiaries comprising the Group:

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest held by the Group			Date of this report	Share capital/ registered and paid-up capital	Principal activities
		2008	2009	2010			
中國唐宮飲食企業有限公司 China Tang Palace F&B Enterprise Limited (“Tang Palace BVI”)	British Virgin Islands (“BVI”) December 10, 2009	—	100%	100%	100%	USD50	Investment holding
盛世唐宮飲食集團有限公司 Excellent Tang Palace Food And Beverage Group Company Limited (“Tang Palace HK Excellent”)	Hong Kong November 15, 2007	100%	100%	100%	100%	HK\$20	Investment holding

APPENDIX I
ACCOUNTANTS' REPORT

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest held by the Group			Date of this report	Share capital/ registered and paid-up capital	Principal activities
		December 31,					
		2008	2009	2010			
						'000	
浦東唐宮飲食集團有限公司 Pudong Tang Palace Food and Beverage Group Company Limited ("Tang Palace HK Pudong")	Hong Kong December 30, 2005	100%	100%	100%	100%	HK\$10	Investment holding
唐宮飲食集團有限公司 Tang Palace Food And Beverage Group Company Limited ("Tang Palace HK")	Hong Kong January 30, 2004	100%	100%	100%	100%	HK\$20	Investment holding
唐宮物流有限公司 Tang Palace Logistics Limited ("Tang Palace HK Logistics")	Hong Kong November 15, 2007	100%	100%	100%	100%	HK\$20	Investment holding
美高石油化工有限公司 Meco Petrochemical Limited ("Tang Palace HK Meco")	Hong Kong July 14, 1992	90%	100%	100%	100%	HK\$10	Investment holding
聯永投資有限公司 Leadwin Investments Limited ("Tang Palace HK Leadwin")	Hong Kong August 13, 2009	—	100%	100%	100%	HK\$10	Investment holding
盛唐飲食集團有限公司 Prosperous Tang F&B Group Limited ("Tang Palace HK Prosperous")	Hong Kong September 14, 2009	—	100%	100%	100%	HK\$10	Investment holding
北京維華唐宮飲食有限公司 Beijing Well Excellent Tang Palace F&B Co., Ltd ("Tang Palace Beijing WE F&B")	The People's Republic of China ("the PRC") January 16, 2009	—	100%	100%	100%	HK\$3,000	Operating restaurant
北京民族唐宮海鮮舫有限公司 Beijing Minzu Tanggong Seafood Restaurant Co., Ltd ("Tang Palace Beijing Minzu")	The PRC September 25, 2003	100%	100%	100%	100%	RMB5,000	Operating restaurant
北京新世紀唐宮海鮮舫有限公司 Beijing New Century Tanggong Seafood Restaurant Co., Ltd ("Tang Palace Beijing New Century")	The PRC December 21, 2001	100%	100%	100%	100%	RMB3,000	Operating restaurant
北京維華唐宮海鮮舫有限公司 Beijing Well Excellent Tong Palace Restaurant Co., Ltd. ("Tang Palace Beijing WE")	The PRC July 12, 2002	100%	100%	100%	100%	RMB5,000	Operating restaurant

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Name of subsidiary	Place and date of incorporation/ establishment	Equity interest held by the Group			Date of this report	Share capital/ registered and paid-up capital	Principal activities
		December 31,					
		2008	2009	2010			
							'000
北京好苑唐宮海鮮舫有限公司 Beijing Haoyuan Tanggong Seafood Restaurant Co., Ltd ("Tang Palace Beijing Haoyuan")	The PRC December 10, 2003	100%	100%	100%	100%	RMB3,000	Operating restaurant
北京盛世唐宮飲食有限公司 Beijing Excellent Tang Palace F&B Co., Ltd* ("Tang Palace Beijing Excellent")	The PRC April 14, 2008	100%	100%	100%	100%	HK\$3,000	Operating restaurant
北京朝北唐宮海鮮舫飲食有限公司 Beijing Chaobei Tang Palace Seafood F&B Co., Ltd* ("Tang Palace Beijing Chaobei")	The PRC January 12, 2011	—	—	—	100%	HK\$3,000	Operating restaurant
上海浦東唐宮海鮮舫有限公司 Shanghai Pudong Tang Palace Seafood Restaurant Company Ltd* ("Tang Palace Shanghai Pudong")	The PRC July 10, 2006	100%	100%	100%	100%	USD150	Operating restaurant
上海紅橋唐宮海鮮舫有限公司 Shanghai Hongqiao Tang Palace Seafood Restaurant Company Ltd* ("Tang Palace Shanghai Hongqiao")	The PRC January 19, 2006	100%	100%	100%	100%	USD150	Operating restaurant
上海維華唐宮餐飲有限公司 Shanghai Well Excellent Tang Palace F&B Co., Ltd. ("Tang Palace Shanghai WE")	The PRC December 9, 2008	100%	100%	100%	100%	USD150	Operating restaurant
上海虹口唐宮海鮮舫有限公司 Shanghai Hongkou Tang Palace Seafood Restaurant Company Ltd* ("Tang Palace Shanghai Hongkou")	The PRC February 1, 2008	100%	100%	100%	100%	RMB13,500	Operating restaurant
蘇州維華唐宮海鮮舫有限公司 Suzhou Well Excellent Tang Palace Seafood Restaurant Co., Ltd* ("Tang Palace Suzhou WE")	The PRC October 21, 2009	—	100%	100%	100%	HK\$3,000	Operating restaurant

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ACCOUNTANTS' REPORT

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest held by the Group			Date of this report	Share capital/ registered and paid-up capital	Principal activities
		December 31,					
		2008	2009	2010			
						'000	
上海唐宮食品有限公司 Shanghai Tang Palace Food Co., Ltd* (“Tang Palace Shanghai Food”)	The PRC October 14, 2008	100%	100%	100%	100%	USD150	Operating food factory in Shanghai
上海閔行唐宮海鮮舫有限公司 Shanghai Minhang Tang Palace Seafood Restaurant Co., Ltd* (“Tang Palace Shanghai Minhang”)	The PRC April 1, 2010	—	—	100%	100%	USD150	Operating restaurant
上海長寧唐宮海鮮坊有限公司 Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd* (“Tang Palace Shanghai Changning”)	The PRC April 22, 2010	—	—	100%	100%	HK\$3,000	Operating restaurant
深圳東道明唐宮海鮮舫有限公司 Shenzhen Dongdaoming Tang Dynasty Seafood Restaurant Co., Ltd. (“Tang Palace Shenzhen Dongdaoming”)	The PRC June 3, 1997	90%	100%	—	—	HK\$3,000	Inactive
深圳唐宮膳飲食有限公司 Shenzhen Tang Palace F&B Co., Ltd* (“Tang Palace Shenzhen”)	The PRC September 4, 1997	90%	100%	100%	100%	HK\$3,000	Operating restaurant
深圳維華盛世唐宮飲食有限公司 Shenzhen Well Excellent Tang Palace F&B Co., Ltd.* (“Tang Palace Shenzhen WE”)	The PRC July 25, 2007	90%	100%	100%	100%	HK\$3,000	Operating restaurant
忍者居江南一號飲食(深圳) 有限公司 (前稱: 忍者居 格蘭飲食 (深圳) 有限公司) Ninja House Jiangnan Cuisine F&B (Shenzhen) Co., Ltd (formerly known as Ninja House Grand F&B (Shenzhen) Co., Ltd)* (“Tang Palace Ninja House”)	The PRC November 26, 2002	90%	100%	100%	100%	HK\$2,000	Operating restaurant
東莞世博唐宮海鮮舫有限公司 Dongguan Expo Tang Palace Seafood Restaurant Co., Ltd* (“Tang Palace Dongguan”)	The PRC January 11, 2006	90%	100%	100%	100%	HK\$3,000	Operating restaurant

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest held by the Group			Date of this report	Share capital/ registered and paid-up capital	Principal activities
		December 31,					
		2008	2009	2010			
						'000	
杭州維華唐宮海鮮舫有限公司 Hangzhou Well Excellent Tang Palace Seafood Restaurant Co., Ltd* ("Tang Palace Hangzhou WE")	The PRC April 1, 2010	—	—	100%	100%	RMB3,000	Operating restaurant
活力胡椒(上海)餐飲管理有限公司 Pepper Lunch (Shanghai) F&B Management Co., Ltd* ("Tang Palace Shanghai Pepper Lunch")	The PRC January 4, 2010	—	—	100%	100%	USD150	Operating restaurant
活力胡椒(北京)餐飲管理有限公司 Vital Pepper (Beijing) Management Co., Ltd ("Tang Palace Beijing Pepper Lunch")	The PRC January 5, 2010	—	—	100%	100%	HK\$1,000	Operating restaurant

* English translated name is for identification only.

The financial year end date of the companies now comprising the Group is December 31.

No audited financial statements have been prepared for the Company and Tang Palace BVI since the date of their incorporation as there is no statutory audit requirement in their respective places of incorporation.

No audited financial statements have been prepared for Tang Palace Shenzhen Dongdaoming for year ended December 31, 2009 and 2010 as it was deregistered during 2010.

For the purpose of this report, we have, however, reviewed all the relevant transactions of these companies since their respective dates of incorporation to December 31, 2010 or up to the date of deregistration and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies.

The statutory financial statements of the Company's subsidiaries for Track Record Period, or since their respective dates of establishment/incorporation, where this is a shorter period were prepared in accordance with the relevant accounting principles and financial regulations applicable to their respective jurisdiction and were audited by the following certified public accountants registered in the respective jurisdiction.

Name of subsidiary	Financial year/period	Name of auditor
盛世唐宮飲食集團有限公司 Tang Palace HK Excellent	Year ended December 31, 2008 and 2009	Ng Sau Lai
	Year ended December 31, 2010	Deloitte Touche Tohmatsu
浦東唐宮飲食集團有限公司 Tang Palace HK Pudong	Year ended December 31, 2008 and 2009	Ng Sau Lai
	Year ended December 31, 2010	Deloitte Touche Tohmatsu
唐宮飲食集團有限公司 Tang Palace HK	Year ended December 31, 2008 and 2009	Ng Sau Lai
	Year ended December 31, 2010	Deloitte Touche Tohmatsu
唐宮物流有限公司 Tang Palace HK Logistics	Year ended December 31, 2008 and 2009	Ng Sau Lai
	Year ended December 31, 2010	Deloitte Touche Tohmatsu
聯永投資有限公司 Tang Palace HK Leadwin	For the period from date of incorporation August 13, 2009 to December 31, 2009	Ng Sau Lai
	Year ended December 31, 2010	Deloitte Touche Tohmatsu
盛唐飲食集團有限公司 Tang Palace HK Prosperous	For the period from date of incorporation September 14, 2009 to December 31, 2009	Ng Sau Lai
	Year ended December 31, 2010	Deloitte Touche Tohmatsu
美高石油化工有限公司 Tang Palace HK Meco	Year ended December 31, 2008 and 2009	Law Kam Wing & Company
	Year ended December 31, 2010	Deloitte Touche Tohmatsu

Name of subsidiary	Financial year/period	Name of auditor
北京維華唐宮飲食有限公司 Tang Palace Beijing WE F&B	For the period from date of establishment January 16, 2009 to December 31, 2009 and year ended December 31, 2010	中建華會計師事務所有限責任公司
北京民族唐宮海鮮舫有限公司 Tang Palace Beijing Minzu	Year ended December 31, 2008	北京天辰佳翔會計師事務所有限公司
	Year ended December 31, 2009 and 2010	中建華會計師事務所有限責任公司
北京新世紀唐宮海鮮舫有限公司 Tang Palace Beijing New Century	Year ended December 31, 2008, 2009 and 2010	中建華會計師事務所有限責任公司
北京維華唐宮海鮮舫有限公司 Tang Palace Beijing WE	Year ended December 31, 2008	北京華安東會計師事務所有限責任公司
	Year ended December 31, 2009 and 2010	中建華會計師事務所有限責任公司
北京好苑唐宮海鮮有限公司 Tang Palace Beijing Haoyuan	Year ended December 31, 2008, 2009 and 2010	中建華會計師事務所有限責任公司
北京盛世唐宮飲食有限公司 Tang Palace Beijing Excellent	For the period from date of establishment April 14, 2008 to December 31, 2008, year ended December 31, 2009 and 2010	中建華會計師事務所有限責任公司
上海浦東唐宮海鮮舫有限公司 Tang Palace Shanghai Pudong	Year ended December 31, 2008, 2009 and 2010	上海事誠會計師事務所有限責任公司
上海紅橋唐宮海鮮舫有限公司 Tang Palace Shanghai Hongqiao	Year ended December 31, 2008, 2009 and 2010	上海事誠會計師事務所有限責任公司
上海維華唐宮餐飲有限公司 Tang Palace Shanghai WE	For the period from date of establishment December 9, 2008 to December 31, 2008, year ended December 31, 2009 and 2010	上海事誠會計師事務所有限責任公司
上海虹口唐宮海鮮舫有限公司 Tang Palace Shanghai Hongkou	For the period from date of establishment February 1, 2008 to December 31, 2008, year ended December 31, 2009 and 2010	上海事誠會計師事務所有限責任公司

Name of subsidiary	Financial year/period	Name of auditor
蘇州維華唐宮海鮮舫有限公司 Tang Palace Suzhou WE	For the period from date of establishment October 21, 2009 to December 31, 2009 and year ended December 31, 2010	上海事誠會計師事務所 有限責任公司
上海唐宮食品有限公司 Tang Palace Shanghai Food	For the period from date of establishment October 14, 2008 to December 31, 2008, year ended December 31, 2009 and 2010	上海事誠會計師事務所 有限責任公司
上海閔行唐宮海鮮舫有限公司 Tang Palace Shanghai Minhang	For the period from date of establishment April 1 2010 to December 31, 2010	上海事誠會計師事務所 有限責任公司
上海長寧唐宮海鮮坊有限公司 Tang Palace Shanghai Changning	For the period from date of establishment April 22, 2010 to December 31, 2010	上海事誠會計師事務所 有限責任公司
深圳東道明唐宮海鮮舫有限公司 Tang Palace Shenzhen Dongdaoming	Year ended December 31, 2008	深圳天地會計師事務所 有限公司
深圳唐宮膳飲食有限公司 Tang Palace Shenzhen	Year ended December 31, 2008, 2009 and 2010	深圳天地會計師事務所 有限公司
深圳維華盛世唐宮飲食有限公司 Tang Palace Shenzhen WE	Year ended December 31, 2008, 2009 and 2010	深圳天地會計師事務所 有限公司
忍者居江南一號飲食(深圳) 有限公司 (前稱: 忍者居格蘭飲食(深圳) 有限公司) Tang Palace Ninja House	Year ended December 31, 2008, 2009 and 2010	深圳天地會計師事務所 有限公司
東莞世博唐宮海鮮舫有限公司 Tang Palace Dongguan	Year ended December 31, 2008	東莞市君誠會計師事務所 有限公司
杭州維華唐宮海鮮舫有限公司 Tang Palace Hangzhou WE	Year ended December 31, 2009 and 2010 For the period from date of establishment April 1, 2010 to December 31, 2010	深圳天地會計師事務所 有限公司 上海事誠會計師事務所 有限責任公司

Name of subsidiary	Financial year/period	Name of auditor
活力胡椒（上海）餐飲管理有限 公司 Tang Palace Shanghai Pepper Lunch	For the period from date of establishment January 4, 2010 to December 31, 2010	上海事誠會計師事務所 有限責任公司
活力胡椒（北京）餐飲管理有限 公司 Tang Palace Beijing Pepper Lunch	For the period from date of establishment January 5, 2010 to December 31, 2010	上海事誠會計師事務所 有限責任公司

For the purpose of this report, the directors of Tang Palace BVI and other companies now comprising the Group have prepared consolidated financial statements of Tang Palace BVI and its subsidiaries and financial statements of other companies now comprising the Group for the Track Record Period in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”)(the “Subsidiaries’ Financial Statements”). We have undertaken an independent audit on the Subsidiaries’ Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Subsidiaries’ Financial Statements and the management accounts of the Company (the “Underlying Financial Statements”) for the Track Record Period in accordance with Auditing Guideline 3.340 “Prospectus and the reporting accountant” as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 2 of section A below, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of those companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation sets out in note 2 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at December 31, 2008, 2009 and 2010, and the Company as at December 31, 2010 and of the combined results and cash flows of the Group for the Track Record Period.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended December 31,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Revenue.....	8	393,309	449,890	606,529
Other gains and losses	9	6,777	7,821	11,564
Cost of inventories consumed		(187,143)	(194,262)	(260,384)
Staff cost		(80,392)	(98,059)	(133,338)
Depreciation of property, plant and equipment		(15,345)	(21,499)	(27,950)
Utilities and consumables.....		(26,974)	(28,858)	(37,455)
Rental and related expenses		(24,856)	(31,883)	(45,287)
Other expenses.....		(27,012)	(35,215)	(43,340)
Finance cost.....		—	—	(204)
Profit before tax	10	38,364	47,935	70,135
Income tax expense.....	12	(12,501)	(15,939)	(23,604)
Profit and total comprehensive income for the year.....		<u>25,863</u>	<u>31,996</u>	<u>46,531</u>
Profit and total comprehensive income for the year attributable to:				
Owners of the Company		25,322	31,240	46,531
Non-controlling interests		<u>541</u>	<u>756</u>	<u>—</u>
		<u>25,863</u>	<u>31,996</u>	<u>46,531</u>
Earnings per share - basic (RMB).....	14	<u>0.084</u>	<u>0.104</u>	<u>0.155</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	At December 31,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	15	75,476	76,902	94,857
Intangible assets	16	—	—	7,792
Rental deposits		5,484	6,454	11,358
Deposits for purchases of items of property, plant and equipment		—	1,939	—
Deferred tax assets.....	25	—	—	947
		<u>80,960</u>	<u>85,295</u>	<u>114,954</u>
Current assets				
Inventories	17	7,820	8,446	12,773
Trade and other receivables.....	18	7,677	10,435	17,273
Amounts due from related parties	19	2,673	3,684	465
Amounts due from shareholders	20	34	407	—
Bank balances and cash	21	78,109	108,737	126,902
		<u>96,313</u>	<u>131,709</u>	<u>157,413</u>
Current liabilities				
Trade and other payables	22	49,768	67,542	85,098
Amount due to a director	23	500	500	—
Amounts due to related parties.....	19	46,388	52,161	263
Amounts due to shareholders	20	13,267	12,004	—
Bank loans	24	—	—	41,019
Tax payable		3,763	4,566	6,341
		<u>113,686</u>	<u>136,773</u>	<u>132,721</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(17,373)</u>	<u>(5,064)</u>	<u>24,692</u>
		<u>63,587</u>	<u>80,231</u>	<u>139,646</u>
Capital and reserves				
Paid-in capital/share capital	26	29,579	35,131	338
Reserves		32,898	43,649	137,906
Equity attributable to owners of the Company.....		62,477	78,780	138,244
Non-controlling interests.....		1,110	—	—
		<u>63,587</u>	<u>78,780</u>	<u>138,244</u>
Non-current liability				
Deferred tax liability	25	—	1,451	1,402
		<u>63,587</u>	<u>80,231</u>	<u>139,646</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital/ share capital	Statutory general reserve	Other reserve	Retained profits	Attributable to owners of the Company	Non- controlling interests	Total
	RMB'000	RMB'000 (Note i)	RMB'000 (Note ii)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2008.....	16,079	7,361	—	13,871	37,311	569	37,880
Profit and total comprehensive income recognized for the year	—	—	—	25,322	25,322	541	25,863
Dividend recognized as distribution (note 13)	—	—	—	(13,656)	(13,656)	—	(13,656)
Capital contributions	13,500	—	—	—	13,500	—	13,500
Transfer of reserves	—	3,589	—	(3,589)	—	—	—
At December 31, 2008	29,579	10,950	—	21,948	62,477	1,110	63,587
Profit and total comprehensive income recognized for the year	—	—	—	31,240	31,240	756	31,996
Dividend recognized as distribution (note 13)	—	—	—	(22,444)	(22,444)	—	(22,444)
Acquisition of additional equity interests from a non-controlling shareholder by a shareholder	—	—	1,866	—	1,866	(1,866)	—
Arising from reorganization.....	(94)	—	89	—	(5)	—	(5)
Capital contributions	5,646	—	—	—	5,646	—	5,646
Transfer of reserves	—	4,480	—	(4,480)	—	—	—
At December 31, 2009	35,131	15,430	1,955	26,264	78,780	—	78,780
Profit and total comprehensive income recognized for the year	—	—	—	46,531	46,531	—	46,531
Dividend recognized as distribution (note 13)	—	—	—	(24,475)	(24,475)	—	(24,475)
Arising from reorganization.....	(34,793)	—	72,201	—	37,408	—	37,408
Transfer of reserves	—	1,981	—	(1,981)	—	—	—
At December 31, 2010	338	17,411	74,156	46,339	138,244	—	138,244

Notes:

- i) Statutory general reserve represents the appropriation of 10% of profit after taxation determined based on the relevant accounting rules and regulations of the PRC as required by the Articles of Association of the Company's PRC subsidiaries. The appropriation may cease to apply if the balance of the statutory general reserve has reached 50% of the PRC subsidiaries' registered capital.
- ii) Other reserve represents (a) the difference between the nominal value of the share capital issued by Tang Palace BVI and the nominal value of share capital of the subsidiaries acquired by Tang Palace BVI, and (b) the deemed contribution from a controlling shareholder of HK\$1,866,000 arising on the acquisition of remaining 10% equity interest in Tang Palace HK Mecos from Mr. Hui Yiu Chuen ("Mr. Hui"), a non-controlling shareholder, by Mr. Chan Man Wai ("Mr. Chan"), a founder shareholder of the Company, in December 23, 2009 and representing the unaudited combined net assets value of Tang Palace HK Mecos attributable to Mr. Hui as at November 30, 2009 reclassified from non-controlling interests as deemed contribution by Mr. Chan and (c) the difference between the subscription price and the nominal value of the shares allotted and issued by Tang Palace BVI of RMB107,215,000 and the deemed distribution to controlling shareholders of RMB35,014,000.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax	38,364	47,935	70,135
Adjustments for:			
Depreciation of property, plant and equipment	15,345	21,499	27,950
Amortization of intangible assets	—	—	320
Loss on disposal of property, plant and equipment	38	236	38
Interest income	(494)	(398)	(449)
Finance cost	—	—	204
Operating cash flows before movements in working capital	53,253	69,272	98,198
Increase in rental deposits	(2,037)	(970)	(4,904)
(Increase) decrease in inventories	86	(626)	(4,327)
Increase in trade and other receivables	(508)	(2,758)	(6,838)
Increase in trade and other payables	9,676	13,869	21,461
Cash generated from operations	60,470	78,787	103,590
Income tax paid	(12,718)	(13,685)	(22,825)
NET CASH FROM OPERATING ACTIVITIES	47,752	65,102	80,765
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(55,408)	(23,161)	(44,004)
Advance to shareholders	—	(373)	—
Advance to related parties	(1,387)	(1,041)	(76)
Repayment from related parties	648	30	3,295
Interest received	494	398	449
Repayment from shareholders	1,591	—	407
Deposits paid for purchases of items of property, plant and equipment	—	(1,939)	—
Purchase of intangible assets	—	—	(8,112)
NET CASH USED IN INVESTING ACTIVITIES	(54,062)	(26,086)	(48,041)
FINANCING ACTIVITIES			
Repayment to related parties	(1,200)	(5,697)	(72,866)
Payment to related parties upon reorganization	—	—	(69,809)
Advance from shareholders	—	83	107,217
Advance from related parties	22,755	11,470	20,968
Capital contribution	13,500	5,641	—
Dividend paid	(27,156)	(18,539)	(28,380)
Interest expense paid	—	—	(204)
Repayment to shareholders	(570)	(1,346)	(12,004)
Repayment to a director	—	—	(500)
New bank loans raised	—	—	41,019
NET CASH (USED IN) FROM FINANCING ACTIVITIES	7,329	(8,388)	(14,559)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,019	30,628	18,165
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	77,090	78,109	108,737
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	78,109	108,737	126,902

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The Company is a limited liability company incorporated in the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its place of business is located at Unit 3, 10th Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in restaurant operations.

The Financial Information is presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Throughout the Track Record Period (or since their respective date of incorporation/establishment to December 31, 2010, if shorter), the group entities which include Tang Palace HK, Tang Palace HK Logistics, Tang Palace HK Meco, Tang Palace HK Excellent, Tang Palace HK Pudong, Tang Palace HK Leadwin, Tang Palace HK Prosperous, Tang Palace Beijing WE F&B, Tang Palace Beijing Minzu, Tang Palace Beijing New Century, Tang Palace Beijing WE, Tang Palace Beijing Haoyuan Tang Palace Shanghai Hongkou and Tang Palace Suzhou WE were under the common control of Mr. Chan, Mr. Yip Shu Ming ("Mr. Yip") and Mr. Ku Hok Chiu ("Mr. Ku").

On November 12, 2009, Tang Palace BVI was incorporated in the BVI as a BVI business company with 50,000 authorized shares of US\$1.00 each and was under the common control of Mr. Chan, Mr. Yip and Mr. Ku.

On December 23, 2009, Mr. Chan acquired from Mr. Hui 1,000 shares of HK\$1.00 each in Tang Palace HK Meco, representing 10% of its entire issued share capital and the entire issued share capital held by Mr. Hui, at a cash consideration of HK\$4,500,000.

On December 24, 2009, Tang Palace BVI acquired from Mr. Chan, Mr. Yip and Mr. Ku the entire issued share capital of Tang Palace HK, Tang Palace HK Excellent, Tang Palace HK Leadwin, Tang Palace HK Logistics, Tang Palace HK Meco, Tang Palace HK Prosperous and Tang Palace HK Pudong at a total consideration of approximately HK\$8,037,000. The consideration was satisfied by the allotment and issue by Tang Palace BVI, credited as fully paid, of an aggregate of 700 shares of US\$1.00 each in its capital.

On March 26, 2010, Tang Palace HK entered into an equity transfer agreement with Well Excellent Development Limited ("HK Well Excellent"), a company owned by Mr. Chan, Mr. Yip and Mr. Ku, pursuant to which Tang Palace HK agreed to acquire the entire equity interest in Tang Palace Suzhou WE from HK Well Excellent at a cash consideration of HK\$3 million (equivalent to approximately RMB2,643,000).

On August 3, 2010, Tang Palace HK Excellent entered into certain equity transfer agreements with HK Well Excellent, pursuant to which Tang Palace HK Excellent agreed to acquire the entire equity interest in Tang Palace Beijing New Century, Tang Palace Beijing Minzu, Tang Palace Beijing Haoyuan, Tang Palace Beijing WE F&B, Tang Palace Beijing WE, Tang Palace Shanghai Hongkou from HK Well Excellent at a cash consideration of in aggregate of approximately RMB67,166,000.

On December 31, 2010, Tang Palace BVI allotted and issued as fully paid an aggregate of 300 shares of US\$1.00 each in its capital, as to 150 shares to Mr. Chan, 105 shares to Mr. Yip and 45 shares to Mr. Ku in cash at a total subscription price of approximately RMB107,217,000 in capitalization of the accounts owned by Tang Palace BVI to respective Shareholders.

The Company was incorporated on March 11, 2010. Pursuant to the Group Reorganization as set out in the section headed “Statutory and General Information” in Appendix V to the prospectus, which was completed on March 25, 2011 by interspersing the Company between Tang Palace BVI and certain companies under the control of Mr. Chan, Mr. Yip and Mr. Ku, the Company became the holding company of the companies now comprising the Group. The Group resulting from the Group Reorganization continued to be controlled by Mr. Chan, Mr. Yip and Mr. Ku.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows which include the results, changes in equity and cash flows of the companies comprising the Group for the Track Record Period, have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment where this is a shorten period.

The combined statements of financial position as at the end of the reporting period have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at those dates, taking into account the effective date of incorporation or establishment.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted Hong Kong Accounting Standards (“HKASs”), Hong Kong Financial Reporting Standards (“HKFRSs”), amendments and Interpretations (“HK(IFRIC)s”) (herein collectively referred to as “new and revised HKFRSs”) issued by HKICPA which are effective for the accounting periods beginning on January 1, 2010 throughout the Track Record Period, except for HKFRS 3 (revised) which has been applied prospectively for business combinations for which the acquisition date is on or after January 1, 2010, and HKAS 27 (Revised) in relation to changes in Group’s ownership interests in existing subsidiaries which has been applied prospectively from January 1, 2010.

The Group has not early applied the following new and revised Standards, Amendments Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁷
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁴
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ⁶
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets ⁶
HKFRS 9	Financial Instruments ⁵
HK (IFRIC) - Int14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK (IFRIC) - Int19	Extinguishing Financial Liabilities with Equity Instruments ⁴

¹ Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.

² Effective for annual periods beginning on or after February 1, 2010.

³ Effective for annual periods beginning on or after January 1, 2011.

⁴ Effective for annual periods beginning on or after July 1, 2010.

⁵ Effective for annual periods beginning on or after January 1, 2013.

⁶ Effective for annual periods beginning on or after July 1, 2011.

⁷ Effective for annual periods beginning on or after January 1, 2012.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds the requirements for the financial liabilities and for derecognition.

Under HKFRS 9, all recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The directors anticipate that HKFRS 9 that will be adopted in the Group's financial statements for the financial year ending December 31, 2013 and that the application of HKFRS 9 might have impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the Financial Information of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. These policies have been consistently applied throughout the Track Record Period. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests

having a deficit balance. Prior to January 1, 2010, loss applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Commission income from sales of tea related products is recognized when goods are delivered and title has passed.

Service income is recognized when services are provided. Revenue from sale of goods are recognized when goods are delivered and title has passed.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses/revalued amounts, being their

fair value at the date of the revaluation less subsequent accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in-first-out method.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Other government grants are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other year/period and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period,

to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized into profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Customer loyalty award credits

Customer loyalty award credits granted to customers as part of a sales transaction are to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expenses on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognized on the combined statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental deposits, trade and other receivables, amounts due from related parties and shareholders and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, an objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments;
or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Financial assets such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to a director, related parties and shareholders and bank loans are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation on property, plant and equipment

The Group depreciates the different classes of property, plant and equipment on a straight-line basis at applicable depreciation rates as set out in note 15 over the estimated useful life. The useful life is estimated with reference to the wear and tear history of property, plant and equipment. The estimated useful life reflects the director's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes amount due to a director, amounts due to related parties, amounts due to shareholders and bank loans disclosed in notes 23, 19, 20 and 24 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising capital and various reserves.

The directors of the Company review the capital structure periodically. The directors of the Company also balance the overall capital structure of the Group through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. No changes were made in the objectives, policies or processes during the Track Record Period.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	At December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>91,584</u>	<u>125,542</u>	<u>147,700</u>
Financial liabilities			
Amortized cost.....	<u>(109,923)</u>	<u>(132,207)</u>	<u>(126,380)</u>

7b. Financial risk management objectives and policies

The Group's major financial instruments include rental deposits, trade and other receivables, amounts due to a director, related parties and shareholders, bank balances and cash,

trade and other payables and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

The Group has foreign currency transactions, which expose the Group to market risk arising from changes in foreign exchange rates. The Group currently does not have a foreign currency hedging policy. However management closely monitors its foreign currency risk exposure and enters into foreign currency forward contracts should the need arise.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in Hong Kong Dollars ("HKD") at the respective reporting dates are as follows:

	At December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
HKD	<u>4,516</u>	<u>10,444</u>	<u>29,153</u>
Liabilities			
HKD	<u>(16,978)</u>	<u>(17,543)</u>	<u>(17,651)</u>

Sensitivity analysis

A 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel because it represents management's assessment of the possible change in HKD against RMB rate. On the basis of the above assets and liabilities denominated in HKD at the respective reporting dates, and assuming all other variables remain unchanged, a 5% weakening of the HKD against RMB throughout the relevant year would give rise to an exchange gain and an increase in profit for the year in the following magnitude, and vice versa:

	Year ended December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>623</u>	<u>355</u>	<u>(575)</u>

Other than HKD, the Group does not have any other major exposure to foreign currency risk.

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits placed with banks (see note 21 for details of the bank deposits).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings at December 31, 2010 (see note 21 and 24 for details of these bank balances and bank borrowings). Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. Fluctuations of Hong Kong Inter-bank Offered Rate ("HIBOR ") and prevailing rate quoted by the People's Bank of China ("POB") are the major sources of the Group's cash flow interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2010 would decrease/increase by RMB1,538,000.

No sensitivity analysis has been prepared in respect of the bank deposits as the management considers that their cash flow interest rate risk exposure is limited.

Credit risk

As at the respective reporting dates, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the combined statement of financial position.

In order to minimize the credit risk, management of the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputations.

There was no significant concentration of credit risk as the balance of the exposure is spread over a number of counterparties and customers.

Liquidity risk

The Group has net current liabilities of RMB17,373,000 and RMB5,064,000 as at December 31, 2008 and 2009. The Group monitors its current and expected liquidity requirements regularly and ensuring sufficient liquid cash and adequate committed lines of funding from reputable financial institutions are available to meet the Group's liquidity requirements in the short and long term.

The Group relies on bank borrowings as a significant source of liquidity. As at December 31, 2010, the Group has available unutilized short term bank loan facilities of approximately RMB12,000,000 (December 31, 2009 and 2008: nil). Details of which are set out in note 24.

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of advances from related parties.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity table

	Weighted average interest rate	Repayable on demand	Less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying value at 31.12.2008
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2008							
Trade and other payables.....	N/A	—	49,768	—	—	49,768	49,768
Amount due to a director	N/A	500	—	—	—	500	500
Amounts due to related parties	N/A	46,388	—	—	—	46,388	46,388
Amounts due to shareholders.....	N/A	13,267	—	—	—	13,267	13,267
		<u>60,155</u>	<u>49,768</u>	<u>—</u>	<u>—</u>	<u>109,923</u>	<u>109,923</u>

	Weighted average interest rate	Repayable on demand	Less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying value at 31.12.2009
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2009							
Trade and other payables.....	N/A	—	67,542	—	—	67,542	67,542
Amount due to a director	N/A	500	—	—	—	500	500
Amounts due to related parties	N/A	52,161	—	—	—	52,161	52,161
Amounts due to shareholders	N/A	12,004	—	—	—	12,004	12,004
		<u>64,665</u>	<u>67,542</u>	<u>—</u>	<u>—</u>	<u>132,207</u>	<u>132,207</u>

	Weighted average interest rate	Repayable on demand	Less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying value at 31.12.2010
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2010							
Trade and other payables.....	N/A	—	85,098	—	—	85,098	85,098
Amounts due to related parties	N/A	263	—	—	—	263	263
Bank loans	4.04	—	17,075	—	24,486	41,561	41,019
		<u>263</u>	<u>102,173</u>	<u>—</u>	<u>24,486</u>	<u>126,922</u>	<u>126,380</u>

7c. Fair value

The fair value of financial assets and financial liabilities of the Group are determined as follows:

- the fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized costs in the Financial Information approximate their fair values.

8. REVENUE AND SEGMENT INFORMATION

During the Track Record Period, the Group's revenue which represents the amount received and receivable for the operation of restaurants and provision of catering services, net of discount and sales related taxes, are as follows:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Gross revenue	414,736	474,238	639,764
Less: sales related tax	(21,427)	(24,348)	(33,235)
	<u>393,309</u>	<u>449,890</u>	<u>606,529</u>

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the Group's chief operating decision maker being the Board of Directors for the purpose of resource allocation and assessment of performance is prepared under HKFRSs, based on geographical location of its restaurants.

Segment information about these businesses is presented below.

Year ended December 31, 2008

	Southern China	Eastern China	Northern China	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE					
External sales	117,360	128,112	147,837	—	393,309
Inter-segment sales	—	268	—	(268)	—
Total	<u>117,360</u>	<u>128,380</u>	<u>147,837</u>	<u>(268)</u>	<u>393,309</u>
RESULT					
Segment profit	<u>4,572</u>	<u>5,220</u>	<u>28,050</u>	<u>—</u>	37,842
Unallocated corporate income					<u>522</u>
Profit before tax					<u>38,364</u>

Year ended December 31, 2009

	<u>Southern China</u>	<u>Eastern China</u>	<u>Northern China</u>	<u>Eliminations</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE					
External sales	119,146	158,198	172,546	—	449,890
Inter-segment sales	—	8,981	—	(8,981)	—
Total	<u>119,146</u>	<u>167,179</u>	<u>172,546</u>	<u>(8,981)</u>	<u>449,890</u>
RESULT					
Segment result	<u>7,396</u>	<u>11,140</u>	<u>34,088</u>	<u>—</u>	52,624
Unallocated corporate expenses					<u>(4,689)</u>
Profit before tax					<u>47,935</u>

Year ended December 31, 2010

	<u>Southern China</u>	<u>Eastern China</u>	<u>Northern China</u>	<u>Eliminations</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE					
External sales	119,303	266,478	220,748	—	606,529
Inter-segment sales	813	26,014	—	(26,827)	—
Total	<u>120,116</u>	<u>292,492</u>	<u>220,748</u>	<u>(26,827)</u>	<u>606,529</u>
RESULT					
Segment profit	<u>2,817</u>	<u>17,478</u>	<u>53,716</u>	<u>—</u>	74,011
Unallocated corporate expenses					<u>(3,876)</u>
Profit before tax					<u>70,135</u>

Other information*Year ended December 31, 2008*

	Southern China	Eastern China	Northern China	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment .	5,476	5,908	3,961	15,345
Loss on disposal of property, plant and equipment	<u>38</u>	<u>—</u>	<u>—</u>	<u>38</u>

Year ended December 31, 2009

	Southern China	Eastern China	Northern China	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment .	7,522	9,578	4,399	21,499
(Gain) loss on disposal of property, plant and equipment	<u>(12)</u>	<u>3</u>	<u>245</u>	<u>236</u>

Year ended December 31, 2010

	Southern China	Eastern China	Northern China	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment .	8,248	13,376	6,326	27,950
Amortization of intangible asset.....	—	—	182	182
Loss on disposal of property, plant and equipment	<u>38</u>	<u>—</u>	<u>—</u>	<u>38</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of the expenses incurred by the Group's head office. This is the measure reported to the chief operating decision marker for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

As the Group's segment assets and liabilities are not regularly provided to the Group's Board of Directors, the measure of total assets and liabilities for each reportable segment is not required to be presented.

The Group's revenue are arising from operating restaurant only.

Geographical information

All of the Group's operations are located in the PRC. The Group's revenue from external customers and all of its non-current assets are located in PRC.

Information about major customers

There was no revenue from customer contributing over 10% of total revenue of the Group.

9. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of property, plant and equipment	(38)	(236)	(38)
Interest income	494	398	449
Commission income (note).....	5,630	6,650	8,979
Others.....	691	1,009	2,174
	<u>6,777</u>	<u>7,821</u>	<u>11,564</u>

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

10. PROFIT BEFORE TAX

	Year ended December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax has been arrived at after charging:			
Directors' emoluments (Note 11)	2,627	2,629	2,891
Other staff costs	71,200	86,247	118,322
Retirement benefit scheme contributions, excluding those of directors	<u>6,565</u>	<u>9,183</u>	<u>12,125</u>
Total staff costs	<u>80,392</u>	<u>98,059</u>	<u>133,338</u>
Auditors' remuneration	252	258	666
Loss on disposal of property, plant and equipment	38	236	38
Depreciation of property, plant and equipment	15,345	21,499	27,950
Amortization of intangible asset.....	<u>—</u>	<u>—</u>	<u>320</u>

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid by the Group to the directors of the Company for the Track Record Period are as follows:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Fee	—	—	—
Salaries and other allowances	2,602	2,602	2,641
Performance related bonus	25	27	249
Retirement benefit scheme contributions	—	—	1
	<u>2,627</u>	<u>2,629</u>	<u>2,891</u>
Executive directors:			
Mr. Chan	—	—	—
Mr. Yip	1,657	1,659	1,758
Mr. Ku	—	—	—
Ms. Weng Peihe	970	970	1,133
Independent non-executive directors:			
Mr. Kwong Chi Keung	—	—	—
Mr. Kwong Ping Man.....	—	—	—
Mr. Cheung Kin Ting, Alfred	—	—	—
	<u>2,627</u>	<u>2,629</u>	<u>2,891</u>

Employees

The five highest paid individuals of the Group included two directors, for the years ended December 31, 2008, 2009 and 2010, details of their emoluments are set out above. The emoluments of the remaining three individuals, for the years ended December 31, 2008, 2009 and 2010 are as follows:

	Year ended December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other allowances	1,314	1,452	1,968
Performance related bonus	21	29	82
Retirement benefit scheme contributions	47	68	10
	<u>1,382</u>	<u>1,549</u>	<u>2,060</u>

Their emoluments were within the following bands:

	Year ended December 31,		
	2008	2009	2010
	<i>No. of employees</i>		
HK\$nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

No remuneration was paid to independent non-executive directors during the Track Record Period. Moreover, Mr. Chan and Mr. Ku have not received any emoluments during the Track Record Period.

12. INCOME TAX EXPENSE

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Enterprise income tax in the Mainland China ("PRC")			
Current tax	12,501	14,488	24,600
Deferred tax (Note 25)	—	1,451	(996)
	<u>12,501</u>	<u>15,939</u>	<u>23,604</u>

Hong Kong

No provision for taxation has been made as the Group's income neither arises nor derived from Hong Kong.

PRC

On March 16, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. In February 2008, the Ministry of Finance and the State Administration of Taxation issued several important tax circulars which clarify the implementation of the New Law. Under the New Law, Implementation Regulation and tax circulars, tax rate applicable to companies located in Beijing, Shanghai and Dongguan except Shanghai Pudong changed from 33% to 25% from January 1, 2008 onwards. For Shanghai Pudong and companies located in Shenzhen except Tang Palace Shenzhen WE, the applicable income tax rate was changed to 18% from January 1, 2008 onwards, was further changed to 20% from January 1, 2009 onwards and was further changed to 22% from January 1, 2010 onwards.

For Tang Palace Shenzhen WE, the applicable income tax rate was changed to 25% from January 1, 2008 onwards.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the combined statements of comprehensive income as follows:

	Year ended December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>38,364</u>	<u>47,935</u>	<u>70,135</u>
Applicable domestic tax rate	25%	25%	25%
Tax at domestic rates applicable to profits of taxable entities in the locations concerned	9,591	11,984	17,534
Tax effect of expenses not deductible for tax purpose (note i)	2,544	2,255	1,533
Tax losses not recognized	2,106	1,820	4,458
Utilization of tax losses not recognized in previous years	(1,412)	(1,178)	(1,108)
Effect of preferential income tax rate granted to PRC subsidiaries	(328)	(393)	(215)
Withholding tax on undistributable earnings	<u>—</u>	<u>1,451</u>	<u>1,402</u>
Tax charge for the year	<u>12,501</u>	<u>15,939</u>	<u>23,604</u>

Note:

- (i) The amount mainly consists of entertainment expense, which is not deductible for tax purpose under the relevant tax jurisdictions.

Details of deferred taxation are set out in note 25.

13. DIVIDENDS

	Year ended December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividends recognized as distribution during the year:			
Distribution of profits of certain PRC subsidiaries	<u>13,656</u>	<u>22,444</u>	<u>24,475</u>

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the following data:

	Year ended December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	25,322	31,240	46,531
Weighted average number of ordinary shares for the purpose of basic earnings per share	300,000,000	300,000,000	300,000,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the Track Record Period represents 2,000,000 shares in issue and 298,000,000 shares to be issued upon the capitalization issue as described in "Statutory and General Information" in Appendix V to the Prospectus which assume to occur on the first day of the Track Record Period.

No diluted earnings per share are presented for the Track Record Period as there were no dilutive ordinary shares in issue.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST					
At January 1, 2008	50,122	16,936	744	1,597	69,399
Additions	43,025	9,331	787	2,265	55,408
Disposals	—	(373)	—	—	(373)
Transfer	1,597	—	—	(1,597)	—
At December 31, 2008	94,744	25,894	1,531	2,265	124,434
Additions	19,232	3,310	319	300	23,161
Disposals	—	(4,982)	(118)	—	(5,100)
Transfer	2,265	—	—	(2,265)	—
At December 31, 2009	116,241	24,222	1,732	300	142,495
Additions	20,360	6,056	157	19,370	45,943
Disposals	(38)	—	—	—	(38)
Transfer	8,202	—	—	(8,202)	—
At December 31, 2010	144,765	30,278	1,889	11,468	188,400
DEPRECIATION					
At January 1, 2008	24,731	9,060	157	—	33,948
Provided for the year	12,593	2,644	108	—	15,345
Disposals	—	(335)	—	—	(335)
At December 31, 2008	37,324	11,369	265	—	48,958
Provided for the year	17,503	3,711	285	—	21,499
Disposals	—	(4,757)	(107)	—	(4,864)
At December 31, 2009	54,827	10,323	443	—	65,593
Provided for the year	22,901	4,727	322	—	27,950
At December 31, 2010	77,728	15,050	765	—	93,543
CARRYING VALUE					
At December 31, 2008	<u>57,420</u>	<u>14,525</u>	<u>1,266</u>	<u>2,265</u>	<u>75,476</u>
At December 31, 2009	<u>61,414</u>	<u>13,899</u>	<u>1,289</u>	<u>300</u>	<u>76,902</u>
At December 31, 2010	<u>67,037</u>	<u>15,228</u>	<u>1,124</u>	<u>11,468</u>	<u>94,857</u>

The property, plant and equipment, other than construction in progress are depreciated over their estimated useful lives, after taking into account their residual value, as follows:

Leasehold improvement	Other the shorter of the period of the respective lease or 5 years
Furniture, fixtures and equipment	20% - 33%
Motor vehicles	20% - 25%

16. INTANGIBLE ASSETS

	<u>Licenses and franchises</u>	<u>Trademark</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At January 1, 2008, December 31, 2008 and 2009 ...	—	—	—
Additions	<u>3,985</u>	<u>4,127</u>	<u>8,112</u>
At December 31, 2010	<u>3,985</u>	<u>4,127</u>	<u>8,112</u>
AMORTIZATION			
At January 1, 2008, December 31, 2008 and 2009 ...	—	—	—
Provided for the year	<u>182</u>	<u>138</u>	<u>320</u>
At December 31, 2010	<u>182</u>	<u>138</u>	<u>320</u>
CARRYING VALUES			
At December 31, 2008 and 2009	<u>—</u>	<u>—</u>	<u>—</u>
At December 31, 2010	<u>3,803</u>	<u>3,989</u>	<u>7,792</u>

All of the Group's licenses and franchises were acquired from third parties and the trademark was purchased from a HK Well Excellent. The intangible assets have definite useful lives. Such intangible assets are amortized on a straight-line basis over 10 years.

Licenses and franchises representing the carrying amount of the brand name "Pepper Lunch" franchise, acquired during 2010. The franchise entitles the Group to develop and operate fast food restaurants under the brand name of Pepper Lunch for 10 years from the date of acquisition.

Trademark representing the carrying amount of the “Tang Palace” trademark and license, acquired during 2010. The license entitles the Group to use of the trademark for 10 years from the date of acquisition upon the transfer of trademark to the Group is completed. As at year ended December 31, 2010, the Group does not hold the legal title of the trademark.

17. INVENTORIES

	At December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Food and beverages, and other operating items for restaurant operations	<u>7,820</u>	<u>8,446</u>	<u>12,773</u>

18. TRADE AND OTHER RECEIVABLES

Generally, there was no credit period for sales from operation of restaurant, except for certain well established, corporate customers for which the credit terms are ranging from 30 to 80 days. The aged analysis of the Group's trade receivables at the respective reporting dates are as follows:

	At December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables:			
0 - 30 days	858	3,153	5,391
31 - 60 days	2,326	1,688	807
61 - 90 days	254	377	571
Over 90 days	<u>8</u>	<u>35</u>	<u>903</u>
	<u>3,446</u>	<u>5,253</u>	<u>7,672</u>
Other receivables and deposits:			
Prepayments.....	2,393	4,175	8,298
Others.....	<u>1,838</u>	<u>1,007</u>	<u>1,303</u>
	<u>4,231</u>	<u>5,182</u>	<u>9,601</u>
	<u>7,677</u>	<u>10,435</u>	<u>17,273</u>

Before accepting any new corporate customers, the Group based on the nature of the counterparty to assess the potential customer's credit quality and defines credit limits by customer. Credit limits to customers are reviewed every year.

Included in the trade receivable balance are the following past due debts for which no impairment loss has been provided:

Ageing of trade receivables which are past due but not impaired

	<u>At December 31,</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31-60 days	2,236	1,660	807
61-90 days	219	346	571
Over 90 days	<u>8</u>	<u>35</u>	<u>903</u>
	<u>2,463</u>	<u>2,041</u>	<u>2,281</u>

The Group did not hold any collateral against the above amounts. However, management believes that these amounts are still recoverable because there has not been an adverse change in the relevant entities' credit quality.

19. AMOUNTS DUE FROM (TO) RELATED PARTIES

	Notes	At December 31,			Maximum amount outstanding during Year ended December 31,		
		2008	2009	2010	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties:							
Meco Group Company Limited	(i)	1,351	1,847	—	1,351	1,847	1,847
HK Well Excellent	(i)	88	398	—	281	398	475
Shanghai Tang Palace Seafood Restaurant Co., Ltd	(i)	102	139	—	102	139	139
Beijing Tang Palace Seafood Restaurant F & B Co., Ltd. .	(iv)	30	—	—	87	30	—
Dongguan Well Excellent Hotel Management Services Co., Ltd	(i)	<u>1,102</u>	<u>1,300</u>	<u>465</u>	<u>1,500</u>	<u>1,300</u>	<u>1,300</u>
		<u>2,673</u>	<u>3,684</u>	<u>465</u>			
Amounts due to related parties:							
Meco Group Company Limited	(i)	(10,694)	(12,964)	—			
HK Well Excellent	(i)	(6,549)	(8,628)	—			
Shanghai Tang Palace Seafood Restaurant Co., Ltd	(i)	(21,028)	(17,322)	—			
Beijing Tang Palace Seafood Restaurant F & B Co., Ltd. .	(iv)	(4,512)	(5,274)	—			
Chiu Kwun Engineering (Shenzhen) Co., Ltd.	(ii)	(524)	(114)	(263)			
Mr. Liu Shu Feng	(iii)	(1,000)	(500)	(—)			
Mr. Yip Shu Sum	(iii)	(500)	(5,500)	(—)			
Mr. Wong Yun Ming	(iii)	—	(1,359)	(—)			
Mr. Yip Shu Chong	(iii)	<u>(1,581)</u>	<u>(500)</u>	<u>—</u>			
		<u>(46,388)</u>	<u>(52,161)</u>	<u>(263)</u>			

The above amounts are unsecured, interest-free and repayable on demand. The above amounts were non-trade in nature and will be settled before listing of the shares of the Company on the Stock Exchange by way of repayment or capitalization. The non-trade amounts arose as a result of temporary advances to/(from) related parties during the Track Record Period.

Notes:

- (i) Mr. Chan, Mr. Ku and Mr. Yip are directors and shareholders of these companies.
- (ii) Mr. Ku is the beneficial owner of Chiu Kwun Engineering (Shenzhen) Co., Ltd.
- (iii) Being brother/brother-in-law/niece-in-law of Mr. Yip.
- (iv) Mr. Yip Shu Sum and Mr. Wong Yun Ming are directors and shareholders of this Company. Mr. Yip Shu Sum and Mr. Wong Yun Ming are the brother and brother-in-law of Mr. Yip respectively.

20. AMOUNTS DUE FROM (TO) SHAREHOLDERS

The amounts are non-trade in nature, are unsecured, interest-free and repayable on demand and will be settled before listing of the shares of the Company on the Stock Exchange. The non-trade amounts arose as a result of temporary advance to/(from) shareholders during the Track Record Period.

Directors' current accounts disclosed pursuant to section 161B of the Companies Ordinance are as follows:

Director	Maximum amount outstanding during						
	At January 1,	At December 31,			Year ended December 31,		
	2008	2008	2009	2010	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Chan	21	6	175	—	21	175	175
Mr. Yip	13	5	54	—	13	54	121
Mr. Ku	1,591	23	178	—	1,591	178	178
	<u>1,625</u>	<u>34</u>	<u>407</u>	<u>—</u>			

21. BANK BALANCES AND CASH

Bank balances and cash

Bank balances and cash of the Group comprise cash and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest rates as follows:

	<u>At December 31,</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Range of interest rate per annum	<u>0.01%-0.72%</u>	<u>0.01%-1.71%</u>	<u>0.01%-1.35%</u>

Bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	<u>At December 31,</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB equivalent of HKD.....	<u>3,707</u>	<u>9,096</u>	<u>29,058</u>

22. TRADE AND OTHER PAYABLES

The aged credit period taken for trade purchases is 30 to 60 days.

Ageing analysis of the Group's trade payables at the respective reporting dates are as follows:

	At December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables:			
0 - 30 days	17,478	19,979	24,377
31 - 60 days	476	1,241	2,349
61 - 90 days	106	128	388
91 - 180 days.....	110	72	934
Over 180 days.....	831	459	719
	<u>19,001</u>	<u>21,879</u>	<u>28,767</u>
Other payables:			
Other payables and accruals.....	22,773	29,842	37,929
Receipts in advance	7,994	11,916	18,402
Dividend payable	—	3,905	—
	<u>30,767</u>	<u>45,663</u>	<u>56,331</u>
	<u>49,768</u>	<u>67,542</u>	<u>85,098</u>

23. AMOUNT DUE TO A DIRECTOR

The payable arose from temporary fund transfers, which are non-trade in nature. The amount is unsecured, non-interest bearing and repayable on demand. The amount has been fully settled as at the date of this report.

24. BANK LOANS

	At December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	<u>—</u>	<u>—</u>	<u>41,019</u>

The secured bank loans are repayable within one year and they are classified as current liability. Details of guarantees provided by related parties are set out in notes 30.

In addition, the bank loans are interest-bearing at the quoted lending rate of PBOC or HIBOR, as appropriate.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	At December 31,		
	2008	2009	2010
Effective interest rate:			
Variable rate borrowings	N/A	N/A	1.45% to 5.1%

The Group's bank loans that are denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	At December 31,		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
HKD	<u>—</u>	<u>—</u>	<u>17,019</u>

25. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	Year ended December 31		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets.....	—	—	(947)
Deferred tax liabilities	—	1,451	1,402
	—	1,451	455

The deferred tax (assets) liabilities recognized by the Group and movements thereon during the Track Record Period are as follows:

	Tax losses	Undistributable	Total
		profits of the PRC subsidiaries	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2008 and December 31, 2008	—	—	—
Charge to profit or loss.....	—	1,451	1,451
At December 31, 2009	—	1,451	1,451
Credit to profit or loss	(947)	(49)	(996)
At December 31, 2010	(947)	1,402	455

Under the New Law, starting from January 1, 2008, 10% withholding income tax is imposed on dividends declared in respect of profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied. As at December 31, 2010, the aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have been recognized in the Financial Information was RMB56,080,000 (December 31, 2009: RMB14,510,000, December 31, 2008: RMB Nil).

During the year ended December 31, 2008, deferred taxation has not been provided for in respect of temporary differences attributable to undistributed earnings of PRC subsidiaries arising since January 1, 2008 as the amounts involved are not significant.

During the year ended December 31, 2009, deferred tax liability has been fully provided in respect of temporary differences attributable to undistributed earnings of PRC subsidiaries arising since January 1, 2008, except to the extent that the earnings were distributed to shareholders not forming part of the Group. As at December 31, 2009, the Group's PRC subsidiaries have accumulated earnings of RMB14,510,000 which has been fully distributed during the year ended December 31, 2010.

During the year ended December 31, 2010, the management of the Group has re-assessed the dividend policy of its PRC subsidiaries based on the Group's current business plans and financial position, deferred tax liability has been only provided to the extent that such earnings are estimated to be distributed in the foreseeable future in the Financial Information in respect of the temporary differences attributable to undistributed earnings of PRC subsidiaries.

At December 31, 2010, the accumulated undistributed earnings of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax was approximately RMB28,040,000.

The Group has unused tax losses of RMB13,468,000, RMB16,039,000 and RMB29,439,000 available for offset against future profits at December 31, 2008, 2009 and 2010, respectively. A deferred tax asset has been recognized in respect of Nil, Nil and RMB3,788,000 of such losses at December 31, 2008, 2009 and 2010, respectively. No deferred tax asset has been recognized in respect of the remaining tax losses RMB25,651,000 as at December 31, 2010 due to unpredictability of future profit streams. Included in unrecognized tax losses of year ended December 31, 2008, 2009 and 2010 are losses of RMB4,884,000, RMB5,234,000 and RMB15,533,000 will expire in 2013, 2014 and 2015, respectively.

26. PAID-IN-CAPITAL/SHARE CAPITAL

The paid-in capital/share capital of the Group at December 31, 2008 represents the aggregate paid-in and share capital of companies held by the controlling equity holders prior to the Group reorganization.

On December 24, 2009, Tang Palace BVI acquired equity interest of Tang Palace HK Excellent, Tang Palace HK, Tang Palace HK Pudong, Tang Palace HK Logistics, Tang Palace HK Leadwin, Tang Palace HK Meco and Tang Palace HK Prosperous by share swap as set out in note 2.

The paid-in capital/share capital of the Group at December 31, 2009 represents the aggregate paid-in and share capital of certain PRC companies held by the controlling equity holders and Tang Palace BVI.

The share capital of the Group at December 31, 2010 represents the aggregate share capital of the Company and Tang Palace BVI.

27. OPERATING LEASE COMMITMENTS**The Group as lessee**

The minimum lease payments paid under operating lease commitment in premises for the year ended December 31, 2010 is RMB36,403,000 (for the year ended December 31, 2009: RMB31,467,000, 2008: RMB24,856,000).

At the respective reporting dates, the Group was committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	<u>At December 31,</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	27,791	31,570	68,359
In the second to fifth year inclusive	93,499	94,665	141,931
After five years.....	<u>44,929</u>	<u>48,075</u>	<u>87,256</u>
	<u>166,219</u>	<u>174,310</u>	<u>297,546</u>

The leases are generally negotiated for a term ranging from 3 to 10 years.

28. CAPITAL COMMITMENTS

	<u>At December 31,</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of property, plant and equipment	<u>263</u>	<u>988</u>	<u>3,366</u>

29. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

30. RELATED PARTY DISCLOSURES

(I) Transactions

During the Track Record Period, the Group had the following transactions with related parties:

Name of related party	Nature of transaction	Year ended December 31,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Chiu Kwun Engineering (Shenzhen) Co., Ltd. (note i)	Leasehold improvement (note v)	5,288	106	3,332
C & W (Nominees)Ltd. (note ii)	Company secretarial service fee	15	23	23
Dongguan Well Excellent Hotel Management Services Co., Ltd. (note iii)	Management fee (note iv)	1,900	1,580	680
	Rental expenses	—	—	430
Meco Group Company Limited (note iii)	Rental expenses (note v)	2,843	3,113	3,285
HK Well Excellent (note iii)	Dividend recognized as distribution	13,656	22,444	24,475
	Purchase of trademark	—	—	4,127

The fund transfer through current accounts with shareholders and related parties during the Track Record Period are set out in combined statement of cash flows.

Notes:

- (i) Mr. Ku is the beneficial owner of Chiu Kwun Engineering (Shenzhen) Co., Ltd.
- (ii) Mr. CK Chan, a director of certain subsidiaries, is beneficial owner.
- (iii) Mr. Chan, Mr. Ku and Mr. Yip are directors and shareholders of the company.
- (iv) Management fee has been paid up to March 2010 and discontinued in April 2010.
- (v) In the opinion of the directors, these transactions will continue after listing of the shares of the Company on the Stock Exchange.

(II) Balances

Details of balances with related parties are set out in notes 19, 20 and 23.

(III) Compensation of key management personnel

The directors of the Company and the five highest paid employees are identified as key management members of the Group, their compensation during the Track Record Period is set out in note 11.

(IV) Guarantees

The Group's bank facilities were guaranteed by the followings:

	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Personal guarantee provided by shareholders on a joint and several basis together with the deposit of HK Well Excellent	—	—	17,071
Properties held by Meco Group Company Limited	<u>—</u>	<u>—</u>	<u>62,623</u>
	<u>—</u>	<u>—</u>	<u>79,694</u>
Amount of the above facilities utilized by the Group up to December 31	<u>—</u>	<u>—</u>	<u>41,019</u>

In the opinion of the directors, the above guarantees will be fully released prior to or upon the listing of the shares of the Company on the Stock Exchange.

31. MAJOR NON-CASH TRANSACTIONS

In addition, dividends of RMB nil, RMB3,905,000 and RMBnil were not paid as at December 31, 2008, 2009 and 2010, respectively, and were included in trade and other payables as dividend payable.

During 2010, amounts due to shareholders of RMB107,217,000 was settled by way of capitalization.

B. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on March 11, 2010 with an authorized share capital of HK\$200,000 divided into 2,000,000 shares of HK\$0.1 each. As at December 31, 2010, the Company has amounts due from shareholder of HK\$0.1 and share capital of HK\$0.1. The Company had not carried on any business since its date of incorporation to December 31, 2010, hence there was no distributable reserve as at December 31, 2010.

C. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration has been provided or is payable by the Group to the directors of the Company in respect of the Track Record Period.

D. SUBSEQUENT EVENTS**Pre-IPO share option scheme**

Subsequent to December 31, 2010, the Company adopted the Pre-IPO Share Option Scheme, pursuant to which the Company has offered share options to certain employees, executives, officers and directors of the Group. For further details of this Pre-IPO Share Option Scheme, please refer to the paragraph headed "Pre-IPO Share Option Scheme" in the section headed "Statutory and General Information" on pages V-31 to V-34 of this prospectus.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to December 31, 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the proposed listing might have affected the financial position of the Group after the completion of the Public Offering.

The unaudited pro forma financial information is derived according to a number of adjustments. Although reasonable care has been exercised in preparing such information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial performance and condition of the Group during the Track Record Period or any further date.

The information set forth in this appendix does not form part of the Accountants' Report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out here to illustrate the effect of the Public Offering on our net tangible assets as of December 31, 2010 as if it had taken place on December 31, 2010.

The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as of December 31, 2010 or any future date following the Global Offering. It is prepared based on our net assets as of December 31, 2010 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' Report in Appendix I to this prospectus.

	Audited combined net tangible assets attributable to owners of the Company as at December 31, 2010	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per Share
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>(HK\$ equivalent)</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$1.25 per Share.....	<u>130,452</u>	<u>85,581</u>	<u>216,033</u>	<u>0.54</u>	<u>0.64</u>
Based on an Offer Price of HK\$1.65 per Share.....	<u>130,452</u>	<u>118,386</u>	<u>248,838</u>	<u>0.62</u>	<u>0.73</u>

Notes:

- (1) The audited combined net tangible assets attributable to owners of the Company as of December 31, 2010 has been derived from the net assets of the Group after deducting the intangible assets of approximately RMB7,792,000 as set out in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK\$1.25 or HK\$1.65 per Share, being the low or high end of the stated Offer Price range, respectively, after deduction of the underwriting fees and related expenses payable by the Company. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB1 to HK\$1.176.
- (3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 400,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering but takes no account of any Shares which have been or may be allotted and issued pursuant to the exercise of the options which were granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.
- (4) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB1 to HK\$1.176. No representation is made that the Renminbi amounts have been, could have or may be converted to Hong Kong dollars, or vice versa, at that rate.

**B. ACCOUNTANTS' REPORT FROM THE REPORTING ACCOUNTANTS ON
UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the accountants' report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company prepared for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤·關黃陳方會計師行
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太古廣場一座35樓

Deloitte Touche Tohmatsu
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Hong Kong

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF TANG PALACE (CHINA) HOLDINGS LIMITED**

We report on the unaudited pro forma financial information of Tang Palace (China) Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed global offering might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated April 7, 2011 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in Section A of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at December 31, 2010 or any future date.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
April 7, 2011

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at January 31, 2011 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

7 April 2011

The Board of Directors
Tang Palace (China) Holdings Limited

Dear Sirs,

In accordance with your instructions to value the properties in which Tang Palace (China) Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at January 31, 2011 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have attributed no commercial value to the property interests in Group I, II and III, which is leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of Tenancy Agreements relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisors — Jingtian & Gongcheng, concerning the validity of the property interests in the PRC.

We have been provided a copy of a Tenancy Agreement relating to the property interest and have caused searches to be made at the Hong Kong Land Registry. However, we are not searched the original documents to verify the ownership or to ascertain any amendment.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of

Jones Lang LaSalle Sallmanns Limited

Paul L. Brown
B.Sc. FRICS FHKIS
Chief Valuation Adviser

Gilbert C.H. Chan
MRICS MHKIS RPS(GP)
Director

Note: Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

Gilbert C.H. Chan is a Chartered Surveyor who has 19 years' experience in the valuation of properties in the PRC and 18 years of property valuation experience in Hong Kong, the United Kingdom as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests rented and occupied by the Group in the PRC

No. Property	Capital value in existing state as at January 31, 2011 RMB
1. West Portion of Level 1 China Women Activity Center No. 19 Jianguomennei Avenue Dongcheng District Beijing the PRC	No commercial value
2. Level 3 Block A Novotel Xinqiao Beijing No. 2 Dongjiaominxiang (now known as Chongwenmen Road North Western side) Dongcheng District Beijing the PRC	No commercial value
3. Level 2 Block A Novotel Xinqiao Beijing No. 2 Dongjiaominxiang (now known as Chongwenmen Road North Western side) Dongcheng District Beijing the PRC	No commercial value
4. Level 1 Xi Zang Building No. 118 North Forth Ring East Road Chaoyang District Beijing the PRC	No commercial value

No. Property	Capital value in existing state as at January 31, 2011 RMB
5. Shop space on Level 1 and Room 213 Beijing City Minzu Hotel No. 51 Fuxingmennei Avenue Xicheng District Beijing the PRC	No commercial value
6. Level 2 Hotel Nikko New Century Beijing No. 6 Southern Road Capital Stadium Haidian District Beijing the PRC	No commercial value
7. Level 3 Building No. 4 Shopping Center No. 6 Futong East Avenue Chaoyang District Beijing the PRC	No commercial value
8. Shop No. 07 Level 8 Chaoyang Joy City Chaoyang District Beijing the PRC	No commercial value
9. Shop space on Level 1 Outlets Mall No. 1 Yaojiayuan Road Chaoyang District Beijing the PRC	No commercial value

No.	Property	Capital value in existing state as at January 31, 2011 RMB
10.	Shop No. 02 Level 9 Chaoyang Joy City Chaoyang District Beijing the PRC	No commercial value
11.	B621A, B621B, B624A and B624B Level 6 Block B Beijing Novotel Xinqiao Hotel Beijing The PRC	No commercial value
12.	Shop No. 11b Basement Level 2 Block B Ginza Mall No. 48 Dongzhimenwai Avenue Dongcheng District Beijing the PRC	No commercial value
13.	Shop No. 16d Basement Level 2 Block B Ginza Mall No. 48 Dongzhimenwai Avenue Dongcheng District Beijing the PRC	No commercial value
14.	Level 5 Matro Shopping Mall No. 245 Guanqian Street Pingjiang District Suzhou City Jiangsu Province the PRC	No commercial value

No. Property	Capital value in existing state as at January 31, 2011 RMB
15. Shop 688 on Level 6 MIXC Shopping Mall Jiangan District Hangzhou City Zhejiang Province the PRC	No commercial value
16. West Block of Level 2 Shanghai Galaxy Hotel No. 888 Zhongshan West Road Shanghai the PRC	No commercial value
17. Warehouse on Basement Level 2 Shanghai Galaxy Hotel No. 888 Zhongshan West Road Shanghai the PRC	No commercial value
18. Room 401 No.1 2055 Nong Yanan West Road Zhangning District Shanghai the PRC	No commercial value
19. No. 10 Building 1488 Nong Zhangning Road Shanghai the PRC	No commercial value
20. Room 201 No. 9 1030 Nong Zhongshan West Road Zhangning District Shanghai the PRC	No commercial value

No. Property	Capital value in existing state as at January 31, 2011 RMB
21. Room 601 No. 2 133 Nong Xianxia Road Zhangning District Shanghai the PRC	No commercial value
22. Room 203 No. 3 Lian Jian Xin Cun Zunyi Road Shanghai the PRC	No commercial value
23. Room 110 No. 2 2055 Nong Yanan West Road Zhangning District Shanghai the PRC	No commercial value
24. Room 102 No. 28 Tian Shan San Cun Zhangning District Shanghai the PRC	No commercial value
25. Room 1001 No. 1855 Tianshan Road Shanghai the PRC	No commercial value
26. Levels 1-4 No. 555 Dalian Road Shanghai the PRC	No commercial value
27. East Building No. 7 29 Nong Longkou Road Yangpu District Shanghai the PRC	No commercial value

No.	Property	Capital value in existing state as at January 31, 2011 RMB
28.	Room 801 No. 10 20 Nong Baoding Road Shanghai The PRC	No commercial value
29.	Room 1705 Zhoujiazui road Shanghai the PRC	No commercial value
30.	Room 2205 Zhonghe Finance Building No. 1 1220 Nong Zhoujiazui Road Shanghai the PRC	No commercial value
31.	Level 3 Jinjiang Dickson Commercial Building No. 400 Zhangyue Road Shanghai the PRC	No commercial value
32.	Room 101 No. 208 1213 Nong Nanjing West Road Shanghai the PRC	No commercial value
33.	Room 527 B206 Yanan Central Road Luwan District Shanghai the PRC	No commercial value

No.	Property	Capital value in existing state as at January 31, 2011 RMB
34.	No. 20 169 Nong Zhangyue Road Luwan District Shanghai the PRC	No commercial value
35.	No. 15 Building 138 Nong Jinxian Road Luwan District Shanghai the PRC	No commercial value
36.	No. 28 913 Nong Yanan Central Road Jingan District Shanghai the PRC	No commercial value
37.	Room 101 No. 29 434 Nong Zhangyue Road Shanghai the PRC	No commercial value
38.	No. 19 178 Nong Nan Chang Road Shanghai the PRC	No commercial value
39.	Room 1602 No. 849 Yanan Central Road Shanghai the PRC	No commercial value

No.	Property	Capital value in existing state as at January 31, 2011 RMB
40.	Room 303 No. 501 Yanan West Road Changning District Shanghai the PRC	No commercial value
41.	Level 1 No. 15 186 Nong Shanxi South Road Xuhui District Shanghai the PRC	No commercial value
42.	Level 3 No. 21 545 Nong Yanan Central Road Shanghai the PRC	No commercial value
43.	Level 1 No. 21 545 Nong Yanan Central Road Shanghai the PRC	No commercial value
44.	Room 14 434 Nong Zhangyue Road Shanghai the PRC	No commercial value
45.	Levels 1 and 2 and a portion on Level B1 Sky Fortune Boutique Hotel Shanghai No. 358 Hongxu Road Shanghai the PRC	No commercial value

No.	Property	Capital value in existing state as at January 31, 2011 RMB
46.	Room 501 No. 12 940 Nong Wuzhong Road Shanghai the PRC	No commercial value
47.	Room 503 No. 17 2669 Nong Hongmei Road Minxing District Shanghai the PRC	No commercial value
48.	Room 502 No. 9 830 Nong Wuzhong Road Shanghai the PRC	No commercial value
49.	Portions of Level 1 and 2 on No. 1 Building No. 103 Dongzuanbang Road Changning District Shanghai the PRC	No commercial value
50.	Room 504 No. 4 158 Nong Dongzuanbang Road Shanghai the PRC	No commercial value
51.	Rooms 1901, 1903 and 1904 No. 2 5 Nong Fanyu Road Shanghai the PRC	No commercial value

No.	Property	Capital value in existing state as at January 31, 2011 RMB
52.	Room 202 No. 21 180 Nong Dongzhuang Road Shanghai the PRC	No commercial value
53.	Room 201 No. 6 165 Nong Dongzhuang Road Shanghai the PRC	No commercial value
54.	Room 502 No. 11 40 Zhi Nong 502 Nong Jiangsu Road Shanghai the PRC	No commercial value
55.	Room 203, No. 30 165 Nong Dongzhuang Road Changning District Shanghai the PRC	No commercial value
56.	Room 301, No. 7 180 Nong Dongzhuang Road Changning District Shanghai the PRC	No commercial value
57.	Room 303, No. 65 Dongzhuang Road Shanghai the PRC	No commercial value

No.	Property	Capital value in existing state as at January 31, 2011 RMB
58.	Room 404, No. 6 75 Nong Dongzhuang Road Changning District Shanghai the PRC	No commercial value
59.	Room 309 No. 28 499 Nong Jiangsu Road Shanghai the PRC	No commercial value
60.	Room 101 No. 17 165 Nong Dongzhuang Road Shanghai the PRC	No commercial value
61.	Room 501 No. 26 2899 Nong Honghe Road Shanghai the PRC	No commercial value
62.	Room 501 No. 8 405 Nong Xizhuangbin Road Changning District Shanghai the PRC	No commercial value
63.	Room 102 No. 59 450 Nong Fuquan Road Shanghai the PRC	No commercial value

No.	Property	Capital value in existing state as at January 31, 2011 RMB
64.	Room 802 No. 3 380 Nong Anshun Road Changning District Shanghai the PRC	No commercial value
65.	Room 101 No. 108 Kaixuan Road Changning District Shanghai the PRC	No commercial value
66.	Shop Nos. 11-13 Level 6 No. 168 Lujiazui West Road Pudong New District Shanghai the PRC	No commercial value
67.	Room 1406 No. 335 Dong Yuan Yi Cun Pudong New District Shanghai the PRC	No commercial value
68.	Rooms 204 - 205 No. 2575 Nong Pudong South Road Shanghai the PRC	No commercial value
69.	Rooms 204 - 205 No. 121 Dong Yuan Yi Cun Shanghai the RPC	No commercial value
70.	Room 501 No. 3310 Nong Laoshan Road Shanghai the PRC	No commercial value

No. Property	Capital value in existing state as at January 31, 2011 RMB
71. Room 19 Level 4 No. 25 Er Cun Laoshan Road Shanghai the PRC	No commercial value
72. Room 203 No. 79 Nong Rongcheng Road Shanghai the PRC	No commercial value
73. No. 2 33 Nong Zhangjiefang Road Pudong New District North Shanghai the PRC	No commercial value
74. Unit 501, No. 51 Xu Jia Ting Qi Chang Zhan Pudong New District Shanghai the PRC	No commercial value
75. No. 2 Plant No. 158 Huguang East Road Mei Lian Gong Yeyuan District Shanghai the PRC	No commercial value
76. Room 306 No. 520 1 Nong Chuansha Road Pudong New District Shanghai the PRC	No commercial value

No. Property	Capital value in existing state as at January 31, 2011 RMB
77. West portion of Level1 Building 4-5 Hong Ling Building Hongling South Road Futian District Shenzhen the PRC	No commercial value
78. Units 3138, 3148, 3158, 3178 on Level 3 Shenzhen Cinema Zhonghai Commercial 1 Xinyuan Road Luohu District Shenzhen the PRC	No commercial value
79. Room 103 Building 2 Dong Yuan Xin Cun Shenzhen the PRC	No commercial value
80. Rooms 202, 306, 406, 505, 602, and 605 Lihua Building Shenzhen the PRC	No commercial value
81. Unit 1 on Level 6 Shenzhen Cinema Zhonghai Commercial 1 Xinyuan Road Luohu District Shenzhen the PRC	No commercial value
82. No. 41 1 Lane Guiyuan Road Luohu District Shenzhen the PRC	No commercial value

No. Property	Capital value in existing state as at January 31, 2011 RMB
83. Level 511 Dong No. 10 Guiyuan Road West Luohu District Shenzhen the PRC	No commercial value
84. Units 2008, 2018, 2028, 2038, 2048, 2058, 2068, 2078, 2088, 2098, 2248, 2258, 2308, 2318, 2348, 2358, 2418, 2428, 2438, 2448, 2458, 2468 Shenzhen Cinema Zhonghai Commercial No. 1 Xinyuan Road Luohu District Shenzhen the PRC	No commercial value
85. Unit 4001 Shenzhen Cinema Zhonghai Commercial No. 1 Xinyuan Road Luohu District Shenzhen the PRC	No commercial value
86. Room 606 10 Dong No. 10 Guo Yuan East Guiyuan Road Luohu District Shenzhen the PRC	No commercial value
87. Unit 13B Block B Baoli Building Baolan South Road Luohu District Shenzhen the PRC	No commercial value

No.	Property	Capital value in existing state as at January 31, 2011 RMB
88.	No. 2 Guoyuan East Guiyuan Road Luohu District Shenzhen the PRC	No commercial value
89.	Rooms 302 and 602 Block 8 No. 10 Guoyuan East Guiyuan Road Luohu District Shenzhen the PRC	No commercial value
90.	Shop Nos. 2101-2103 and 2105-2108 Level 2B Block H, Expo Square Dongcheng District Dongguan City Guangdong Province the PRC	No commercial value
91.	Shop Nos. 3106, 3107, 3108, 4106, 4107 and 4108 Level 3 & 4 Block H Expo Square Dongcheng District Dongguan City Guangdong Province the PRC	No commercial value
92.	Room 407 Fenghua Court Xiang Bing Shi Dai Dongguan City Guangdong Province the PRC	No commercial value

No. Property	Capital value in existing state as at January 31, 2011 RMB
93. Levels 4 - 8 Nos. 13 - 175 Xiang Zhongyang Road East Shan Wo Ling Dongcheng District Dongguan City Guangdong Province the PRC	No commercial value
94. Unit 2A Block 2 Yulin Court Dongcheng Center Dongcheng District Dongguan City Guangdong Province the PRC	No commercial value
95. Unit 3A, Block 7 Weinisi Court Dongcheng District Dongguan City Guangdong Province the PRC	No commercial value
96. Unit 6D, Block 1 Meigui Court Dongcheng Center Dongguan City Guangdong Province the PRC	No commercial value
Sub-total:	<u>Nil</u>

Group II — Property interest rented and occupied by the Group after the data of valuation in the PRC

No. Property	Capital value in existing state as at January 31, 2011 <i>RMB</i>
97. Shop No. 1 Level 5 Beijing New World Centre Chongwenmenwai Avenue Dong Cheng District Beijing the PRC	No commercial value
98. No. 12 Building Cangnan Hutong Jia Beijing the PRC	No commercial value
99. Room 14-1-501 Guorui City Central District Chongwen District Beijing the PRC	No commercial value
100. Room 2501 Block C Jiarun Garden No. 19 Guangshunnan Avenue Chaoyang District Beijing the PRC	No commercial value
101. West Unit 2-7 No. 12 Building No. 10 Taijichangtoutiao Courtyard Dongcheng District Beijing the PRC	No commercial value
102. Unit 1, Room 601 No. 6 Building Donghua City South Lane Eastern District Chongwen District Beijing the PRC	No commercial value

No. Property	Capital value in existing state as at January 31, 2011
	<i>RMB</i>
103. Unit 1-504 No. 17 Building Gao Long Dushi Xinyuan Chongwen District Beijing the PRC	No commercial value
104. Room 302 No. 3 Building No. 33 Courtyard Zhongguancun South Avenue Haidian District Beijing the PRC	No commercial value
105. Level 4 No. 33 Zhongguancun South Avenue Haidian District Beijing the PRC	No commercial value
106. Two units located at Xinyi Jiayuan Chongwen District Beijing the PRC	No commercial value
107. Unit 201 of Entrance 3 Block 12 Anyuan Lane Chaoyang District Beijing the PRC	No commercial value
108. Unit 311 of Entrance 3 Block 1 Qianmen East Avenue Dongcheng District Beijing the PRC	No commercial value

No. Property	Capital value in existing state as at January 31, 2011
	<i>RMB</i>
109. No. 440 Huanzhen West Road Huan Town Minxing District Shanghai the PRC	No commercial value
110. Room 703 No. 24 Rong 165 Dongzhu Anbin Road Changning District Shanghai the PRC	No commercial value
111. Unit 917 No. 600 Dongchang Road Pudong New District Shanghai the PRC	No commercial value
112. Unit 302 of Block 3 Guoyuan West Guiyuan Road Lowu District Shenzhen the PRC	No commercial value

Group III — Property interest rented and occupied by the Group in Hong Kong

No. Property	Capital value in existing state as at January 31, 2011
	<i>RMB</i>
113. Unit 3 on 10th Floor Greenfield Tower Concordia Plaza No. 1 Science Museum Road Kowloon Hong Kong	No commercial value
	Sub-total: <u><u>Nil</u></u>
	Total: <u><u>Nil</u></u>

VALUATION CERTIFICATE

Group I — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
1.	West Portion of Level 1 China Women Activity Center No. 19 Jianguomennei Avenue Dongcheng District Beijing the PRC	<p>The property comprises a unit on Level 1 of a 11-storey hotel building completed in about 1954 and refurbished in 2008.</p> <p>The property has a gross floor area of approximately 809 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Haoyuan Tang Palace Seafood Restaurant Co., Ltd (北京好苑唐宮海鮮坊有限公司), as Lessee and China Women Activity Center (中國婦女活動中心), as Lessor an independent third party, the property is leased by the Group for a term of commencing from July 2010 and expiring on January 31, 2012 at rental of RMB850,900 for the period between July 2010 and January 2011 and RMB1,531,600 for the period between February 2011 and January 2012 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. The property is designated for office use, while both parties agree on the use of the property as a restaurant in the Tenancy Agreement. As there are currently no particular laws and regulations that regulate the use of a leased property, we believe that the Tenancy Agreement is legally enforceable. However, in the event that the relevant authorities will enforce the use of the leased property according to designated purpose, the Lessee will not be able to continue to lease the property of operating a restaurant.
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
2.	Level 3 Block A Novotel Xinqiao Beijing No. 2 Dongjiaominxiang (now known as Chongwenmen Road North Western side) Dongcheng District Beijing the PRC	<p>The property comprises units on Level 3 of a 14-storey hotel building completed in about 1954.</p> <p>The property has a gross floor area of approximately 890 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Well Excellent Tang Palace F&B. Co. Ltd (北京維華唐宮飲食有限公司), as Lessee and Beijing Xinqiao Hotel Co., Ltd (北京新僑飯店有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 5 years commencing from September 1, 2008 and expiring on December 31, 2013 at a rental of RMB85,400 per month between September 1, 2008 and December 31, 2008, RMB1,100,000 per annum till December 31, 2010 and rental to increase by 5% per annum thereafter exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
3.	Level 2 Block A Novotel Xinqiao Beijing No. 2 Dong Jiao Min Xiang (now known as Chongwenmen Road North Western side) Dongcheng District Beijing the PRC	<p>The property comprises units on Level 2 of a 14-storey hotel building completed in about 1954.</p> <p>The property has a gross floor area of approximately 617.48 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Well Excellent Tang Palace F&B. Co. Ltd (北京維華唐宮飲食有限公司), as Lessee and Beijing Xinqiao Hotel Co., Ltd (北京新僑飯店有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 5 years commencing from November 18, 2009 and expiring on December 31, 2014 at a rental of RMB763,200 per annum till December 31, 2012 with rental to increase 5% per annum thereafter exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
4.	Level 1 Xi Zang Building No. 118 North Forth Ring East Road Chaoyang District Beijing the PRC	<p>The property comprises units on Level 1 of a 12-storey commercial building completed in about 1998 and refurbished in 2002.</p> <p>The property has a gross floor area of approximately 1,100 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Well Excellent Tong Palace Restaurant Co., Ltd (北京維華唐宮海鮮舫有限公司), as Lessee and (西藏鑫珠寶業有限責任公司北京西藏大廈), as Lessor an independent third party, the property is leased by the Group for a term commencing from July 1, 2010 and expiring on May 31, 2012 at a rental of RMB289,375 for the period between July 2010 and September 2010, RMB1,215,500 for the period between October 2010 and September 2011 and RMB850,800 between October 2011 and May 2012 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
5.	Shop Space on Level 1 and Room 213 Beijing City Minzu Hotel No. 51 Fuxingmennei Avenue Xicheng District Beijing the PRC	<p>The property comprises units on Levels 1 and 2 of a 11-storey hotel building completed in about 1959 and refurbished in 2005.</p> <p>The property has a gross floor area of approximately 1,366.8 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Minzu Tang Palace Seafood Restaurant Co., Ltd. (北京民族唐宮海鮮舫有限公司), as Lessee and Beijing Capital Travel Company Limited Beijing Minzu Hotel (北京首都旅遊股份有限公司北京市民族飯店), as Lessor an independent third party, the property is leased by the Group for a term of 5 years commencing from January 1, 2009 and expiring on December 31, 2013 at rental of RMB2,900,000 per annum exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant and auxiliary office purposes.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
6.	Level 2 Hotel Nikko New Century Beijing No. 6 Southern Road Capital Stadium Haidian District Beijing the PRC	<p>The property comprises units on Level 2 of a 30-storey hotel building completed in about 1992 and refurbished in 2007.</p> <p>The property has a gross floor area of approximately 1,700 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing New Century Tang Palace Seafood Restaurant Co., Ltd. (北京新世紀唐宮海鮮舫有限公司), as Lessee and Beijing New Century Hotel Ltd (北京新世紀飯店有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 10 years commencing from July 2010 and expiring on December 31, 2015 at rental of RMB240,000 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
7.	Level 3 Building No. 4 Shopping Center No. 6 Futong East Avenue Chaoyang District Beijing the PRC	<p>The property comprises units on level 3 of a 4-storey shopping center completed in about 2008.</p> <p>The property has a gross floor area of approximately 2,456 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Excellent Tang Palace F&B Co., Ltd. (北京盛世唐宮飲食有限公司), as Lessee and Beijing Fangheng Land Co., Ltd. (北京方恆置業股份有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 10 years commencing from January 1, 2009 and expiring on March 22, 2018 at a rental of RMB5,157 per day for the period between January 1, 2009 and March 22, 2010, RMB5,672.7 per day for the period between March 23, 2010 and March 22, 2012, RMB6,016.5 per day for the period between March 23, 2012 and March 22, 2014, RMB6,635.34 per day for the period between March 23, 2014 and March 22, 2016 and RMB3,460,258.4 thereafter exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
8.	Shop No. 07 Level 8 Chaoyang Joy City Chaoyang District Beijing the PRC	<p>The property comprises a unit on level 8 of a 12-storey shopping center completed in about 2010.</p> <p>The property has a gross floor area of approximately 132 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Vital Pepper (Beijing) Management Co. Ltd. (活力胡椒(北京)餐飲管理有限公司), as Lessee and Beijing Hong Tai Ji Ye Real Estate Limited (北京弘泰基業房地產有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 10 years commencing from May 31, 2010 at a rental of RMB844.8 per day for the period between May 30, 2010 and May 30, 2011, RMB929.28 per day for the period between May 31, 2011 and April 30, 2011, RMB1,021.68 per day for the period between May 1, 2014 and May 30, 2017, RMB1,124.64 per day for the period between May 31, 2017 and May 30, 2020 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
9.	Shop Space on Level 1 Outlets Mall No. 1 Yaojiayuan Road Chaoyang District Beijing The PRC	<p>The property comprises a unit on Level 1 of a 5-storey shopping mall building completed in about 2008.</p> <p>The property has a gross floor area of approximately 174.79 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Tang Palace Food Co., Ltd. (活力胡椒(北京)餐飲管理有限公司), as Lessee and Beijing Ping Fang Qingnian Road Car Commercial City (北京平房青年路汽車商貿城), as Lessor an independent third party, the property is leased by the Group for a term of 10 years commencing from December 25, 2010 and expiring on December 24, 2020 at a monthly rental of RMB53,166 in the first and second year, RMB58,483 in the third and fourth year, RMB64,331 in the fifth and sixth year, RMB 70,764 in the seventh and eighth year and RMB77,841 in the ninth and tenth year exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purposes.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
10.	Shop No. 02 Level 9 Chaoyang Joy City Chaoyang District Beijing the PRC	<p>The property comprises a unit on level 9 of a 12-storey shopping center completed in about 2010.</p> <p>The property has a gross floor area of approximately 2,666 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Chaobei Tang Palace F&B Co., Ltd. (北京朝北唐宮海鮮舫飲食有限公司), as Lessee and Beijing Hong Tai Ji Ye Real Estate Limited (北京弘泰基業房地產有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 10 years commencing from June 1, 2010 at a rental of RMB7,544.78 per day for the first-three year, RMB7,944.68 per day for the second-three years, RMB8,451.22 per day for the remaining years plus a turnover rent of 7% if monthly turnover exceeds RMB5,000,000 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
11.	B621A, B621B, B624A and B624B Level 6 Block B Beijing Novotel Xinqiao Hotel Beijing the PRC	<p>The property comprises 4 units on Level 6 of a 14-storey hotel building completed in about 1940s.</p> <p>The property has a total gross floor area of approximately 88.34 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Tang Palace Food Co., Ltd. (活力胡椒(北京)餐飲管理有限公司), as Lessee and Beijing Novotel Xinqiao Hotel (北京新僑諾富特飯店), as Lessor an independent third party, the property is leased by the Group for a term of commencing from December 18, 2010 and expiring on December 17, 2013 at rental of RMB14,311 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in according with PRC Laws;
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
12.	Shop No. 11b Basement Level 1 Block B Ginza Mall No. 48 Dongzhimenwai Avenue Dongcheng District Beijing the PRC	<p>The property comprises a unit on Basement Level 1 of a 5-storey commercial building completed in about 2007.</p> <p>The property has a gross floor area of approximately 108 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Tang Palace Food Co., Ltd. (活力胡椒(北京)餐飲管理有限公司), as Lessee and MTR (Beijing) Commercial Facilities Management Ltd. (港鐵(北京)商業設施管理有限公司), as Lessor an independent third party, the property is leased by the Group for a term of commencing from January 20, 2011 and expiring on January 19, 2016 at rental of RMB33,480 per month for the first year, RMB34,560 per month for the second year, RMB35,640 per month for the third year, RMB36,720 per month for the fourth year, RMB 37,800 per month for the fifth year or turnover rent before tax of 12% whichever is higher exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in according with PRC Laws;
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
13.	Shop No. 16d Basement Level 1 Block B Ginza Mall No. 48 Dongzhimenwai Avenue Dongcheng District Beijing the PRC	<p>The property comprises a unit on Basement Level 1 of a 5-storey commercial building completed in about 2007.</p> <p>The property has a gross floor area of approximately 28 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Tang Palace Food Co., Ltd. (活力胡椒(北京)餐飲管理有限公司), as Lessee and MTR (Beijing) Commercial Facilities Management Ltd. (港鐵(北京)商業設施管理有限公司), as Lessor an independent third party, the property is leased by the Group for a term of commencing from January 20, 2011 and expiring on January 19, 2016 at rental of RMB15,400 per month for the first year, RMB15,680 per month for the second year, RMB15,960 per month for the third year, RMB16,240 per month for the fourth year, RMB 16,520 per month for the fifth year or turnover rent before tax of 12% whichever is higher exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in according with PRC Laws;
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
14.	Level 5 Matro Shopping Mall No. 245 Guanqian Street Pingjiang District Suzhou City Jiangsu Province the PRC	<p>The property comprises a unit on level 5 of a 5-storey commercial building completed in about 1995.</p> <p>The property has a gross floor area of approximately 1,960 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Suzhou Well Excellent Tang Palace Seafood Restaurant Co. Ltd. (蘇州維華唐宮海鮮有限公司), as Lessee and Suzhou Function Group Limited (蘇州函數集團有限責任公司), as Lessor an independent third party, the property is leased by the Group for a term of 10 years commencing from November 1, 2009 and expiring on October 31, 2019 at a rental of RMB7,197.95 per day for the period between November 1, 2009 and October 31, 2012 and rental to increase by 5% per year thereafter exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
15.	Shop 688 Level 6 MIXC Shopping Mall Jianggan District Hangzhou City Zhejiang Province the PRC	<p>The property comprises a unit on level 6 of a 6-storey composite building completed in about 2010.</p> <p>The property has a gross floor area of approximately 3,248 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Tang Palace Food and Beverage Group Company Limited (唐宮飲食集團有限公司), as Lessee and China Resources Sun Hung Kai Properties (Hangzhou) Co., Ltd. (華潤新鴻基房地產(杭州)有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 8 years commencing from July 5, 2010 and expiring on July 4, 2018 at a rental of RMB84,369.50 per month for the period between July 5, 2010 and July 4, 2012, RMB134,381.30 per month for the period between July 5, 2012 and July 4, 2014, RMB149,425.5 per month for the period between July 5, 2014 and July 4, 2016 and RMB184,393.1 per month thereafter exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. The Tenancy Agreement has been registered with the relevant authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
16.	West Block of Level 2 Shanghai Galaxy Hotel Podium No. 888 Zhongshan West Road Shanghai the PRC	<p>The property comprises a unit on Level 2 of a 28-storey hotel building completed in about 1989.</p> <p>The property has a gross floor area of approximately 1,605 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongqiao Tang Palace Seafood Restaurant Co., Ltd. (上海紅橋唐宮海鮮舫有限公司), as Lessee and Shanghai Galaxy Hotel Ltd. (上海銀河賓館有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 5 years commencing from January 1, 2011 and expiring on December 31, 2015 at a rental of RMB2,640,000 per year for the period between January 1, 2011 and December 31, 2012 and rental to increase by 3% per year thereafter exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
17.	Warehouse on the basement Level 2 Shanghai Galaxy Hotel No. 888 Zhongshan West Road Shanghai the PRC	<p>The property comprises a unit on Basement Level 2 of a 28-storey hotel building completed in about 1989.</p> <p>The property has a gross floor of approximately 75 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongqiao Tang Palace Seafood Restaurant Co., Ltd. (上海紅橋唐宮海鮮舫有限公司), as Lessee and Shanghai Galaxy Hotel Ltd. (上海銀河賓館有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 4.5 years commencing from April 1, 2008 and expiring on December 31, 2012 at a rental of RMB2,200 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for warehouse purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
18.	Room 401 No. 1 2055 Nong Yanan West Road Zhangning District Shanghai the PRC	<p>The property comprises a unit on Level 4 of a 6-storey residential building completed in about 1980s.</p> <p>The property has a gross floor area of approximately 73.7 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongqiao Tang Palace Seafood Restaurant Co., Ltd. (上海紅橋唐宮海鮮舫有限公司), as Lessee and Gu Lei (顧雷), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from March 13, 2011 and expiring on March 12, 2012 at a rental of RMB3,400 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
19.	No. 10 Building 1488 Nong Zhangning Road Shanghai the PRC	<p>The property comprises a unit on Levels 2 and 5 of a 7-storey composite building completed in about 2005.</p> <p>The property has a gross floor area of approximately 200 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongqiao Tang Palace Seafood Restaurant Co., Ltd. (上海紅橋唐宮海鮮舫有限公司), as Lessee and Shanghai Zisu Business Consultancy Limited (上海子溯商務諮詢有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from March 20, 2010 and expiring on March 19, 2011 at a rental of RMB39,900 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises.
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
20.	Room 201 No. 9 1030 Nong Zhongshan West Road Zhangning District Shanghai the PRC	<p>The property comprises a unit on Level 2 of a 6-storey residential building completed in about 1979.</p> <p>The property has a gross floor area of approximately 50.34 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongqiao Tang Palace Seafood Restaurant Co., Ltd. (上海紅橋唐宮海鮮舫有限公司), as Lessee and Zhong Xiao Rong (仲曉蓉), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from March 1, 2011 and expiring on February 27, 2012 at a rental of RMB2,700 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises.
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
21.	Room 601 No. 2 133 Nong Xianxia Road Zhangning District Shanghai the PRC	<p>The property comprises a unit on Level 6 of a 6-storey residential building completed in about 1982.</p> <p>The property has a gross floor area of approximately 36.28 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongqiao Tang Palace Seafood Restaurant Co., Ltd. (上海紅橋唐宮海鮮舫有限公司), as Lessee and Yin Guo Qing (殷國慶), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from May 21, 2010 and expiring on May 20, 2011 at a rental of RMB1,800 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
22.	Room 203 No.3 Lian Jian Xin Cun Zunyi Road Shanghai the PRC	<p>The property comprises a unit on Level 2 of a 6-storey residential building completed in about 1980s.</p> <p>The property has a gross floor area of approximately 61.5 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongqiao Tang Palace Seafood Restaurant Co., Ltd. (上海紅橋唐宮海鮮舫有限公司), as Lessee and Si Qing Wei and Cai Yi Ben (施慶偉、蔡一本), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from July 28, 2010 and expiring on July 27, 2011 at a rental of RMB2,660 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises.
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
23.	Room 110 No. 2 2055 Nong Yanan West Road Zhangning District Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 5-storey residential building completed in about 1980s.</p> <p>The property has a gross floor area of approximately 12.1 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongqiao Tang Palace Seafood Restaurant Co., Ltd. (上海紅橋唐宮海鮮舫有限公司), as Lessee and Ju Rong Di (居榮娣), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from January 10, 2011 and expiring on January 9, 2012 at a rental of RMB1,500 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises.
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
24.	Room 102 No. 28 Tian Shan San Cun Zhangning District Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 5-storey residential building completed in about 1980s.</p> <p>The property has a gross floor area of approximately 45.46 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongqiao Tang Palace Seafood Restaurant Co., Ltd. (上海紅橋唐宮海鮮舫有限公司), as Lessee and Du Ren De (杜仁德), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from April 6, 2010 and expiring on April 5, 2011 at a rental of RMB3,450 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises.
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
25.	Room 1001 No. 1855 Tianshan Road Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 18-storey residential building completed in about 1980s.</p> <p>The property has a gross floor area of approximately 67.4 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongqiao Tang Palace Seafood Restaurant Co., Ltd.(上海紅橋唐宮海鮮有限公司), as Lessee and Du Hua Fang (杜華放), as Lessor an independent third party, the property is leased by the Group for a term of 1 years commencing from January 4, 2011 and expiring on January 3, 2012 at a rental of RMB3,680 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises.
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
26.	Levels 1-4 No. 555 Dalian Road Shanghai the PRC	<p>The property comprises units on Levels 1 - 4 of a 4-storey commercial building completed in about 2007.</p> <p>The property has a total gross floor area of approximately 2,592.71 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongkou Tang Place Seafood Restaurant Co., Ltd. (上海虹口唐宮海鮮有限公司), as Lessee and Shanghai Haide Land Limited (上海鴻德置業有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 10 years commencing from January 1, 2008 and expiring on December 31, 2017 at rental of RMB150,000 per month for the period between January 1, 2008 and December 31, 2011, RMB200,000 per month for the period between January 1, 2012 and December 31, 2015 and RMB208,333.30 thereafter exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. The Tenancy Agreement has been registered with the relevant authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
27.	East Building No. 7 29 Nong Longkou Road Yangpu District Shanghai the PRC	<p>The property comprises units on Levels 2, 3 and 4 of a 4-storey commercial building completed in about 1960s.</p> <p>The property has a total gross floor area of approximately 550 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongkou Tang Palace Seafood Restaurant Co., Ltd. (上海虹口唐宮海鮮舫有限公司), as Lessee and Shanghai Wangshiju Building Material Co., Ltd (上海旺飾居建材有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 2 years commencing from August 1, 2009 and expiring on July 31, 2011 at rental of RMB25,233.33 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
28.	Room 801 No. 10 20 Nong Baoding Road Shanghai The PRC	<p>The property comprises a unit on Level 8 of a 8-storey residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 75.10 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongkou Tang Palace Seafood Restaurant Co., Ltd. (上海虹口唐宮海鮮舫有限公司), as Lessee and Chen Xian Fa (陳賢發), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from March 31, 2010 and expiring on March 31, 2011 at rental of RMB3,200 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
29	Room 1705 Zhoujiazui Road Shanghai the PRC	<p>The property comprises a unit on Level 17 of a 24-storey residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 110.85 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongkou Tang Palace Seafood Restaurant Co., Ltd. (上海虹口唐宮海鮮舫有限公司), as Lessee and Zhang Zhao Min and Jiang Rong Mei (張兆敏、江榮妹), as Lessor an independent third party, the property is leased by the Group for a term of 2 years commencing from January 1, 2010 and expiring on December 31, 2011 at rental of RMB3,800 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
30.	Room 2205 Zhonghe Finance Building No. 1 1220 Nong Zhoujiazui Road Shanghai the PRC	<p>The property comprises a unit on Level 22 of a 28-storey residential building completed in about 2000.</p> <p>The property has a gross floor area of approximately 109 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Hongkou Tang Palace Seafood Restaurant Co., Ltd. (上海虹口唐宮海鮮舫有限公司), as Lessee and Chen Yu (陳煜), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from January 10, 2011 and expiring on January 9, 2012 at rental of RMB3,500 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
31.	Level 3 Jinjiang Dickson Commercial Building No. 400 Zhangyue Road Shanghai the PRC	<p>The property comprises units on Level 3 of a 5-storey commercial building completed in about 2006.</p> <p>The property has a total gross floor area of approximately a): 1,462 sq.m. and b): 344 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd. (上海維華唐宮餐飲有限公司), as Lessee and Shanghai Jinjiang Dickson Centre Co., Ltd (上海錦江迪生商廈有限公司), as Lessor an independent third party, the property a) is leased by the Group for a term of 10 years commencing from August 1, 2008 and expiring on November 30, 2018 at rental of RMB173,375 per month for the period between December 1, 2008 and November 30, 2011, RMB182,044 per month for the period between December 1, 2011 and November 30, 2014, RMB191,290 per month for the period between December 1, 2014 and November 30, 2017 and RMB200,826 per month thereafter and b) is leased by the Group for a term of 9 years commencing from April 10, 2009 and expiring on November 30, 2018 at a rental of RMB44,089 per month between June 1, 2009 and May 31, 2012, RMB46,327 per month for the period between June 1, 2012 and May 31, 2015, RMB48,634 per month for the period between June 1, 2015 and May 31, 2018, RMB51,075 per month for the period between June 1, 2018 and November 30, 2018 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor is the legal owner of the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws; and
 - b. The leased property has been used for its designated usage; and
 - c. The Tenancy Agreement has been registered with the relevant authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
32.	Room 101 No. 208 1213 Nong Nanjing West Road Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 7-storey residential building completed in about 1997.</p> <p>The property has a gross floor area of approximately 70.79 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd. (上海維華唐宮餐飲有限公司), as Lessee and Zhang Yi Jie (張怡潔), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from March 29, 2010 and expiring on March 28, 2011 at rental of RMB4,200 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
33.	Room 527 B206 Yanan Central Road Luwan District Shanghai the PRC	<p>The property comprises a unit on Level 2 of a 2-storey residential building completed in about 1950s.</p> <p>The property has a gross floor area of approximately 54.35 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd. (上海維華唐宮餐飲有限公司), as Lessee and Chu Xiao Ling (朱小玲), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from January 23, 2011 and expiring on January 22, 2012 at rental of RMB3,000 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
34.	No. 20 169 Nong Zhangyue Road Luwan District Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 3-storey residential building completed in about 1970s.</p> <p>The property has a gross floor area of approximately 18 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd. (上海維華唐宮餐飲有限公司), as Lessee and Xia Chun Di (夏春弟), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from January 3, 2011 and expiring on January 2, 2012 at rental of RMB2,500 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
35.	No. 15 Building 138 Nong Jinxian Road Luwan District Shanghai the PRC	<p>The property comprises 2 units on Level 1 of a 2-storey residential building completed in about 1950s.</p> <p>The property has a gross floor area of approximately are 22 sq.m. and 24 sq.m. respectively.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd. (上海維華唐宮餐飲有限公司), as Lessee and Qian Fang Fang, (錢芳芳) and Qian Min Xin and He Hui Ying (錢民新, 何慧英) respectively, as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from December 15, 2010 and expiring on December 14, 2011 and 1 year commencing from September 25, 2010 and expiring on September 24, 2011 at rental of RMB1,420 per month and RMB1,480 per month respectively exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
36.	No. 28 913 Nong Yanan Central Road Jingan District Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 2-storey residential building completed in about 1940s.</p> <p>The property has a gross floor area of approximately 16.80 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd. (上海維華唐宮餐飲有限公司), as Lessee and Chen Guo Qiang (陳國強), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from December 28, 2010 and expiring on December 27, 2011 at rental of RMB2,150 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
37.	Room 101 No. 29 434 Nong Zhangyue Road Shanghai the PRC	<p>The property comprises units on Level 1 of a 5-storey residential building completed in about 2002.</p> <p>The property has a gross floor area of approximately 57 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd. (上海維華唐宮餐飲有限公司), as Lessee and Bu Yuan Shen (卜元申), as Lessor an independent third party, the property is leased by the Group for a term of 2 years commencing from November 10, 2009 and expiring on November 9, 2011 at rental of RMB3,200 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
38.	No. 19 178 Nong Nan Chang Road Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 3-storey residential building completed in about 1960s.</p> <p>The property has a gross floor area of approximately 50 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd. (上海維華唐宮餐飲有限公司), as Lessor and He Li Zhen (何利貞), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from November 10, 2010 and expiring on November 9, 2011 at rental of RMB3,600 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
39.	Room 1602 No. 849 Yanan Central Road Shanghai the PRC	<p>The property comprises a unit on Level 16 of a 24-storey residential building completed in about 1989.</p> <p>The property has a total gross floor area of approximately 69.82 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd. (上海維華唐宮餐飲有限公司), as Lessor and Chen Wen Mei (陳文梅), as Lessor an independent third party, the property is leased by the Group for a term of 2 years commencing from November 15, 2009 and expiring on November 14, 2011 at rental of RMB3,700 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
40.	Room 303 No. 501 Yanan West Road Changning District Shanghai the PRC	<p>The property comprises a unit on Level 3 of a 22-storey residential building completed in about 1994.</p> <p>The property has a gross floor area of approximately 61.8 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮舫有限公司), as Lessee and Xin Pei Qin (忻佩琴), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from November 15, 2010 and expiring on November 14, 2011 at rental of RMB3,500 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The property is jointly owned by Luo Hong (羅洪), Luo Xin Ping (羅欣平) and the Lessor. However, the subject property is erected on the allocated land. According to the relevant PRC Laws, prior approval from the relevant city/county government is needed to obtain the right to lease the allocated land/building(s) erected on the allocated land however, the tenancy agreement has not obtain such approval, the agreement would be invalid, the lessee may have a risk to be vacated from the premises;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
41.	Level 1 No. 15 186 Nong Shanxi South Road Xuhui District Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 2-storey residential building completed in about 1940s.</p> <p>The property has a gross floor area of approximately 38 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd. (上海維華唐宮餐飲有限公司), as Lessee and Zhang Pei Jia (張培嘉), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from January 1, 2011 and expiring on December 31, 2011 at rental of RMB3,800 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
42.	Level 3 No. 21 545 Nong Yanan Central Road Shanghai the PRC	<p>The property comprises a unit on Level 3 of a 3-storey residential building completed in about 1950s.</p> <p>The property has a gross floor area of approximately 24.40 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd. (上海維華唐宮餐飲有限公司), as Lessee and Wang Yu Lan (王玉蘭), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from February 6, 2011 and expiring on February 5, 2012 at rental of RMB2,400 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
43.	Level 1 No. 21 545 Nong Yanan Central Road Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 3-storey residential building completed in about 1950s.</p> <p>The property has a gross floor area of approximately 23.40 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd. (上海維華唐宮餐飲有限公司), as Lessee and Lu Wei Min (陸偉敏), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from February 7, 2011 and expiring on February 6, 2012 at rental of RMB2,200 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
44.	Room 14 434 Nong Zhangyue Road Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 3-storey residential building completed in about 1950s.</p> <p>The property has a gross floor area of approximately 31.4 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Well Excellent Tang Palace F&B Co., Ltd.(上海維華唐宮餐飲有限公司), as Lessee and Wang Jian Min (王建民), as Lessor an independent third party, the property is leased by the Group for a term of 1 years commencing from January 23, 2011 and expiring on January 22, 2012 at a monthly rental of RMB2,950 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB												
45.	Levels 1-2 and a portion on Level B1 Sky Fortune Boutique Hotel Shanghai No. 358 Hongxu Road Shanghai the PRC	<p>The property comprises units on Levels 1-2 and B1 of a 12-storey hotel building completed in about 2007.</p> <p>The property has a total gross floor area of approximately 1,369.29 sq.m. and the details are set out as follows:</p> <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><i>sq.m.</i></td> </tr> <tr> <td>Part A: Level 1-Entrance</td> <td style="text-align: right;">122.2</td> </tr> <tr> <td>Level 1-Kitchen</td> <td style="text-align: right;">313.65</td> </tr> <tr> <td>Level 2-Restaurant</td> <td style="text-align: right;">803.31</td> </tr> <tr> <td>Part B: Level B1-Auxiliary service</td> <td style="text-align: right;">130.13</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>1,369.29</u></td> </tr> </table> <p>Pursuant to a Tenancy Agreements made between Shanghai Minhang Tang Palace Seafood Restaurant Co., Ltd. (上海閔行唐宮海鮮舫有限公司), as Lessee and Shanghai Sky Fortune Boutique Hotel Ltd (上海天禧嘉福璞緹客酒店有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 10 years commencing from April 1, 2010 and expiring on February 28, 2020 at a rental of RMB350,000 per month of Part A and RMB5,937 per month of Part B exclusive of other outgoing expenses.</p>		<i>sq.m.</i>	Part A: Level 1-Entrance	122.2	Level 1-Kitchen	313.65	Level 2-Restaurant	803.31	Part B: Level B1-Auxiliary service	130.13	Total	<u>1,369.29</u>	The property is currently occupied by the Group for restaurant and auxiliary service purposes.	No commercial value
	<i>sq.m.</i>															
Part A: Level 1-Entrance	122.2															
Level 1-Kitchen	313.65															
Level 2-Restaurant	803.31															
Part B: Level B1-Auxiliary service	130.13															
Total	<u>1,369.29</u>															

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
46.	Room 501 No. 12 940 Nong Wuzhong Road Shanghai the PRC	<p>The property comprises a unit on Level 5 of a 5-storey residential building completed in about 1980s.</p> <p>The property has a gross floor area of approximately 77.29 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Minhang Tang Palace Seafood Restaurant Co., Ltd. (上海閔行唐宮海鮮舫有限公司), as Lessee and Gu Qing (顧青), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from March 23, 2010 and expiring on March 22, 2011 at a monthly rental of RMB2,900 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
47.	Room 503 No. 17 2669 Nong Hongmei Road Minxing District Shanghai the PRC	<p>The property comprises a unit on Level 5 of a 5-storey residential building completed in about 1994.</p> <p>The property has a gross floor area of approximately 60.15 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Minhang Tang Palace Seafood Restaurant Co., Ltd. (上海閔行唐宮海鮮舫有限公司), as Lessee and Liu Hai Sheng (劉海生), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from March 29, 2010 and expiring on March 28, 2011 at a monthly rental of RMB3,000 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
48.	Room 502 No. 9 830 Nong Wuzhong Road Shanghai the PRC	<p>The property comprises a unit on Level 5 of a 5-storey residential building completed in about 1980s.</p> <p>The property has a gross floor area of approximately 59 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Minhang Tang Palace Seafood Restaurant Co., Ltd. (上海閔行唐宮海鮮舫有限公司), as Lessee and Yao Feng Cheng (姚鳳成), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from March 29, 2010 and expiring on March 28, 2011 at a monthly rental of RMB3,000 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
49.	Portions of Levels 1 and 2 on No. 1 Building No. 103 Dongzhuanbang Road Changning District Shanghai the PRC	<p>The property comprises portions of Levels 1 and 2 of a 24-storey commercial building completed in about 1990s.</p> <p>The property has a total gross floor area of approximately 3,100 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd (上海長寧唐宮海鮮舫有限公司), as Lessee and Jian Pei Real Estate (Shanghai) Co., Ltd. (健沛房地產(上海)有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 7 years commencing from May 1, 2010 and expiring on June 30, 2018 at a rental of RMB350,000 per month for the period between May 1, 2010 and June 30, 2010, RMB367,500 per month for the period between July 1, 2010 and June 30, 2012, RMB 385,875 per month of the period between July 1, 2012 and June 30, 2014, RMB 405,169 per month for the period between July 1, 2014 and June 30, 2016 and RMB 425,427 per month thereafter exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and

- c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
50.	Room 504 No. 4 158 Nong Dongzhuangbang Road Shanghai the PRC	<p>The property comprises a unit on Level 5 of a 7-storey residential building completed in about 1970s.</p> <p>The property has a gross floor area of approximately 61.5 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮有限公司), as Lessee and Mao Hai Yue (毛海越), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from August 1, 2010 and expiring on July 31, 2011 at a rental of RMB3,500 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
51.	Rooms 1901, 1903 and 1904 No. 2 5 Nong Fanyu Road Shanghai the PRC	<p>The property comprises 3 units on Level 19 of a 22-storey residential building completed in about 1990s.</p> <p>The property has a total gross floor area of approximately 270 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮有限公司), as Lessee and Shanghai Zisu Business Consultancy Limited (上海子溯商務諮詢有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from May 1, 2010 and expiring on April 30, 2011 at a rental of RMB27,000 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
52.	Room 202 No. 21 180 Nong Dongzhuangbang Road Shanghai the PRC	<p>The property comprises a unit on Level 2 of a 6-storey residential building completed in about 1970s.</p> <p>The property has a gross floor area of approximately 39 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮舫有限公司), as Lessee and Zhang Rong (張蓉), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from September 1, 2010 and expiring on August 31, 2011 at a rental of RMB1,500 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
53.	Room 201 No. 6 165 Nong Dongzhuangbang Road Shanghai the PRC	<p>The property comprises a unit on Level 2 of a 6-storey residential building completed in about 1970s.</p> <p>The property has a gross floor area of approximately 60 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮舫有限公司), as Lessee and Zhang Zheng Zhou (張政舟), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from June 29, 2010 and expiring on June 28, 2011 at a rental of RMB2,850 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
54.	Room 502 No. 11 40 Zhi Nong 502 Nong Jiangsu Road Shanghai the PRC	<p>The property comprises a unit on Level 5 of a 6-storey residential building completed in about 1970s.</p> <p>The property has a gross floor area of approximately 57 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮舫有限公司), as Lessee and Ren Kang Sun (任康孫), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from June 8, 2010 and expiring on June 7, 2011 at a rental of RMB2,380 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
55.	Room 203 No. 30 165 Nong Dongzhuang Road Changning District Shanghai the PRC	<p>The property comprises a unit on Level 2 of a 7-storey residential building completed in about 1970s.</p> <p>The property has a gross floor area of approximately 32 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮舫有限公司), as Lessee and Zhang Ren (張韜), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from March 1, 2011 and expiring on February 28, 2012 at a rental of RMB2,650 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
56.	Room 301, No. 7 180 Nong Dongzhuang Road Changning District Shanghai the PRC	<p>The property comprises a unit on Level 3 of a 6-storey residential building completed in about 1970s.</p> <p>The property has a gross floor area of approximately 45 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐官海鮮舫有限公司), as Lessee and Jiang Fu Long (江福龍), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from May 25, 2010 and expiring on May 24, 2011 at a rental of RMB3,360 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
57.	Room 303, No. 65 Dongzhuang Road Shanghai the PRC	<p>The property comprises a unit on Level 3 of a 6-storey residential building completed in about 1970s.</p> <p>The property has a gross floor area of approximately 57 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐官海鮮舫有限公司), as Lessee and Wang Zhi Fang (王志芳), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from September 20, 2010 and expiring on September 19, 2011 at a rental of RMB3,300 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Tenancy Agreement was not signed by the Lessor and there is no authorization letter provided. Moreover, the subject property is erected on the allocated land. According to the relevant PRC Laws, prior approval from the relevant city/county government is needed to obtain the right to lease the allocated land/building(s) erected on the allocated land, the Tenancy Agreement would be invalid, the Lessee may have a risk to be vacated from the premises;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
58.	Room 404, No. 6 75 Nong Dongzhuang Road Changning District Shanghai the PRC	<p>The property comprises a unit on Level 4 of a 5-storey residential building completed in about 1970s.</p> <p>The property has a gross floor area of approximately 36 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮舫有限公司), as Lessee and Cai Neng (蔡能), as Lessor an independent third party, the property is leased by the Group for a term of 3 years commencing from May 5, 2010 and expiring on May 4, 2013 at a rental of RMB3,000 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
59.	Room 309 No. 28 499 Nong Jiangsu Road Shanghai the PRC	<p>The property comprises a unit on Level 3 of a 4-storey commercial building completed in about 1970s.</p> <p>The property has a gross floor area of approximately 28 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮舫有限公司), as Lessee and Zhao Wen Jie (趙文杰), as Lessor an independent third party, the property is leased by the Group for a term of 0.5 year commencing from December 12, 2010 and expiring on June 11, 2011 at a rental of RMB2,350 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
60.	Room 101 No. 17 165 Nong Dongzhuangbang Road Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 7-storey residential building completed in about 2000.</p> <p>The property has a gross floor area of approximately 53.2 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮舫有限公司), as Lessee and Yu Meng (余勳), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from October 10, 2010 and expiring on October 9, 2011 at a rental of RMB3,000 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
61.	Room 501 No. 26 2899 Nong Honghe Road Shanghai the PRC	<p>The property comprises a unit on Level 5 of a 25-storey residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 48.84 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮舫有限公司), as Lessee and Qin Gui Juan (秦桂娟), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from July 12, 2010 and expiring on July 11, 2011 at a rental of RMB3,250 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
62.	Room 501 No. 8 405 Nong Xizhuanbin Road Changning District Shanghai the PRC	<p>The property comprises a unit on Level 5 of a 5-storey residential building completed in about 1970s.</p> <p>The property has a gross floor area of approximately 51.15 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐官海鮮舫有限公司), as Lessee and Wang Hua (王華), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from August 2, 2010 and expiring on August 1, 2011 at a rental of RMB3,500 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
63.	Room 102 No. 59 450 Nong Fuquan Road Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 5-storey residential building completed in about 1980s.</p> <p>The property has a gross floor area of approximately 69 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐官海鮮舫有限公司), as Lessee and Zhang Yu (張裕), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from August 25, 2010 and expiring on August 24, 2011 at a rental of RMB3,200 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
64.	Room 802 No. 3 380 Nong Anshun Road Changning District Shanghai the PRC	<p>The property comprises a unit on Level 8 of a 28-storey residential building completed in about 2000s.</p> <p>The property has a gross floor area of approximately 156 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮舫有限公司), as Lessee and Shenzhen Chen's Land Co., Ltd. (深圳陳氏置業有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from August 1, 2010 and expiring on July 31, 2011 at a rental of RMB8,000 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
65.	Room 101 No. 108 Kaixuan Road Changning District Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 5-storey residential building completed in about 1977.</p> <p>The property has a gross floor area of approximately 31.98 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮舫有限公司), as Lessee and Qian Jin(錢瑾), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from October 15, 2010 and expiring on October 14, 2011 at a rental of RMB2,300 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
66.	Shop Nos. 11-13 Level 6 No. 168 Lujiazui West Road Pudong New District Shanghai the PRC	<p>The property comprises units on Level 6 of a 10-storey commercial building (plus 3-storey basement floors) completed in about 2002.</p> <p>The property has a gross floor area of approximately 2,461.85 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Pudong Tang Palace Seafood Restaurant Company Ltd. (上海浦東唐宮海鮮舫有限公司), as Lessee and Shanghai Kinghill Ltd. (上海帝泰發展有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 8 years commencing from March 1, 2006 and expiring on September 30, 2014 at a rental of RMB270,000 per month for the period between March 1, 2006 and September 30, 2010 and RMB290,000 per month for the period between October 1, 2010 and September 30, 2014 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
67.	Room 1406 No. 335 Dong Yuan Yi Cun Pudong New District Shanghai the PRC	<p>The property comprises a unit on Level 14 of a 18-storey residential building completed in about 1997.</p> <p>The property has a gross floor area of approximately 101.73 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Tang Palace Food Co., Ltd. (上海浦東唐宮海鮮舫有限公司), as Lessee and Yan Shi Long (嚴世龍), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from September 1, 2010 and expiring on August 31, 2011 at a monthly rental of RMB5,300 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
68.	Rooms 204 - 205 No. 2 575 Nong Pudong South Road Shanghai the PRC	<p>The property comprises units on Level 2 of a 5-storey residential building completed in about 1990.</p> <p>The property has a total gross floor area of approximately 60 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Tang Palace Food Co., Ltd. (上海浦東唐宮海鮮舫有限公司), as Lessee and Hu Guang Yin (胡廣銀), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from October 18, 2010 and expiring on October 17, 2011 at a monthly rental of RMB3,000 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
69.	Room 204 No. 121 Dong Yuan Yi Cun Shanghai the RPC	<p>The property comprises a unit on Level 2 of a 5-storey residential building completed in about 1980s.</p> <p>The property has a gross floor area of approximately 53.01 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Tang Palace Food Co., Ltd. (上海浦東唐宮海鮮舫有限公司), as Lessee and Li Zhen Gang (李振剛), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from April 5, 2010 and expiring on April 4, 2011 at a monthly rental of RMB1,100 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
70.	Room 501 No. 3 310 Nong Laoshan Road Shanghai the PRC	<p>The property comprises a unit on Level 5 of a 6-storey residential building completed in about 1983.</p> <p>The property has a gross floor area of approximately 55 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Tang Palace Food Co., Ltd. (上海浦東唐宮海鮮舫有限公司), as Lessee and Nie Guang Xia (聶光霞), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from October 18, 2010 and expiring on October 17, 2011 at a monthly rental of RMB2,950 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
71.	Room 19 Level 4 No. 25 Er Cun Laoshan Road Shanghai the PRC	<p>The property comprises a unit on the Level 4 of a 19-storey residential building completed in about 2007.</p> <p>The property has a gross floor area of approximately 72.23 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Tang Palace Food Co., Ltd. (上海浦東唐宮海鮮舫有限公司), as Lessee and Mou Hong (牟紅), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from April 5, 2010 and expiring on April 4, 2011 at a monthly rental of RMB3,800 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
72.	Room 203 No. 7 9 Nong Rongcheng Road Shanghai the PRC	<p>The property comprises a unit on Level 2 of a 5-storey residential building completed in about 1980s.</p> <p>The property has a gross floor area of approximately 148.30 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Tang Palace Food Co., Ltd. (上海浦東唐宮海鮮舫有限公司), as Lessee and Fang Xiang Zheng (方向正), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from April 24, 2010 and expiring on April 23, 2011 at a monthly rental of RMB5,700 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
73.	No. 2 33 Nong North Zhangjiefang Road Pudong New District Shanghai the PRC	<p>The property comprises a unit on Level 4 of a 5-storey commercial building completed in about 1980s.</p> <p>The property has a gross floor area of approximately 500 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Tang Palace Food Co., Ltd. (上海浦東唐宮海鮮舫有限公司), as Lessee and Shanghai He Hui Wang Property Management Co., Ltd (上海合匯旺物業經營管理有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 5 years commencing from December 15, 2007 and expiring on December 14, 2012 at a rental of RMB530,000 per annum till December 14, 2009 and rental increase by 5% for every two years thereafter exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
74.	Unit 501 No.51 Xu Jia Ting Qi Chang Zhan Pudong New District Shanghai the PRC	<p>The property comprises a unit on Level 5 of a 6-storey residential building completed in about 1990s.</p> <p>The property has a total gross floor area of approximately 103.58 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Pudong Tang Palace Seafood Restaurant Co., Ltd. (上海浦東唐宮海鮮舫有限公司), as Lessee and Chen Hang Yong (陳杭勇), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from December 8, 2010 and expiring on December 7, 2011 at a monthly rental of RMB 4,700 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises.
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
75.	No. 2 Plant No. 158 Huguang East Road Mei Lian Gong Yeyuan District Shanghai the PRC	<p>The property comprises a unit on Levels 1 and 2 of a 2-storey industrial building completed in about 2007.</p> <p>The property has a total gross floor area of approximately 2,827.56 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Tang Palace Food Co., Ltd. (上海唐宮食品有限公司), as Lessee and Shanghai Siao Land Ltd. (上海思奧置業有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 10 years commencing from October 17, 2007 and expiring on October 16, 2017 at rental of RMB0.65 per sq.m. per day for the first-three year, rental increase by 5% in the fourth year, and increase by 5% for every three year afterward exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for food processing and ancillary office purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
76.	Room 306 No. 520 1 Nong Chuansha Road Pudong New District Shanghai the PRC	<p>The property comprises a unit on Level 3 of a 3-storey commercial building completed in about 2005.</p> <p>The property has a gross floor area of approximately 25 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Pepper Lunch (Shanghai) F&B Management Co., Ltd. (活力胡椒(上海)餐飲管理有限公司), as Lessee and Yang Jin Xiang (楊金香), as Lessor an independent third party, the property is leased by the Group for a term of 5 years commencing from November 1, 2009 and expiring on October 31, 2014 at a monthly rental of RMB1,200 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The property is jointly owned by Xiao Chen Fei (肖陳飛) and the Lessor. However, we cannot ascertain the legitimacy of right to lease of the Lessor. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
77.	West portion of Level 1 Building 4-5 Hong Ling Building Hongling South Road Futian District Shenzhen the PRC	<p>The property comprises units on Level 1 of a 28-storey commercial building completed in about 2000s.</p> <p>The property has a total gross floor area of approximately 1,313 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shenzhen Tang Palace Restaurant Co., Ltd. (深圳唐宮膳飲食有限公司), as Lessee and Shenzhen City Si Hai Zhao Shang Jing Mao Limited (深圳市四海招商經貿有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 6 years commencing from September 1, 2007 and expiring on December 31, 2013 at a rental of RMB170,000 per month with rental to increase by 5% per annum from January 1, 2009 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
78.	Units 3138, 3148, 3158 and 3178 on Level 3 Shenzhen Cinema Zhonghai Commercial 1 Xinyuan Road Luohu District Shenzhen the PRC	<p>The property comprises units on Level 3 of a 6-storey commercial building completed in about 1996.</p> <p>The property has a total gross floor area of approximately 313.86 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shenzhen Tanggong F & B Co., Ltd. (深圳唐宮膳飲食有限公司), as Lessee and Meco Group Company Limited (美高集團有限公司), as Lessor a connected party, the property is leased by the Group for a term commencing from August 1, 2010 and expiring on December 31, 2012 at a rental of RMB30,000 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for training centre and ancillary office purposes.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. The Tenancy Agreement has been registered with the relevant authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
79.	Room 103 Building 2 Dong Yuan Xin Cun Shenzhen the PRC	<p>The property comprises a unit on Level 1 of a commercial building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 20 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shenzhen Tang Palace Restaurant Co., Ltd. (深圳唐宮膳飲食有限公司), as Lessee and He Ju Hua (何菊華), as Lessor an independent third party, the property is leased by the Group for a term of commencing from November 1, 2010 and expiring on October 30, 2011 at rental of RMB1,000 per annum exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for storage purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
80.	Rooms 202, 306, 406, 505, 602 and 605 Lihua Building Shenzhen the PRC	<p>The property comprises 7 units on Levels 2 - 6 of a residential building completed in about 1990s.</p> <p>The property has a total gross floor area of approximately 520 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shenzhen Tang Palace Restaurant Co., Ltd (深圳唐宮膳飲食有限公司), as Lessee and Shenzhen City Luohu District Cai Wu Wei Jin Hua Enterprise Co. (深圳市羅湖區蔡屋圍金華實業公司), as Lessor an independent third party, the property is leased by the Group for a term of commencing from May 1, 2010 and expiring on April 30, 2011 at rental of RMB15,300 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
81.	Unit 1 on Level 6 Shenzhen Cinema Zhonghai Commercial 1 Xinyuan Road Luohu District Shenzhen the PRC	<p>The property comprises a unit on Level 6 of a 6-storey commercial building completed in about 1996.</p> <p>The property has a gross floor area of approximately 1,444.8 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shenzhen Well Excellent Tanggong F&B Co., Ltd. (深圳維華盛世唐宮飲食有限公司), as Lessee and Meco Group Company Limited (美高集團有限公司), as Lessor a connected party, the property is leased by the Group for a term of 3 years commencing from August 1, 2010 and expiring on December 31, 2012 at a rental of RMB104,000 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws.
 - b. The leased property has been used for its designated usage; and
 - c. The Tenancy Agreement has been registered with the relevant authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
82.	No. 4 1 Lane Guiyuan Road Luohu District Shenzhen the PRC	<p>The property comprises a unit in building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 310 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shenzhen Well Excellent Tang Palace F&B. Co., Ltd. (深圳維華盛世唐宮飲食有限公司), as Lessee and Shenzhen City Luohu District Guiyuan Street Office (深圳市羅湖區桂園街道辦事處), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from September 3, 2010 and expiring on September 2, 2011 at rental of RMB11,000 per month of the period between September 3, 2010 and January 1, 2011 and RMB12,000 per month thereafter exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises.
 - b. The Tenancy Agreement has been registered with the relevant authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
83.	Level 5 11 Dong No. 10 Guiyuan Road West Luohu District Shenzhen the PRC	<p>The property comprises a unit on Level 5 of a 6-storey residential building completed in about 1990s.</p> <p>The property has a total gross floor area of approximately 650 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shenzhen Well Excellent Tang Palace F&B. Co., Ltd (深圳維華盛世唐宮飲食有限公司), as Lessee and Shenzhen Timber Limited (深圳市木材有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from October 1, 2010 and expiring on September 30, 2011 at a monthly rental of RMB17,500 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
84.	Units 2008, 2018, 2028, 2038, 2048, 2058, 2068, 2078, 2088, 2098, 2248, 2258, 2308, 2318, 2348, 2358, 2418, 2428, 2438, 2448, 2458 and 2468 Shenzhen Cinema Zhonghai Commercial No. 1 Xinyuan Road Luohu District Shenzhen the PRC	<p>The property comprises 22 units on Level 2 of a 6-storey commercial building completed in about 1996.</p> <p>The property has a total gross floor area of approximately 788.63 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Ninja House Jiangnan Cuisine F&B (Shenzhen) Co., Ltd. (忍者居江南一號飲食(深圳)有限公司), as Lessee and Mecoo Group Company Limited (美高集團有限公司), as Lessor a connected party, the property is leased by the Group for a term of 2 years commencing from June 1, 2010 and expiring on December 31, 2012 at a rental of RMB63,082.40 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. The Tenancy Agreement has been registered with the relevant authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
85.	Unit 4001 Shenzhen Cinema Zhonghai Commercial No. 1 Xinyuan Road Luohu District Shenzhen the PRC	<p>The property comprises a unit on Level 4 of a 6-storey commercial building completed in about 1996.</p> <p>The property has a gross floor area of approximately 1,157.18 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Ninja House Jiangnan Cuisine F&B (Shenzhen) Co., Ltd. (忍者居江南一號飲食(深圳)有限公司), as Lessee and Mecoo Group Company Limited (美高集團有限公司), as Lessor a connected party, the property is leased by the Group for a term commencing from August 1, 2010 and expiring on December 31, 2012 at a rental of RMB71,000 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. The Tenancy Agreement has been registered with the relevant authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
86.	Room 606 10 Dong No. 10 Guo Yuan East Guiyuan Road Luohu District Shenzhen the PRC	<p>The property comprises a unit on Level 6 of a residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 93.65 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Ninja House Jiangnan Cuisine F&B. (Shenzhen) Co., Ltd. (忍者居江南一號飲食(深圳)有限公司), as Lessee and Shenzhen City Timber Limited (深圳市木材有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from February 1, 2011 and expiring on January 31, 2012 at a monthly rental of RMB2,600 exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
87.	Unit 13B Block B Baoli Building Baoan South Road Luohu District Shenzhen the PRC	<p>The property comprises units on Level 13 of a residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 89.55 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Ninja House Jiangnan Cuisine F&B (Shenzhen) Co., Ltd. (忍者居江南一號飲食(深圳)有限公司), as Lessee and Liao Ai Rong (廖愛容), as Lessor an independent third party, the property is leased by the Group for a term of commencing from December 25, 2010 and expiring on December 25, 2011 at a rental of RMB3,200 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following :
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws ; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
88.	No. 2 Guoyuan East Guiyuan Road Luohu District Shenzhen the PRC	<p>The property comprises units on Level 1 of a residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 80 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Ninja House Jiangnan Cuisine F&B (Shenzhen) Co., Ltd. (忍者居江南一號飲食(深圳)有限公司), as Lessee and Wu Xiu Qin (吳秀琴), as Lessor an independent third party, the property is leased by the Group for a term of commencing from January 1, 2011 and expiring on January 1, 2012 at a rental of RMB3,300 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
89.	Rooms 302 and 602 Block 8 No. 10 Guoyuan East Guiyuan Road Luohu District Shenzhen the PRC	<p>The property comprises 2 units on Levels 3 and 6 of a commercial building completed in about 1990s.</p> <p>The property has a total gross floor area of approximately 170.22 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Ninja House Jiangnan Cuisine F&B. (Shenzhen) Co., Ltd. (忍者居江南一號飲食(深圳)有限公司), as Lessee and Shenzhen Timber Limited (深圳市木材有限公司), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from May 1, 2010 and expiring on April 30, 2011 at a monthly rental of RMB5,200. exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
90.	Shop Nos. 2101-2103 and 2105-2108 Level 2 Block H Expo Square Dongcheng District Dongguan City Guangdong Province the PRC	<p>The property comprises units on Level 2 of a 4-storey commercial building completed in about 2005.</p> <p>The property has a total gross floor area of approximately 3,461.8 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Dongguan Expo Tang Palace Seafood Restaurant Co., Ltd. (東莞世博唐宮海鮮舫有限公司), as Lessee and Mecoo Group Company Limited (美高集團有限公司), as Lessor a connected party, the property is leased by the Group for a term commencing from August 1, 2010 and expiring on December 31, 2012 at a rental of RMB104,000 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws.
 - b. The leased property has been used for its designated usage; and
 - c. The Tenancy Agreement has been registered with the relevant authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
91.	Shop Nos. 3106, 3107, 3108, 4106, 4107 and 4108 Level 3 & 4 Block H Expo Square Dongcheng District Dongguan City Guangdong Province the PRC	<p>The property comprises 6 units on Levels 3 and 4 of a 4-storey commercial building completed in about 2005.</p> <p>The property has a total gross floor area of approximately 2,908.26 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Dongguan Expo Tang Palace Seafood Restaurant Co., Ltd. (東莞世博唐宮海鮮舫有限公司), as Lessee and Dongguan Well Excellent Hotel Management Services Co., Ltd. (深圳維華酒店管理服務有限公司), as Lessor a connected party, the property is leased by the Group for a term commencing from August 1, 2010 and expiring on December 31, 2012 at a rental of RMB86,000 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws.
 - b. The leased property has been used for its designated usage; and
 - c. The Tenancy Agreement has been registered with the relevant authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
92.	Room 407 Fenghua Court Xiang Bing Shi Dai Dongguan City Guangdong Province the PRC	<p>The property comprises a unit on Level 4 of a residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 49.86 sq.m.</p> <p>Pursuant to a Tenancy Agreement made between Dongguan Expo Tanggong Palace Seafood Restaurant Co., Ltd. (東莞世博唐宮海鮮舫有限公司), as Lessee and Yuan Ju Cheng (袁鉅成), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from July 1, 2010 and expiring on June 30, 2011 at a rental of RMB1,700 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises.
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
93.	Levels 4 - 8 Nos. 13 - 17 5 Xiang Zhongyang Road East Shan Wo Ling Dongcheng District Dongguan City Guangdong Province the PRC	<p>The property comprises units on Levels 4 - 8 of a residential building completed in about 1990s.</p> <p>The property has a total gross floor area of approximately 1,412.5 sq.m.</p> <p>Pursuant to a Tenancy Agreement made between Dongguan Expo Tanggong Palace Seafood Restaurant Co., Ltd. (東莞世博唐宮海鮮舫有限公司), as Lessee and Lin Wei Qiang (林偉強), as Lessor an independent third party, the property is leased by the Group for various terms of 5 years commencing from May 1, 2008 and expiring on April 30, 2013 at a monthly rental of RMB14,100, 4.5 years commencing from December 1, 2008 and expiring on April 30, 2013 at a monthly rental of RMB10,340 respectively exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises.
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
94.	Unit 2A Block 2 Yulin Court Dongcheng Center Dongcheng District Dongguan City Guangdong Province the PRC	<p>The property comprises a unit on Level 2 of a residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 319.79 sq.m.</p> <p>Pursuant to a Tenancy Agreement made between Dongguan Expo Tanggong Palace Seafood Restaurant Co., Ltd. (東莞世博唐宮海鮮舫有限公司), as Lessee and Luo Li Bing (羅麗冰), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from September 15, 2010 and expiring on September 14, 2011 at a monthly rental of RMB2,000, exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises.
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
95.	Unit 3A Block 7 Weinisi Court Dongcheng Center Dongcheng District Dongguan City Guangdong Province the PRC	<p>The property comprises a unit on the Level 3 of a residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 126 sq.m.</p> <p>Pursuant to a Tenancy Agreement made between Dongguan Expo Tanggong Palace Seafood Restaurant Co., Ltd. (東莞世博唐宮海鮮舫有限公司), as Lessee and Hu Xiao Feng (胡曉峰), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from September 15, 2010 and expiring on September 14, 2012 at a monthly rental of RMB2,000, exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises.
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
96.	Unit 6D Block 1 Meigui Court Dongcheng Center Dongcheng District Dongguan City Guangdong Province the PRC	<p>The property comprises a unit on Level 6 of a residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 131 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Dongguan Expo Tanggong Palace Seafood Restaurant Co., Ltd. (東莞世博唐宮海鮮舫有限公司), as Lessee and Zheng Su Wen (鄭速文), as Lessor an independent third party, the property is leased by the Group for various term of 1 year commencing from July 7, 2010 and expiring on July 6, 2012 at a monthly rental of RMB1,800, exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - b. The leased property has been used for its designated usage; and
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

Group II — Property interest rented and occupied by the Group after the data of valuation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
97.	Shop No.1 Level 5 Beijing New World Centre Chongwenmenwai Avenue Dongcheng District Beijing the PRC	<p>The property comprises a unit on Level 5 of a commercial building completed in about 2000s.</p> <p>The property has a gross floor area of approximately 198 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Vital Pepper (Beijing) Management Co., Ltd. (活力胡椒(北京)餐飲管理有限公司), as Lessee and Beijing Chongwen New World Meishi Ltd. (北京崇文新世界美食有限公司), as an agent of Lessor an independent third party, the property is leased by the Group for a term commencing from February 20, 2011 and expiring on April 19, 2016 at a rental of RMB54,202.5 per month or sales before tax turnover 12% for the period between February 20, 2011 and February 19, 2013, RMB60,225 per month for the period between February 20, 2013 and April 19, 2016 or sales before tax turnover 13% for the period between February 20, 2013 and February 19, 2015, sales before tax turnover 15% for the period between February 20, 2015 and April 19, 2016 whichever is higher during the each period exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for restaurant purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. According to the Tenancy Agreement, the property has been used for its designated usage;
 - b. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws;
 - c. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
98.	No. 12 Building Cangnan Hutong Jia Dongcheng District Beijing the PRC	<p>The property comprises a unit on Level 4 of a 4 storey residential building completed in about 1970s.</p> <p>The property has a gross floor area of approximately 411.28 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Haoyuan Tang Palace Seafood Restaurant Co., Ltd. (北京好苑唐宮海鮮舫有限公司), as Lessee and Shi Jing Jing, Xie Xue Mei (石靜靜、謝雪梅), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from March 1, 2011 and expiring on March 31, 2012 at a rental of RMB41,667 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following :
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has not right to lease the property, the agreement made between both parties would be invalid, the Leasee may have a risk to be vacated form the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
99.	Room 14-1-501 Guorui City Central District Chongwen District Beijing the PRC	<p>The property comprises a unit on Level 5 of a residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 60 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Well Excellent Tang Palace F&B Co., Ltd. (北京維華唐宮飲食有限公司), as Lessee and an real estate agent of the Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from February 20, 2011 and expiring on February 19, 2012 at a rental of RMB3,100 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following :
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and real estate agent has the right to lease the property on behalf of the Lessor. If the Lessor has not right to lease the property, the agreement made between both parties would be invalid, the Leasee may have a risk to be vacated form the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
100.	Room 2-501 Block C Jiarun Garden No. 19 Guangshunnan Avenue Chaoyang District Beijing the PRC	<p>The property comprises a unit on Level 5 of a 18 storey residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 144.9 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Well Excellent Tang Palace F&B Co., Ltd. (北京維華唐宮飲食有限公司), as Lessee and Wang Hai Bo (王海波), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from April 1, 2011 and expiring on March 31, 2012 at a rental of RMB6,000 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following :
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has no right to lease the property, the agreement made between both parties would be invalid, the Lessee may have a risk to be vacated from the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
101.	West Unit 2-7 No. 12 Building No. 10 Taijichangtoutiao Courtyard Dongcheng District Beijing the PRC	<p>The property comprises a unit on Level 3 of a 6 storey residential building completed in about 1960s.</p> <p>The property has a gross floor area of approximately 58.22 sq.m.</p> <p>Pursuant to a Tenancy Agreement made between Beijing Well Excellent Tang Palace F&B Co., Ltd. (北京維華唐宮飲食有限公司), as Lessee and Wang Zheng (王錚), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from February 10, 2011 and expiring on February 9, 2012 at a rental of RMB3,200 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following :
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws ; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
102.	Unit 1, Room 601 No. 6 Building Donghua City South Lane Eastern District Chongwen District Beijing the PRC	<p>The property comprises a unit on Level 6 of a 12 storey residential building completed in about 2005.</p> <p>The property has a gross floor area of approximately 75.24 sq.m.</p> <p>Pursuant to a Tenancy Agreement made between Beijing Well Excellent Tang Palace F&B Co., Ltd. (北京維華唐宮飲食有限公司), as Lessee and Wen Rong He(文榮和), as Lessor an independent third party, the property is leased by the Group for a term of 2 years commencing from February 23, 2011 and expiring on February 22, 2013 at a rental of RMB5,300 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following :
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws ; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
103.	Unit 1-504 No. 17 Building Gao Long Dushi Xinyuan Chongwen District Beijing the PRC	<p>The property comprises a unit on Level 5 of a residential building completed in about 2003.</p> <p>The property has a gross floor area of approximately 111.47 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing Well Excellent Tang Palace F&B Co., Ltd. (北京維華唐宮飲食有限公司), as Lessee and Liu Xiu Qing, Zhuang Hui (柳秀清、莊輝), as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from March 1, 2011 and expiring on March 1, 2012 at a rental of RMB3,200 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following :
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws ; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
104.	Room 302 No. 3 Building No. 33 Courtyard Zhongguancun South Avenue Haidian District Beijing the PRC	<p>The property comprises a unit on Level 3 of a 6-storey residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 80.4 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing New Century Tanggong Seafood Restaurant Co., Ltd. (北京新世紀唐宮海鮮舫有限公司), as Lessee and Gao Xiao Ming (高曉明) as Lessor an independent third party, the property is leased by the Group for a term of 1 year commencing from March 10, 2011 and expiring on March 9, 2012 at a rental of RMB4,500 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
105.	Level 4 No. 33 Zhongguancun South Avenue Haidian District Beijing the PRC	<p>The property comprises the whole floor on Level 4 of a 6-storey hostel building completed in about 1980s.</p> <p>The property has a gross floor area of approximately 370 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing New Century Tanggong Seafood Restaurant Co., Ltd. (北京新世紀唐宮海鮮舫有限公司), as Lessee and Beijing Guotu Hotel Management Co. Ltd. (北京國圖酒店管理有限公司) as Lessor an independent third party, the property is leased by the Group for a term commencing from March 1, 2011 and expiring on June 30, 2011 at a rental of RMB58,300 per month exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and real estate agent has the right to lease the property on behalf of the Lessor. If the Lessor has not right to lease the property, the agreement made between both parties would be invalid, the Leasee may have a risk to be vacated form the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
106.	Two units located at Xinyi Jiayuan Chongwen District Beijing the PRC	<p>The property comprises 2 units on Levels 10 and 11 of a 16-storey residential building completed in about 2008.</p> <p>The property has a total gross floor area of approximately 127.35 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing New Century Tanggong Seafood Restaurant Co., Ltd. (北京新世紀唐宮海鮮舫有限公司), as Lessee and Zhang Ai Ming (張愛明) as Lessor an independent third party, the property is leased by the Group for various terms commencing from April 15, 2011 and March 9, 2011 and expiring on April 14, 2012 and July 4, 2011, at a rental of RMB5,150 and RMB4,500 per month respectively, exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
107.	Unit 201 of Entrance 3 Block 12 Anyuan Lane Chaoyang District Beijing the PRC	<p>The property comprises a unit on Level 2 of a 7-storey residential building completed in about 2000s.</p> <p>The property has a gross floor area of approximately 77.55 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing New Century Tanggong Seafood Restaurant Co., Ltd. (北京維華唐宮海鮮舫有限公司), as Lessee and Guo Hong Guang (郭宏光) as Lessor an independent third party, the property is leased by the Group for a term commencing from March 15, 2011 and expiring on March 15, 2012, at a rental of RMB3,500 per month respectively, exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and real estate agent has the right to lease the property on behalf of the Lessor. If the Lessor has not right to lease the property, the agreement made between both parties would be invalid, the Leasee may have a risk to be vacated form the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
108.	Unit 311 of Entrance 3 Block 1 Qianmen East Avenue Dongcheng District Beijing the PRC	<p>The property comprises a unit on Level 3 of a 6-storey residential building completed in about 2000s.</p> <p>The property has a gross floor area of approximately 57 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Beijing New Century Tanggong Seafood Restaurant Co., Ltd. (北京維華唐宮飲食有限公司), as Lessee and Guo Hui Wei (郭慧薇) as Lessor an independent third party, the property is leased by the Group for a term commencing from March 20, 2011 and expiring on March 19, 2012, at a rental of RMB2,900 per month respectively, exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and real estate agent has the right to lease the property on behalf of the Lessor. If the Lessor has not right to lease the property, the agreement made between both parties would be invalid, the Leasee may have a risk to be vacated form the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
109.	No. 440 Huanzhen West Road Huan Town Minxing District Shanghai the PRC	<p>The property comprises a unit on Level 1 of a 3-storey residential building completed in about 1990s.</p> <p>The property has a gross floor area of approximately 500 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Minhang Tang Palace Seafood Restaurant Co., Ltd. (上海閔行唐宮海鮮舫有限公司), as Lessee and Xiong Wen Xin (熊文新), as Lessor an independent third party, the property is leased by the Group for a term of 2 years commencing from March 15, 2011 and expiring on March 14, 2013 at a rental of RMB43,400 per month exclusive other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and designated usage of the property. If the Lessor has not right to lease the property, the agreement made between both parties would be invalid, the Leasee may have a risk to be vacated form the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
110.	Room 703 No. 24 Rong 165 Dongzhu Anbin Road Changning District Shanghai the PRC	<p>The property comprises a unit on Level 7 of a residential building completed in about 2000s.</p> <p>The property has a gross floor area of approximately 40.45 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd. (上海長寧唐宮海鮮舫有限公司), as Lessee and Guo Hui Wei (朱丹儀) as Lessor an independent third party, the property is leased by the Group for a term commencing from March 9, 2011 and expiring on March 8, 2012, at a rental of RMB3,100 per month respectively, exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
111.	Unit 917 No. 600 Dongchang Road Pudong New District Shanghai the PRC	<p>The property comprises a unit on Level 9 of a 13-storey composite building completed in about 1990.</p> <p>The property has a gross floor area of approximately 74.6 sq.m.</p> <p>Pursuant to a Tenancy Agreement made between Shanghai Tang Palace Food Co., Ltd. (上海浦東唐宮海鮮舫有限公司), as Lessee and Liu Li Li (柳莉莉) as Lessor an independent third party, the property is leased by the Group for a term commencing from March 21, 2011 and expiring on March 20, 2012, at a rental of RMB3,800 per month respectively, exclusive of other outgoing expenses.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following :
 - a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with the PRC Laws ; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
112.	Unit 302 of Block 3 Guoyuan West Guiyuan Road Lowu District Shenzhen the PRC	<p>The property comprises a unit on Level 3 of a residential building completed in about 2000s.</p> <p>The property has a gross floor area of approximately 78 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Ninja House Jiangnan Cuisine F&B (Shenzhen) Co., Ltd.(忍者居江南一號飲食(深圳)有限公司), as Lessee and Wu Dong Shi and Wu Cai Qiong (巫東仕、巫彩瓊) as Lessor an independent third party, the property is leased by the Group for a term commencing from November 1, 2010 and expiring on October 31, 2011, at a rental of RMB3,000 per month respectively, exclusive of other outgoings.</p>	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisors, which contains, inter alia, the following:
 - a. The Lessor has not provided ownership title documents and registration documents. We cannot ascertain the legitimacy of ownership of the Lessor and real estate agent has the right to lease the property on behalf of the Lessor. If the Lessor has not right to lease the property, the agreement made between both parties would be invalid, the Leasee may have a risk to be vacated form the premises; and
 - b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

Group III — Property interest rented and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at January 31, 2011 RMB
113.	Unit 3 on 10th Floor Greenfield Tower Concordia Plaza No. 1 Science Museum Road Kowloon Hong Kong	<p>The property comprises an office unit on the 10th floor of a 21-storey office building completed in about 1994.</p> <p>The property has a gross floor area of approximately 1,230 sq.ft. (114.27 sq.m.)</p> <p>Pursuant to a Tenancy Agreements made between Excellent Tang Palace Food and Beverage Group Company Limited (盛世唐宮飲食集團有限公司), as Lessee and Wan Kin Cho (尹健初), as Lessor an independent third party, the property is leased by the Group for a term of 3 years commencing from March 16, 2010 and expiring on March 15, 2013 at a monthly rental of HKD29,520 exclusive of management fee, air-conditioning charge, government rent, rates and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Excellent Tang Palace Food and Beverage Group Company Limited is a wholly-owned subsidiary of the Company.
2. The registered owner of the property is Wan Kin Cho vide Memorial No. 0807071600027 dated June 12, 2008.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the memorandum and articles of association of our Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that our Company's objects are unrestricted. The objects of our Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in appendix VI to this Prospectus. As an exempted company, we will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of our Company (the "Articles") were adopted on March 25, 2011. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) *Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as our Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of our Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of our Company on such terms as they may from time to time determine.

All unissued shares in our Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) *Power to dispose of the assets of our Company or any subsidiary*

There are no specific provisions of the Articles relating to the disposal of the assets of our Company or any of our subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by our Company in general meeting.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) *Loans and the giving of security for loans to Directors*

Where the shares of our Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, our Company may not make, without the approval of, or ratification by, our Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of our Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of our Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which our Company has an equity interest, and the amount of such loan, or the liability assumed by our Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) *Financial assistance to purchase shares of our Company or its holdings company*

There are no provisions of the Articles relating to the giving by our Company of financial assistance for the purchase, subscription or other acquisition of shares of our Company or of our holding company. The law on this area is summarized in paragraph 4(b) below.

(vi) *Disclosure of interests in contracts with our Company or any of our subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with our Company or any other company in which our Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of our Company;
- (bb) any contract or arrangement for the giving by our Company of any security to a third party in respect of a debt or obligation of our Company or any company in which our Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of our Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by our Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of our Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any contract or arrangement concerning any company in which he or his associate(s) is/are interested directly or indirectly whether as an officer or an executive or a member, other than a company in which the Director or his associates owns five per cent. or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through our Company;
- (gg) any proposal or arrangement for the benefit of employees of our Company or our subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of our Company or of any of our subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of our Company or any of our subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
- (hh) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by our Company to, or for the benefit of, the employees of our Company or our subsidiaries under which the Director or his associate(s) may benefit; and
- (ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.

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(vii) *Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of our Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in our Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

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(viii) Retirement, appointment and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and our Company). Subject to the statutes and the provisions of the Articles, our Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of our Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge our undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such

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sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: The provisions summarized above, in common with the Articles in general, may be varied with the sanction of a special resolution of our Company.

(x) *Qualification shares*

Directors are not required under the Articles to hold any qualification shares.

(xi) *Indemnity to Directors*

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) **Alterations to constitutive documents**

The memorandum of association of our Company may be altered by our Company in general meeting. The Articles may also be amended by our Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of our Company.

(c) **Alterations of capital**

Our Company may from time to time by ordinary resolution:

- (i) increase our share capital;
- (ii) consolidate or divide all or any of our share capital into shares of larger or smaller amount than our existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be

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questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;

- (iii) divide our shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide our shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of our share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

Our Company may by special resolution reduce our issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorized and subject to any conditions prescribed by law. Our Company may apply our share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions - majority required

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the

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case of such members as are corporations, by their respective duly authorized representatives, or by proxy, at a general meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of our Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days has been given.

(f) **Voting rights**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or installments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorize such persons as it thinks fit to act as its representatives at any meeting of our Company or at any meeting of any class of shareholders provided that the authorization shall specify the number and class of shares in respect of which each such representative is so authorized. Each person so authorized under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorization.

(g) **Requirements for annual general meetings**

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of our Company are listed with the permission of our Company.

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(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by law or are necessary to give a true and fair view of the state of our Company's affairs and to show and explain our transactions.

The books of accounts are to be kept at the principal office of our Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorized by the Directors or by our Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before our Company at our annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in our Company are listed on the Stock Exchange, the accounts of our Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of our Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before our Company at our annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, our Company and every other person entitled to receive notices of general meetings of our Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from our Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of our Company and the directors' report thereon may, if he so requires by notice in writing served on our Company, demand that our Company sends to him, in addition to a summary financial statement, a complete printed copy of our Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of our Company are for the time being (with the consent of our Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of our Company at each annual general meeting, but in respect of any particular year, our Company in general meeting may delegate the fixing of such remuneration to the Directors.

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(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in our Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which our Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favor of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with our Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

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The Directors may, if applicable, decline to recognize an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for our Company to purchase our own shares

The Articles provide that the power of our Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in our Company

There are no provisions of the Articles relating to ownership of securities in our Company by a subsidiary.

(m) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. Our Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, installments or otherwise.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid,

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provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

Our Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realization of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to our Company and, in the case where any of the same are securities in our Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company or a meeting of the holders of any class of shares in our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of our Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy. Proxies need not be members of our Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

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(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all moneys which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of our Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if our Company were incorporated under and is subject to the Companies Ordinance (Cap. 32) of the laws of Hong Kong.

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(r) **Inspection of register of Directors**

There are no provisions of the Articles relating to the inspection of the register of Directors and Officers of our Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) **Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) **Rights of the minorities in relation to fraud or oppression**

There are no provisions of the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands company law as summarized in paragraph 4(e) below.

(u) **Procedures on liquidation**

A resolution for a court or voluntary winding up of our Company must be passed by way of a special resolution.

If our Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If our Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of our Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as

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between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) **Untraceable members**

Our Company may sell the shares of any member if: (i) dividends or other distributions have been declared by our Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) our Company has published an advertisement of our intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of our Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) our Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) our Company has notified the stock exchange on which the ordinary share capital of our Company is listed of our intention to sell such shares. The net proceeds of any such sale will belong to our Company and upon the receipt of such net proceeds by our Company, our Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) **Stock**

Our Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of our Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

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(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which our Company may issue after the date of this prospectus shall remain exercisable and our Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of our Company set out in paragraph 2(c) above to amend our capital by ordinary resolution, the memorandum of association of our Company may be altered by our Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of our Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of our Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions of jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (iii) in redeeming or purchasing its shares as provided in the Companies Law;
- (iv) in writing off
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorize the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorized by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorized by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorized by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorized by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed will be treated as cancelled and the company's issued, but not its authorized, capital will be diminished accordingly.

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A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorized to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

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(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, our Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, our Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on our income or our capital gains arising in the Caymans Islands or elsewhere and that dividends of our Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

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(1) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on March 11, 2010.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises a memorandum of association and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company*(a) Increase in authorized share capital*

- (i) As of the date of incorporation of our Company, the authorized share capital was HK\$200,000 divided into 2 million Shares having a par value of HK\$0.10 each. Upon incorporation, one nil-paid Share was allotted and issued, nil paid, to the subscriber, which was transferred to Mr. Chan on the same day. The one nil-paid Share referred to in this paragraph were subsequently paid up in the manner described in paragraph 4 below.
- (ii) The authorized share capital of our Company was increased from HK\$200,000 to HK\$200 million by the creation of 1,998 million new Shares pursuant to a resolution passed by all Shareholders referred to in paragraph 3 below and subject to the conditions contained therein.
- (iii) Immediately following completion of the Global Offering and the Capitalization Issue but taking no account of any Shares which have been or may be allotted and issued pursuant to the exercise of the options which were granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme and upon the exercise of the Over-allotment Option, our authorized share capital will be HK\$200 million divided into 2,000 million Shares, of which 400 million Shares will be issued fully paid or credited as fully paid, and 1,600 million Shares will remain unissued.
- (iv) Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which were granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, there is no present intention to issue any of the authorized but unissued share capital of us and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of us.

Save as disclosed herein and in the paragraphs headed "Resolutions in writing of our Shareholders passed on March 25, 2011 and April 6, 2011" and "Group reorganization" of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) *Founder shares*

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our Shareholders passed on March 25, 2011 and April 6, 2011

By resolutions in writing of all our Shareholders passed on March 25, 2011 and April 6, 2011:

- (a) we approved and adopted the Articles;
- (b) we adopted the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in paragraph 15 of this Appendix, and our Directors were authorized to grant options to subscribe for Shares thereunder and, conditional on the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme on or before the date falling 30 days after the date of this prospectus, to allot, issue and deal with Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.
- (c) we adopted the rules of the Share Award Plan, the principal terms of which are set out under paragraph 17 of this Appendix, and our Directors were authorized to take all such steps as may be necessary or desirable to implement the Share Award Plan;
- (d) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and such listing and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange, (bb) the Offer Price having been duly determined in accordance with the terms of the Underwriting Agreements; (cc) the execution and delivery of the Underwriting Agreements; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the respective terms of the Underwriting Agreements or otherwise, in each case, on or before the day falling 30 days after the date of this prospectus:
 - (i) the authorized share capital of our Company was increased from HK\$200,000 to HK\$200 million by the creation of 1,998 million new Shares;
 - (ii) the Global Offering and the grant of the Over-allotment Option by our Company were approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering, and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares

thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

- (iv) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize HK\$29.8 million standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 298 million Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on March 25, 2011 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorized to give effect to such capitalization;
- (v) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which were granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, or under the Global Offering or the Capitalization Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by us pursuant to the authority granted to the Directors as referred to in subparagraph (vi) below, until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
- (vi) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed or recognized by the SFC and the Stock Exchange for this purpose with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of our share capital in issue immediately following the completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

- (vii) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (vi) above.
- (e) the form and substance of each of the service agreements between our executive Directors and our Company, and the form and substance of each of the appointment letters between our independent non-executive Directors and our Company were approved.

4. Group reorganization

The companies comprising our Group underwent a reorganization to rationalize our Group's structure in preparation for the listing of the Shares on the Stock Exchange, which involved the following:

- (a) on November 12, 2009, Tang Palace BVI was incorporated in the BVI as a BVI business company with 50,000 authorized shares of US\$1.00 each. On December 10, 2009, an aggregate of 49,000 shares of US\$1.00 each were allotted and issued as fully paid at par by Tang Palace BVI, as to 24,500 shares to Mr. Chan, 17,150 shares to Mr. Yip and 7,350 shares to Mr. Ku;
- (b) on December 23, 2009, Mr. Chan acquired from Mr. Hui Yiu Chuen 1,000 shares of HK\$1.00 each in Tang Palace HK Meco, representing 10% of its entire issued share capital and the entire issued share capital held by Mr. Hui Yiu Chuen, at a cash consideration of HK\$4.5 million;
- (c) on December 24, 2009, Tang Palace BVI acquired from Mr. Chan, Mr. Yip and Mr. Ku the entire issued share capital of Tang Palace HK, Tang Palace HK Excellent, Tang Palace HK Leadwin, Tang Palace HK Logistics, Tang Palace HK Meco, Tang Palace HK Prosperous and Tang Palace HK Pudong at a total consideration of approximately HK\$8 million. The consideration was satisfied by the allotment and issue by Tang Palace BVI, credited as fully paid, of an aggregate of 700 shares of US\$1.00 each in its capital, as to 350 shares to Mr. Chan, 245 shares to Mr. Yip and 105 shares to Mr. Ku. As of the date of the acquisition, each of Tang Palace HK, Tang Palace HK Excellent and Tang Palace HK Logistics had an issued share capital of HK\$20,000 divided into 20,000 shares of HK\$1.00 each, and each of Tang Palace HK Leadwin, Tang Palace HK Meco, Tang Palace HK Prosperous and Tang Palace HK Pudong had an issued share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Each of these companies were owned as to 50% by Mr. Chan, 35% by Mr. Yip and 15% by Mr. Ku;
- (d) on March 11, 2010, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorized share capital of HK\$200,000 divided into 2 million Shares. On the same day, one Share was allotted and issued, nil paid, to the subscriber. Such subscriber share was transferred by the subscriber to Mr. Chan on the same day;

- (e) On March 26, 2010, Tang Palace HK entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK agreed to acquire the entire equity interest in Tang Palace Suzhou WE from HK Well excellent. A cash consideration of HK\$3 million was paid by Tang Palace HK to HK Well Excellent for the transfer. Such transfer of equity interest became effective on April 14, 2010;
- (f) On August 3, 2010, Tang Palace HK Excellent entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK Excellent agreed to acquire the entire equity interest in Tang Palace Beijing New Century from HK Well Excellent at a cash consideration of approximately RMB7.7 million. Such transfer of equity interest became effective on September 15, 2010;
- (g) On August 3, 2010, Tang Palace HK Excellent entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK Excellent agreed to acquire the entire equity interest in Tang Palace Beijing Minzu from HK Well Excellent at a cash consideration of approximately RMB16.1 million. Such transfer of equity interest became effective on September 19, 2010;
- (h) On August 3, 2010, Tang Palace HK Excellent entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK Excellent agreed to acquire the entire equity interest in Tang Palace Beijing Haoyuan from HK Well Excellent at a cash consideration of approximately RMB8.9 million. Such transfer of equity interest became effective on September 27, 2010;
- (i) On August 3, 2010, Tang Palace HK Excellent entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK Excellent agreed to acquire the entire equity interest in Tang Palace Beijing WE F&B from HK Well Excellent at a cash consideration of approximately RMB6.6 million. Such transfer of equity interest became effective on September 27, 2010;
- (j) On August 3, 2010, Tang Palace HK Excellent entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK Excellent agreed to acquire the entire equity interest in Tang Palace Beijing WE from HK Well Excellent at a cash consideration of approximately RMB11.6 million. Such transfer of equity interest became effective on September 25, 2010;
- (k) on August 3, 2010, Tang Palace HK entered into an equity transfer agreement with HK Well Excellent, pursuant to which Tang Palace HK agreed to acquire the entire equity interest in Tang Palace Shanghai Hongkou from HK Well Excellent at a cash consideration of approximately RMB16.3 million. Such transfer of equity interest became effective on October 8, 2010;
- (l) On December, 31 2010, Tang Palace BVI allotted and issued as fully paid an aggregate of 300 shares of US\$1.00 each in its capital, as to 150 shares to Mr. Chan, 105 shares to Mr. Yip and 45 shares to Mr. Ku in cash at a total subscription price of approximately RMB107.2 million, in capitalization of the amounts owed by Tang Palace BVI to the respective shareholders;

- (m) on March 25, 2011, our Company acquired from Mr. Chan, Mr. Yip and Mr. Ku an aggregate of 50,000 shares of US\$1.00 each in the share capital of Tang Palace BVI, being its entire issued share capital, in consideration of and in exchange for which our Company, at the direction of each of Mr. Chan, Mr. Yip and Mr. Ku, (i) allotted and issued, credited as fully paid, an aggregate of 1,999,999 Shares, as to 999,999 Shares to Best Active Investments, 700,000 Shares to Current Success Investments and 300,000 Shares to Bright Mind Investments; and (ii) credited as fully paid at par one nil paid Share then held by Mr. Chan. On the same day, Mr. Chan transferred his one Share to Best Active Investments at nil consideration.

Upon completion of the Reorganization, our Company became the holding company of our Group.

5. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the accountants' report set out in Appendix I to this prospectus.

In addition to the alterations described in paragraph 4 above, the following alterations in the share capital of each of our Company's subsidiaries took place within two years immediately preceding the date of this prospectus:

- (a) on August 13, 2009, Tang Palace HK Leadwin was incorporated as a limited liability company under the laws of Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Upon its incorporation, one subscriber share was issued to the subscriber for cash at par. Such subscriber share was transferred to Mr. Chan on September 2, 2009 for cash at par;
- (b) on October 12, 2009, Tang Palace HK Leadwin allotted and issued an aggregate of 9,999 new shares in its capital for cash at par, as to 4,999 shares to Mr. Chan, 3,500 shares to Mr. Yip and 1,500 shares to Mr. Ku;
- (c) on September 14, 2009, Tang Palace HK Prosperous was incorporated as a limited liability company under the laws of Hong Kong with an authorized share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each. Upon its incorporation, one subscriber share was issued to Mr. Chan for cash at par;
- (d) on October 12, 2009, Tang Palace HK Prosperous allotted and issued an aggregate of 9,999 new shares in its capital for cash at par, as to 4,999 shares to Mr. Chan, 3,500 shares to Mr. Yip and 1,500 shares to Mr. Ku;
- (e) on October 21, 2009, Tang Palace Suzhou WE was established as a wholly foreign owned enterprise under the laws of the PRC with a total investment amount and registered capital of HK\$3 million. At the time of establishment, the entire equity interest in Tang Palace Suzhou WE was owned by HK Well Excellent;

- (f) on January 4, 2010, Tang Palace Shanghai Pepper Lunch was established by Tang Palace HK Leadwin as a wholly foreign owned enterprise under the laws of the PRC with a total investment amount and registered capital of US\$150,000;
- (g) on January 5, 2010, Tang Palace Beijing Pepper Lunch was established by Tang Palace HK Leadwin as a wholly foreign owned enterprise under the laws of the PRC with a total investment amount and registered capital of HK\$1 million;
- (h) on April 1, 2010, Tang Palace Hangzhou WE was established by Tang Palace HK as a wholly foreign owned enterprise under the laws of the PRC with a total investment amount and registered capital of RMB3 million;
- (i) on April 1, 2010, Tang Palace Shanghai Minhang was established by Tang Palace HK as a wholly foreign owned enterprise under the laws of the PRC with a total investment amount of US\$210,000 and registered capital of US\$150,000;
- (j) on April 22, 2010, Tang Palace Shanghai Changning was established by Tang Palace HK as a wholly foreign owned enterprise under the laws of the PRC with a total investment amount and registered capital of HK\$3 million; and
- (k) on January 12, 2011, Tang Palace Beijing Chaobei was established by Tang Palace HK Excellent as a wholly foreign owned enterprise under the laws of the PRC with a total investment amount and registered capital of HK\$3 million.

Save as disclosed herein and in paragraph 4 above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Further information about our Group's PRC establishments

Our Group has interest in the registered capital of 22 wholly foreign-owned enterprises. A summary of the corporate information of these enterprises as of the Latest Practicable Date are set out as follows:

- (a) Tang Palace Beijing Haoyuan
- | | |
|--|---|
| (i) Name of the enterprise: | 北京好苑唐宮海鮮舫有限公司 (Beijing Haoyun Tanggong Seafood Restaurant Co., Ltd) |
| (ii) Economic nature: | Wholly foreign-owned enterprise |
| (iii) Registered owner: | Tang Palace HK Excellent |
| (iv) Total investment: | RMB3 million |
| (v) Registered capital: | RMB3 million |
| (vi) Attributable interest to our Group: | 100% |
| (vii) Term of operation: | From December 10, 2003 to December 9, 2011 |
| (viii) Scope of business: | Permitted operation item: catering services, sell alcohol, packaged food, packaged drinks to diners. General operation item: sell arts and crafts, commodities to diners; conference services and business consultation |
- (b) Tang Palace Beijing WE F&B
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| (i) Name of the enterprise: | 北京維華唐宮飲食有限公司 (Beijing Well Excellent Tang Palace F&B. Co. Ltd) |
| (ii) Economic nature: | Wholly foreign-owned enterprise |
| (iii) Registered owner: | Tang Palace HK Excellent |
| (iv) Total investment: | HK\$3 million |
| (v) Registered capital: | HK\$3 million |
| (vi) Attributable interest to our Group: | 100% |
| (vii) Term of operation: | From January 16, 2009 to January 15, 2019 |
| (viii) Scope of business: | Permitted operation item: cook and serve Chinese cuisine (including cold cuts). General operation item: sell alcohol and drinks, arts and crafts, commodities to diners; conference services and business consultation |
- (c) Tang Palace Beijing WE
- | | |
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| (i) Name of the enterprise: | 北京維華唐宮海鮮舫有限公司 (Beijing Well Excellent Tong Palace Restaurant Co., Ltd) |
| (ii) Economic nature: | Wholly foreign-owned enterprise |
| (iii) Registered owner: | Tang Palace HK Excellent |
| (iv) Total investment: | RMB5 million |
| (v) Registered capital: | RMB5 million |

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| (vi) | Attributable interest to our Group: | 100% |
| (vii) | Term of operation: | From July 12, 2002 to July 11, 2012 |
| (viii) | Scope of business: | Permitted operation item: catering services (including cold dishes; excluding cake and raw seafood); sell cigarettes to customers. General operation item: conference services and business information consultation |
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| (d) | Tang Palace Beijing Minzu | |
| (i) | Name of the enterprise: | 北京民族唐宮海鮮舫有限公司 (Beijing Mingzu Tanggong Seafood Restaurant Co., Ltd) |
| (ii) | Economic nature: | Wholly foreign-owned enterprise |
| (iii) | Registered owner: | Tang Palace HK Excellent |
| (iv) | Total investment: | RMB5 million |
| (v) | Registered capital: | RMB5 million |
| (vi) | Attributable interest to our Group | 100% |
| (vii) | Term of operation: | From September 25, 2003 to September 24, 2013 |
| (viii) | Scope of business: | Permitted operation item: catering services including cold dishes; excluding cake and raw seafood); sell cigarettes, alcohol, packaged drinks, packaged food. General operation item: sell arts and crafts (except national restricted item), commodities, conference services and business consultation to diners |
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| (e) | Tang Palace Beijing New Century | |
| (i) | Name of the enterprise: | 北京新世紀唐宮海鮮舫有限公司 (Beijing New Century Tanggong Seafood Restaurant Co., Ltd) |
| (ii) | Economic nature: | Wholly foreign-owned enterprise |
| (iii) | Registered owner: | Tang Palace HK Excellent |
| (iv) | Total investment: | RMB3 million |
| (v) | Registered capital: | RMB3 million |
| (vi) | Attributable interest to our Group | 100% |
| (vii) | Term of operation: | From December 21, 2001 to December 20, 2011 |
| (viii) | Scope of business: | Permitted operation item: nil. General operation item: catering services; sell alcohol, cigarettes, packaged food, drinks, arts and crafts; conference services and business information consultation to customers |

- (f) Tang Palace Beijing Excellent
- (i) Name of the enterprise: 北京盛世唐宮飲食有限公司 (Beijing Excellent Tang Palace F&B Co., Ltd)
 - (ii) Economic nature: Wholly foreign-owned enterprise
 - (iii) Registered owner: Tang Palace HK Excellent
 - (iv) Total investment: HK\$3 million
 - (v) Registered capital: HK\$3 million
 - (vi) Attributable interest to our Group: 100%
 - (vii) Term of operation: From April 14, 2008 to April 13, 2018
 - (viii) Scope of business: Permitted operation item: catering services, sell alcohol, drinks, cigarettes and cigars to diners. General operation item: nil
- (g) Tang Palace Suzhou WE
- (i) Name of the enterprise: 蘇州維華唐宮海鮮舫有限公司 (Suzhou Well Excellent Tang Palace Seafood Restaurant Co., Ltd)
 - (ii) Economic nature: Wholly foreign-owned enterprise
 - (iii) Registered owner: Tang Palace HK
 - (iv) Total investment: HK\$3 million
 - (v) Registered capital: HK\$3 million
 - (vi) Attributable interest to our Group: 100%
 - (vii) Term of operation: From October 21, 2009 to October 20, 2019
 - (viii) Scope of business: Permitted operation item: cook and serve Chinese and Western cuisine (including cold dish, excluding cake and raw seafood). General operation item: nil
- (h) Tang Palace Hangzhou WE
- (i) Name of the enterprise: 杭州維華唐宮海鮮舫有限公司 (Hangzhou Well Excellent Tang Palace Seafood Restaurant Co., Ltd)
 - (ii) Economic nature: Wholly foreign-owned enterprise
 - (iii) Registered owner: Tang Palace HK
 - (iv) Total investment: RMB3 million
 - (v) Registered capital: RMB3 million
 - (vi) Attributable interest to our Group: 100%
 - (vii) Term of operation: From April 1, 2010 to March 31, 2030
 - (viii) Scope of business: Chinese cuisine service (large-scale restaurants) (including cold dish, excluding cake and raw seafood) (effective date till June 12, 2013); conference services

- (i) Tang Palace Shanghai Hongqiao
- (i) Name of the enterprise: 上海紅橋唐宮海鮮舫有限公司 (Shanghai Hongqiao Tang Palace Seafood Restaurant Company Ltd)
 - (ii) Economic nature: Wholly foreign-owned enterprise
 - (iii) Registered owner: Tang Palace HK
 - (iv) Total investment: US\$200,000
 - (v) Registered capital: US\$150,000
 - (vi) Attributable interest to our Group: 100%
 - (vii) Term of operation: From January 19, 2006 to January 18, 2036
 - (viii) Scope of business: Large hotel (including delicatessen food and stew), dine-in alcohol wine (operate under administrative permit (if required))
- (j) Tang Palace Shanghai Hongkou
- (i) Name of the enterprise: 上海虹口唐宮海鮮舫有限公司 (Shanghai Hongkou Tang Palace Seafood Restaurant Company Ltd)
 - (ii) Economic nature: Wholly foreign-owned enterprise
 - (iii) Registered owner: Tang Palace HK
 - (iv) Total investment: RMB13.5 million
 - (v) Registered capital: RMB13.5 million
 - (vi) Attributable interest to our Group: 100%
 - (vii) Term of operation: From February 1, 2008 to January 31, 2038
 - (viii) Scope of business: Large hotel (including delicatessen food and stew); Conference services (operate under administrative permit (if required))
- (k) Tang Palace Shanghai WE
- (i) Name of the enterprise: 上海維華唐宮餐飲有限公司 (Shanghai Well Excellent Tang Palace F&B Co., Ltd)
 - (ii) Economic nature: Wholly foreign-owned enterprise
 - (iii) Registered owner: Tang Palace HK
 - (iv) Total investment: US\$150,000
 - (v) Registered capital: US\$150,000
 - (vi) Attributable interest to our Group: 100%
 - (vii) Term of operation: From December 9, 2008 to December 8, 2038
 - (viii) Scope of business: Large hotel (including delicatessen food and stew, excluding cake and raw seafood), alcohol (excluding bulk wine), conference services (operate under administrative permit (if required))

- (l) Tang Palace Shanghai Minhang
- (i) Name of the enterprise: 上海閔行唐宮海鮮舫有限公司 (Shanghai Minhang Tang Palace Seafood Restaurant Co., Ltd)
 - (ii) Economic nature: Wholly foreign-owned enterprise
 - (iii) Registered owner: Tang Palace HK
 - (iv) Total investment: US\$210,000
 - (v) Registered capital: US\$150,000
 - (vi) Attributable interest to our Group: 100%
 - (vii) Term of operation: From April 1, 2010 to March 31, 2030
 - (viii) Scope of business: Large-scale hotel (including delicatessen food and stew) (operate under administrative permit (if required))
- (m) Tang Palace Shanghai Changning
- (i) Name of the enterprise: 上海長寧唐宮海鮮舫有限公司 (Shanghai Changning Tang Palace Seafood Restaurant Co., Ltd)
 - (ii) Economic nature: Wholly foreign-owned enterprise
 - (iii) Registered owner: Tang Palace HK
 - (iv) Total investment: HK\$3 million
 - (v) Registered capital: HK\$3 million
 - (vi) Attributable interest to our Group: 100%
 - (vii) Term of operation: From April 22, 2010 to April 21, 2030
 - (viii) Scope of business: Serving Chinese and Western cuisine, dim sum, alcoholic and non-alcoholic drinks, packaged food (including delicatessen food and stew, and raw seafood (sell restricted within restaurant)), catering management and conference services (operate under administrative permit (if required))
- (n) Tang Palace Shanghai Pudong
- (i) Name of the enterprise: 上海浦東唐宮海鮮舫有限公司 (Shanghai Pudong Tang Palace Seafood Restaurant Company Ltd)
 - (ii) Economic nature: Wholly foreign-owned enterprise
 - (iii) Registered owner: Tang Palace HK Pudong
 - (iv) Total investment: US\$150,000
 - (v) Registered capital: US\$150,000
 - (vi) Attributable interest to our Group: 100%
 - (vii) Term of operation: From July 10, 2006 to July 9, 2016
 - (viii) Scope of business: Catering (including delicatessen food and stew and alcohol), conference services (operate under administrative permit (if required))

- (o) Tang Palace Shanghai Food
- (i) Name of the enterprise: 上海唐宮食品有限公司 (Shanghai Tang Palace Food Co., Ltd)
 - (ii) Economic nature: Wholly foreign-owned enterprise
 - (iii) Registered owner: Tang Palace HK Logistics
 - (iv) Total investment: US\$150,000
 - (v) Registered capital: US\$150,000
 - (vi) Attributable interest to our Group: 100%
 - (vii) Term of operation: From October 14, 2008 to October 13, 2038
 - (viii) Scope of business: Produce meat and meat products (sauce and stew type , grilled type, cured meat), liquid compound seasoning, cake and pastry (steamed, baked, fried), aquatic products (pre-made aquatic products and preserved aquatic products), moon cake, sale of self products, (operate under administrative permit (if required))
- (p) Tang Palace Beijing Pepper Lunch
- (i) Name of the enterprise: 活力胡椒(北京)餐飲管理有限公司 (Vital Pepper (Beijing) Management Co., Ltd.)
 - (ii) Economic nature: Wholly foreign-owned enterprise
 - (iii) Registered owner: Tang Palace HK Leadwin
 - (iv) Total investment: HK\$1 million
 - (v) Registered capital: HK\$1 million
 - (vi) Attributable interest to our Group: 100%
 - (vii) Term of operation: From January 5, 2010 to January 4, 2020
 - (viii) Scope of business: Permitted operation item: Provide catering service (limited to branch operations). General operation item: catering management, catering management technical consultancy; technical training; business management; business investment consultancy; conference services
- (q) Tang Palace Shanghai Pepper Lunch
- (i) Name of the enterprise: 活力胡椒(上海)餐飲管理有限公司 (Pepper Lunch (Shanghai) F&B Management Co., Ltd)
 - (ii) Economic nature: Wholly foreign-owned enterprise
 - (iii) Registered owner: Tang Palace HK Leadwin
 - (iv) Total investment: US\$150,000
 - (v) Registered capital: US\$150,000
 - (vi) Attributable interest to our Group: 100%
 - (vii) Term of operation: From January 4, 2010 to January 3, 2020

- (viii) Scope of business: Catering management; catering (limited to branch operations); conference services; business management consultancy; business investment consultancy (operate under administrative permit (if required))
- (r) Tang Palace Shenzhen
- (i) Name of the enterprise: 深圳唐宮膳飲食有限公司 (Shenzhen Tang Palace Dining F&B Co., Ltd)
- (ii) Economic nature: Wholly foreign-owned enterprise
- (iii) Registered owner: Tang Palace HK Meco
- (iv) Total investment: HK\$3 million
- (v) Registered capital: HK\$3 million
- (vi) Attributable interest to our Group: 100%
- (vii) Term of operation: From September 4, 1997 to September 4, 2017
- (viii) Scope of business: Operate Cantonese seafood restaurant on Ground Floor, Block 5, Hongling Building, South Hongling Road
- (s) Tang Palace Shenzhen WE
- (i) Name of the enterprise: 深圳維華盛世唐宮飲食有限公司 (Shenzhen Well Excellent Tang Palace F&B Co., Ltd)
- (ii) Economic nature: Wholly foreign-owned enterprise
- (iii) Registered owner: Tang Palace HK Meco
- (iv) Total investment: HK\$3 million
- (v) Registered capital: HK\$3 million
- (vi) Attributable interest to our Group: 100%
- (vii) Term of operation: From July 25, 2007 to July 25, 2017
- (viii) Scope of business: Cooking and Serving Chinese cuisine
- (t) Tang Palace Ninja House
- (i) Name of the enterprise: 忍者居江南一號飲食(深圳)有限公司 (Ninja House Jiangnan Cuisine F&B (Shenzhen) Co., Ltd)
- (ii) Economic nature: Wholly foreign-owned enterprise
- (iii) Registered owner: Tang Palace HK Meco
- (iv) Total investment: HK\$2 million
- (v) Registered capital: HK\$2 million
- (vi) Attributable interest to our Group: 100%
- (vii) Term of operation: From November 26, 2002 to November 26, 2022
- (viii) Scope of business: Cooking and serving Japanese cuisine and Chinese cuisine, retail sale of alcohol

- (u) Tang Palace Dongguan
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| (i) Name of the enterprise: | 東莞世博唐宮海鮮舫有限公司 (Dongguan Expo Tang Palace Seafood Restaurant Co., Ltd) |
| (ii) Economic nature: | Wholly foreign-owned enterprise |
| (iii) Registered owner: | Tang Palace HK Meco |
| (iv) Total investment: | HK\$3 million |
| (v) Registered capital: | HK\$3 million |
| (vi) Attributable interest to our Group: | 100% |
| (vii) Term of operation: | From January 11, 2006 to January 11, 2016 |
| (viii) Scope of business: | Chinese and Western cuisine services |
- (v) Tang Palace Beijing Chaobei
- | | |
|--|---|
| (i) Name of the enterprise: | 北京朝北唐宮海鮮舫飲食有限公司 (Beijing Chaobei Tang Palace F&B Co., Ltd) |
| (ii) Economic nature: | Wholly foreign-owned enterprise |
| (iii) Registered owner: | Tang Palace HK Excellent |
| (iv) Total investment: | HK\$3 million |
| (v) Registered capital: | HK\$3 million |
| (vi) Attributable interest to our Group: | 100% |
| (vii) Term of operation: | From January 12, 2011 to January 11, 2021 |
| (viii) Scope of business: | Permitted operation item: catering services (including cold dishes; excluding cake and raw seafood). General operation item: conference services and business consultancy |

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by the Shareholders on March 25, 2011, the Repurchase Mandate was given to the Directors authorizing any repurchase by us of Shares on the Stock Exchange or any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of our share capital in issue immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, such mandate to expire at the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by us may be made out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles of Association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of us or from sums standing to the credit of our share premium account or, if authorized by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(c) Reasons for repurchases

The Directors believe that it is in the best interest of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our current financial position of us as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or our gearing position as compared to the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, would result in up to 40,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

(e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers ("**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under Part XI of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at Unit 3 on 10th Floor, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Kowloon, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr. Chan, our executive Director, has been appointed as agent of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a share purchase agreement dated December 24, 2009 entered into between Tang Palace BVI as purchaser and Mr. Chan, Mr. Yip and Mr. Ku as vendors for the acquisition by Tang Palace BVI of the entire issued share capital of Tang Palace HK, Tang Palace HK Excellent, Tang Palace HK Leadwin, Tang Palace HK Logistics, Tang Palace HK Mecoco, Tang Palace HK Prosperous and Tang Palace HK Pudong at a total consideration of HK\$8,036,983. The consideration was satisfied by the allotment and issue by Tang Palace BVI, credited as fully paid, of an aggregate of 700 shares of US\$1.00 each in its capital, as to 350 shares to Mr. Chan, 245 shares to Mr. Yip and 105 shares to Mr. Ku;
- (b) a trademark transfer and license agreement dated August 3, 2010 entered into between Tang Palace HK Prosperous and HK Well Excellent, pursuant to which HK Well Excellent (i) agreed to transfer Class 42 Trademark and Class 30 Trademark as referred to in the section entitled “History, reorganization and corporate structure — Reorganization — acquisition of trademarks” in this prospectus to Tang Palace HK Prosperous at a total consideration of RMB4.18 million; and (ii) until the expiry of HK Well Excellent’s exclusive right to use the Class 42 Trademark, granted a license to Tang Palace HK Prosperous to use and sub-license the Class 42 Trademark to other parties at a total consideration of RMB3,000;
- (c) an equity transfer agreement dated August 3, 2010 entered into between Tang Palace HK Excellent as purchaser and HK Well Excellent as vendor for the acquisition by Tang Palace HK Excellent of the entire equity interest in Tang Palace Beijing New Century at a total cash consideration of RMB7,738,887;
- (d) an equity transfer agreement dated August 3, 2010 entered into between Tang Palace HK Excellent as purchaser and HK Well Excellent as vendor for the acquisition by Tang Palace HK Excellent of the entire equity interest in Tang Palace Beijing WE at a total cash consideration of RMB11,597,652;
- (e) an equity transfer agreement dated August 3, 2010 entered into between Tang Palace HK Excellent as purchaser and HK Well Excellent as vendor for the acquisition by Tang Palace HK Excellent of the entire equity interest in Tang Palace Beijing Minzu at a total cash consideration of RMB16,063,842;
- (f) an equity transfer agreement dated August 3, 2010 entered into between Tang Palace HK Excellent as purchaser and HK Well Excellent as vendor for the acquisition by Tang Palace HK Excellent of the entire equity interest in Tang Palace Beijing Haoyuan at a total cash consideration of RMB8,904,443;


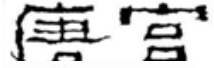
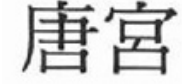





- (g) an equity transfer agreement dated August 3, 2010 entered into between Tang Palace HK Excellent as purchaser and HK Well Excellent as vendor for the acquisition by Tang Palace HK Excellent of the entire equity interest in Tang Palace Beijing WE F&B at a total cash consideration of RMB6,587,088;
- (h) an equity transfer agreement dated August 3, 2010 entered into between Tang Palace HK as purchaser and HK Well Excellent as vendor for the acquisition by Tang Palace HK of the entire equity interest in Tang Palace Shanghai Hongkou at a total cash consideration of RMB16,273,757;
- (i) an equity transfer agreement dated March 26, 2010 entered into between Tang Palace HK as purchaser and HK Well Excellent as vendor for the acquisition by Tang Palace HK of the entire equity interest in Tang Palace Suzhou WE. A cash consideration of HK\$3 million was paid by Tang Palace HK to HK Well Excellent for the transfer;
- (j) a trademark license agreement dated January 28, 2011 entered into between Tang Palace HK Prosperous and HK Well Excellent, pursuant to which HK Well Excellent granted a license to Tang Palace HK Prosperous at nil consideration to use and sub-license the Class 30 Trademark to other parties until the transfer of such trademark to Tang Palace HK Prosperous is approved;
- (k) a share purchase agreement dated March 25, 2011 entered into between our Company as purchaser and Mr. Chan, Mr. Yip and Mr. Ku as vendors for (A) the acquisition by our Company of the entire issued share capital of Tang Palace BVI, in consideration of and in exchange for which our Company, at the direction of each of Mr. Chan, Mr. Yip and Mr. Ku, (i) allotted and issued, credited as fully paid, an aggregate of 1,999,999 Shares, as to 999,999 Shares to Best Active Investments, 700,000 Shares to Current Success Investments and 300,000 Shares to Bright Mind Investments; and (ii) credited as fully paid at par one nil paid Share then held by Mr. Chan;
- (l) a cornerstone placing agreement dated April 1, 2011 and entered into between our Company, Orchid Asia IV, L.P., Orchid Asia IV Co-Investment, Limited, ICBCI and Guotai Junan Securities, pursuant to which (i) Orchid Asia IV, L.P. has agreed to acquire such number of International Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) as may be purchased with US\$5,880,000 (equivalent to HK\$45,717,000 at the exchange rate of US\$1.00 = HK\$7.775) at the Offer Price and (ii) Orchid Asia IV Co-Investment, Limited has agreed to acquire such number of International Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) as may be purchased with US\$120,000 (equivalent to HK\$933,000 at the exchange rate of US\$1.00 = HK\$7.775) at the Offer Price;
- (m) a deed of indemnity dated April 6, 2011 executed by Mr. Chan, Mr. Yip, Mr. Ku, Best Active Investments, Current Success Investments and Bright Mind Investments in favor of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph headed “Estate duty, tax and other indemnities” of this Appendix; and

(n) the Hong Kong Underwriting Agreement.

10. Intellectual property rights of our Group










Trademarks

As of the Latest Practicable Date, our Group was the registered owner of, or otherwise had the right to use, the following registered trademarks:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
1.		HK Well Excellent (Note 9)	PRC	42 (Note 4)	1442691	September 7, 2000 - September 6, 2020
2.		HK Well Excellent (Note 9)	PRC	30 (Note 3)	7103731	July 7, 2010 to July 6, 2020
3.		Tang Palace HK Prosperous	Hong Kong	43 (Note 5)	300538092	November 29, 2005 - November 28, 2015
4.		Tang Palace HK Prosperous	Hong Kong	29, 30, 43 (Notes 2, 3 and 5)	301588753	April 16, 2010 - April 15, 2020
5.		Tang Palace Ninja House	PRC	43 (Note 5)	4016490	February 28, 2009 to February 27, 2019
6.		SFBI (Note 7)	PRC	43 (Note 5)	4792293	February 28, 2009 — February 27, 2019
7.		SFBI (Note 10)	PRC	29 (Note 2)	6863755	March 28, 2010 to March 27, 2020
8.		SFBI (Note 10)	PRC	35 (Note 6)	6863757	July 28, 2010 to July 27, 2020

As of the Latest Practicable Date, our Group had the right to use the following trademarks which were pending registration as of the Latest Practicable Date:

No.	Trademark	Applicant	Place of application	Class	Application number	Application Date
1.		Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653304	September 9, 2010
2.		Tang Palace HK Prosperous	PRC	16 ^(Note 1)	8653305	September 9, 2010
3.		Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653225	September 9, 2010
4.		Tang Palace HK Prosperous	PRC	29 ^(Note 2)	8653276	September 9, 2010
5.		Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653389	September 9, 2010
6.		Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653357	September 9, 2010
7.		Tang Palace HK Prosperous	PRC	16 ^(Note 1)	8653358	September 9, 2010
8.		Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653377	September 9, 2010
9.		Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653284	September 9, 2010

No.	Trademark	Applicant	Place of application	Class	Application number	Application Date
10.		Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653285	September 9, 2010
11.		Tang Palace HK Prosperous	PRC	16 ^(Note 1)	8653286	September 9, 2010
12.	TANG'S CUISINE	Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653206	September 9, 2010
13.	TANG'S CUISINE	Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653207	September 9, 2010
14.		Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653278	September 9, 2010
15.		Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653279	September 9, 2010
16.		Tang Palace HK Prosperous	PRC	16 ^(Note 1)	8653280	September 9, 2010
17.		Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653287	September 9, 2010
18.		Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653288	September 9, 2010
19.		Tang Palace HK Prosperous	PRC	16 ^(Note 1)	8653289	September 9, 2010
20.	TANG PALACE RESTAURANT	Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653212	September 9, 2010
21.	TANG PALACE RESTAURANT	Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653213	September 9, 2010
22.		Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653293	September 9, 2010
23.		Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653294	September 9, 2010
24.		Tang Palace HK Prosperous	PRC	16 ^(Note 1)	8653295	September 9, 2010
25.	Tanggong jiangnan cuisine	Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653208	September 9, 2010

No.	Trademark	Applicant	Place of application	Class	Application number	Application Date
26.		Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653209	September 9, 2010
27.		Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653290	September 9, 2010
28.		Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653291	September 9, 2010
29.		Tang Palace HK Prosperous	PRC	16 ^(Note 1)	8653292	September 9, 2010
30.		Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653296	September 9, 2010
31.		Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653297	September 9, 2010
32.		Tang Palace HK Prosperous	PRC	16 ^(Note 1)	8653298	September 9, 2010
33.	TANG PALACE SEAFOOD RESTAURANT	Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653210	September 9, 2010
34.	TANG PALACE SEAFOOD RESTAURANT	Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653211	September 9, 2010
35.		Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653281	September 9, 2010
36.		Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653282	September 9, 2010
37.		Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653301	September 9, 2010
38.		Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653302	September 9, 2010
39.		Tang Palace HK Prosperous	PRC	16 ^(Note 1)	8653303	September 9, 2010
40.	EXCELLENT TANG PALACE	Tang Palace HK Prosperous	PRC	43 ^(Note 5)	8653214	September 9, 2010
41.	EXCELLENT TANG PALACE	Tang Palace HK Prosperous	PRC	30 ^(Note 3)	8653215	September 9, 2010
42.		Tang Palace HK Prosperous	PRC	29 ^(Note 2)	8653299	September 9, 2010
43.		Tang Palace HK Prosperous	PRC	16 ^(Note 1)	8653300	September 9, 2010

Notes:

- (1) The specific products under class 16 in respect of which the trademark was applied for registration are tissue, paper or cardboard billboards, printed matter, print publications, business cards, packaging paper bags or plastic bags (envelopes, pouches), wrapping paper, cardboard boxes or cartons, stationery, seal.
- (2) The specific products under class 29 in respect of which the trademark was registered and/or applied for registration are fish; meat and preserved meat; meat soup; poultry; meat extracts; preparations from meat, fish and poultry; food made from fish; preserved, dried and cooked fruits and vegetables; shrimp (not live), potato pancake; frozen convenience food; egg; milk products; dry mushroom; tofu products; and soup.
- (3) The specific products under class 30 in respect of which the trademark was registered and/or applied for registration are baked wheaten cake; cakes; cereal; Chinese cakes and Western style cakes; cooked lunch boxes; cooked rice with prepared meal and/or drinks served in boxes; dim sum; flour; fried dough twist; mooncake; noodles and instant noodles; pasta; pastry and confectionery; rice; rice and/or flour prepared food; rice and/or flour together with cooked food served in boxes; sauces; and sweets.
- (4) The specific services under class 42 in respect of which the trademark was registered for are full board inn; restaurant; hotel; motel; mobile catering; pub and tea house.
- (5) The specific services under class 43 in respect of which the trademark was registered and/or applied for registration are accommodation services; accommodation (inn, boarding house); banqueting services; bars; buffet restaurant; cafes; canteens; catering (food and drinks); catering services; club services for the provision of food and drinks; cocktail lounge services; coffee shop services; consultancy services relating to catering, food, drinks and wine; cooking services; fast food restaurant; holiday camping services (accommodation); hotel; mobile catering; motel; providing food and drinks; provision and preparation of take-away food; pub; restaurant; restaurant services; rental service in relation to chair, table, table cloth and glassware; seafood restaurant services; and tea house.
- (6) The specific services under class 35 in respect of which the trademark was registered for are franchise business management; hotel business management; outsourcing services (business assistance); business management assistance; advertising; goods on display; marketing for others; import and export agents; personnel recruitment; and rental of vending machine.
- (7) On May 20, 2010, SFBI entered into a trademark license agreement with Tang Palace Beijing Pepper Lunch, pursuant to which SFBI granted a non-exclusive license to Tang Palace Beijing Pepper Lunch to use the trademark subject to and upon the terms and conditions of the trademark license agreement from May 20, 2010 to February 27, 2019.
- (8) The descriptions of goods and services covered by the registration and/or application may vary according to the trademark practices in different countries. The descriptions of goods and services set out under notes 1 to 6 above should not be viewed as the exact descriptions of goods and services covered by registration and/or application of all countries.
- (9) On August 3, 2010, Tang Palace HK Prosperous entered into a trademark transfer and license agreement with HK Well Excellent, pursuant to which HK Well Excellent (i) agreed to transfer Class 42 Trademark and Class 30 Trademark to Tang Palace HK Prosperous at a total consideration of RMB4.18 million; and (ii) until the expiry of HK Well Excellent's exclusive right to use the Class 42 Trademark, granted a license to Tang Palace HK Prosperous to use and sub-license the Class 42 Trademark to other parties until the expiry of HK Well Excellent's exclusive right to use such trademark at a total consideration of RMB3,000. On January 28, 2011, Tang Palace HK Prosperous entered into a trademark license agreement with HK Well Excellent, pursuant to which HK Well

Excellent granted a license to Tang Palace HK Prosperous, at nil consideration, to use and sub-license the Class 30 Trademark to other parties until the transfer of such trademark to Tang Palace HK Prosperous is approved. As of the Latest Practicable Date, the trademark transfer and license agreements had been submitted to the Trademark Office under the State Administration for Industry and Commerce of the PRC for approval. Details of the above trademark transfer and license agreements are set out in the section entitled “History, reorganization and corporate structure - Reorganization — acquisition of trademarks” in this prospectus.

- (10) On December 15, 2010, SFBI entered into a trademark license agreement with Tang Palace Beijing Pepper Lunch, pursuant to which SFBI granted a non-exclusive license to Tang Palace Beijing Pepper Lunch to use the trademarks subject to and upon the terms and conditions of the trademark license agreement from December 15, 2010 to March 26, 2020.

As of the Latest Practicable Date, we had registered the following domain name:

Domain name	Expiry date
tanggong.cn	November 29, 2011

11. Connected transactions and related party transactions

Save as disclosed in the section headed “Continuing Connected Transactions” in this prospectus and in note 30 to the Accountants’ Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, we have not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

12. Directors

(a) *Disclosure of interests of Directors*

- (i) Mr. Chan, Mr. Yip and Mr. Ku are interested in the Reorganization.
- (ii) Save as disclosed in this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

*(b) Particulars of Directors' service contracts and letters of appointment**Executive Directors*

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from March 25, 2011, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party by giving not less than three months' written notice expiring at the end of the initial term of their appointment or any time thereafter to the other.

With effect from the Listing Date, each of our executive Directors is entitled to the respective basic salary and/or Directors' fee set out below (subject to an annual increment after January 1, 2012 at the discretion of our Directors of not more than 5% of the aggregate annual salary and/or Directors' fee immediately prior to such increase). With effect from the Listing Date, Mr. Yip shall be entitled, in respect of each financial year of our Company, to a guaranteed bonus of 2% of the audited consolidated or combined net profit attributable to the Shareholders of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary and exceptional items) for that financial year, provided that the aggregate amount of bonuses payable to Mr. Yip in respect of that financial year of our Company shall not exceed 30% of the aggregate amount of the salary and Director's fee, other allowances and bonuses paid or payable to Mr. Yip for the immediately preceding financial year of our Company.

In addition, with effect from the Listing Date, each of Mr. Chan, Mr. Ku and Ms. Weng Peihe is also entitled to a discretionary management bonus in such sum as our Board may in its absolute discretion determine provided that the aggregate amount of management bonuses payable to him/her in respect of any financial year of our Company shall not exceed 30% of the aggregate salary and/or Director's fee paid or payable to him/her for that financial year. None of them may vote on any resolution of the Directors regarding the amount of management bonus payable to him/her.

The current basic annual salaries and/or Directors' fee of the executive Directors payable under their service contracts (exclusive of the said guaranteed bonus and management bonus) are as follows:

<u>Name</u>	<u>Annual salary and/or Directors' fee</u>
Mr. Yip	RMB1,200,000
Mr. Chan	HK\$480,000
Mr. Ku.....	HK\$480,000
Ms. Weng Peihe	RMB1,368,000

Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of two years commencing from March 25, 2011, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party giving not less than one month's written notice expiring at the end of the initial term of their appointment or any time thereafter to the other. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the independent non-executive Directors is entitled to a director's fee of HK\$180,000 per annum with effect from the Listing Date. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Remuneration of Directors

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the financial year ended December 31, 2008, 2009 and 2010 were approximately RMB2.6 million, RMB2.6 million and RMB2.9 million respectively.
- (ii) Under the arrangements currently in force and the arrangements under our Directors' service contracts and appointment letters as mentioned above, the aggregate emoluments (excluding the said guaranteed bonus and management bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending December 31, 2011, are expected to be approximately RMB3.8 million.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the years ended December 31, 2008, 2009 and 2010 as (i) an inducement to join or upon joining our Group; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the years ended December 31, 2008, 2009 and 2010.

(d) *Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering*

Immediately following completion of the Global Offering and the Capitalization Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the interests and short positions of the Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities^(Note 1)	Percentage of shareholding
Mr. Yip	Our Company	Interest of controlled corporation ^(Note 2)	105,000,000 Shares (L)	26.25%
Mr. Chan	Our Company	Interest of controlled corporation ^(Note 3)	150,000,000 Shares (L)	37.50%
Mr. Ku	Our Company	Interest of controlled corporation ^(Note 4)	45,000,000 Shares (L)	11.25%

Notes:

- (1) The letter “L” denotes our Directors’ long position in the shares of our Company or the relevant associated corporation.
- (2) These shares are held by Current Success Investments, which is wholly owned by Mr. Yip. By virtue of the SFO, Mr. Yip is taken to be interested in the Shares held by Current Success Investments.
- (3) These shares are held by Best Active Investments, which is wholly owned by Mr. Chan. By virtue of the SFO, Mr. Chan is taken to be interested in the Shares held by Best Active Investments.
- (4) These shares are held by Bright Mind Investments, which is wholly owned by Mr. Ku. By virtue of the SFO, Mr. Ku is taken to be interested in the Shares held by Bright Mind Investments.

13. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors or chief executive of our Company, immediately following completion of the Global Offering and the Capitalization Issue (but without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering” above, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of us:

<u>Name of Shareholders</u>	<u>Company/Name of Group member</u>	<u>Capacity/nature of interest</u>	<u>Number and class of securities^(Note 1)</u>	<u>Approximate percentage of shareholding</u>
Current Success Investments ^(Note 2)	Our Company	Beneficial owner	105,000,000 Shares (L)	26.25%
Ms. Wong ^(Note 2)	Our Company	Interest of spouse	105,000,000 Shares (L)	26.25%
Best Active Investments ^(Note 3)	Our Company	Beneficial owner	150,000,000 Shares (L)	37.50%
Ms. Au ^(Note 3)	Our Company	Interest of spouse	150,000,000 Shares (L)	37.50%
Bright Mind Investments ^(Note 4)	Our Company	Beneficial owner	45,000,000 Shares (L)	11.25%
Ms. Ku ^(Note 4)	Our Company	Interest of spouse	45,000,000 Shares (L)	11.25%
Orchid Asia IV, L.P. ^(Note 5) (“Orchid LP”)	Our Company	Beneficial owner	31,528,000 (L)	7.88%
OAIV Holdings, L.P. ^(Note 5)	Our Company	Interest of a controlled corporation	31,528,000 (L)	7.88%
Orchid Asia IV Group Management, Limited ^(Note 5)	Our Company	Interest of a controlled corporation	31,528,000 (L)	7.88%

Name of Shareholders	Company/Name of Group member	Capacity/nature of interest	Number and class of securities ^(Note 1)	Approximate percentage of shareholding
Orchid Asia IV Group Limited (Note 5)	Our Company	Interest of controlled corporations	31,528,000 (L)	7.88%
Orchid Asia IV Investment, Limited ^(Note 5)	Our Company	Interest of controlled corporations	31,528,000 (L)	7.88%
YM Investment Limited ^(Note 5)	Our Company	Interest of controlled corporations	32,170,000 (L)	8.04%
Lam Lai Ming ^(Note 5)	Our Company	Founder of a discretionary trust	32,170,000 (L)	8.04%
Li Gabriel ^(Note 5)	Our Company	Founder of a discretionary trust	32,170,000 (L)	8.04%
ManageCorp Limited ^(Note 5)	Our Company	Trustee	32,170,000 (L)	8.04%

Notes:

- (1) The letter “L” denotes the corporation’s long position in the Shares.
- (2) Mr. Yip is the sole director and sole shareholder of Current Success Investments. By virtue of the SFO, Mr. Yip is taken to be interested in the Shares held by Current Success Investments. Ms. Wong is the spouse of Mr. Yip. Under the SFO, Ms. Wong is taken to be interested in the Shares in which Mr. Yip is interested.
- (3) Mr. Chan is the sole director and sole shareholder of Best Active Investments. By virtue of the SFO, Mr. Chan is taken to be interested in the Shares held by Best Active Investments. Ms. Au is the spouse of Mr. Chan. Under the SFO, Ms. Au is taken to be interested in the Shares in which Mr. Chan is interested.
- (4) Mr. Ku is the sole director and sole shareholder of Bright Mind Investments. By virtue of the SFO, Mr. Ku is taken to be interested in the Shares held by Bright Mind Investments. Ms. Ku is the spouse of Mr. Ku. Under the SFO, Ms. Ku is taken to be interested in the Shares in which Mr. Ku is interested.
- (5) Pursuant to the cornerstone placing agreement dated April 1, 2011 and entered into between our Company, ICBCI, Guotai Junan Securities, Orchid LP and Orchid Asia IV Co-Investment, Limited (“**Orchid CIL**”), (i) Orchid LP has agreed to acquire such number of International Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) as may be purchased with US\$5,880,000 (equivalent to HK\$45,717,000 at the exchange rate of US\$1.00 = HK\$7.775) at the Offer Price; and (ii) Orchid CIL has agreed to acquire such number of International Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) as may be purchased with US\$120,000 (equivalent to HK\$933,000 at the exchange rate of US\$1.00 = HK\$7.775) at the Offer Price. Assuming a mid-point Offer Price of HK\$1.45, each of Orchid LP and Orchid CIL shall be allotted and issued 31,528,000 Shares and 642,000 Shares, respectively, under the International Offering pursuant to the cornerstone placing agreement.

14. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up under the Global Offering or upon the exercise of the Over-allotment Option and any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Global Offering and the Capitalization Issue will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of us;
- (b) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of the Directors nor any of the parties listed in paragraph 24 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of us nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of the Directors nor any of the parties listed in paragraph 24 below is, directly or indirectly, materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 24 below:
 - (i) is interested legally or beneficially in any securities of any member of us; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of us.

OTHER INFORMATION

15. Pre-IPO Share Option Scheme

(a) Summary of terms

The purpose of the Pre-IPO Share Option Scheme is to recognize and reward the contribution of certain directors, senior management and employees of our Group to the growth and development of our Group and the listing of the Shares on the Main Board. The principal terms of the Pre-IPO Share Option Scheme adopted by a resolution in writing passed by all Shareholders on March 25, 2011 are similar to the terms of the Share Option Scheme except that:

- (i) the classes of eligible participants are different from that provided in paragraph 16 (a)(ii);
- (ii) the subscription price for Shares under the Pre-IPO Share Option Scheme is determined at the discretion of the Directors and is not required to be subject to the restrictions under Chapter 17 of the Listing Rules;
- (iii) the general scheme limit, the individual limit applicable to each proposed grantee and the restrictions on grant of options to a connected person as referred to in paragraphs 16(a)(iii)(bb), 16(a)(iv) and 16(a)(v), respectively, do not apply;
- (iv) the rules of the Pre-IPO Share Option Scheme were adopted unconditionally by a resolution in writing passed by all Shareholders on March 25, 2011, but the exercise of any option granted thereunder is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme within 30 days after the date of this prospectus, failing which such options granted and the Pre-IPO Share Option Scheme shall forthwith lapse, and the exercise period of options granted may not commence earlier than the first day immediately following the expiry of six months after the Listing Date;
- (v) the Directors may only grant options under the Pre-IPO Share Option Scheme at any time within a period commencing from March 25, 2011 and ending on the Latest Practicable Date;
- (vi) any offer of option made by the Directors under the Pre-IPO Share Option Scheme shall be open for acceptance for a period of up to the earlier of 21 days from the relevant offer date or the Latest Practicable Date;
- (vii) in the event of a capitalization of profits or reserves, rights issue, sub-division or consolidation of Shares or reduction of capital of our Company while an option remains exercisable or the Pre-IPO Share Option Scheme remains in effect, the number or nominal amount of Shares to which the Pre-IPO Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price

of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option granted under the Pre-IPO Share Option Scheme is subject to adjustments on terms similar to that of the Share Option Scheme as referred to in paragraph 16(a) (xix) below, except that the requirement for a written confirmation from the auditors or independent financial advisor to the Directors that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules as stated in paragraph 16(a)(xix) is not applicable to the Pre-IPO Share Option Scheme and options granted thereunder.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

On March 25, 2011, options to subscribe for an aggregate of 4,000,000 Shares at 50% of the final Offer Price were granted by us to 68 of our senior management and employees under the Pre-IPO Share Option Scheme and all of these options were outstanding as of the Latest Practicable Date. Such options, if exercised in full, will represent approximately 0.99% of the share capital of our Company immediately after completion of the Global Offering and the Capitalization Issue and as enlarged by the issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme, but without taking into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme. A nominal consideration of HK\$1 had been paid by each grantee on acceptance of the options so granted. The options so granted are personal to the relevant grantees and shall not be transferable or assignable. The Directors confirm that no further option has been or will be granted under the Pre-IPO Share Option Scheme after the Latest Practicable Date.

(b) Outstanding options granted under the Pre-IPO Share Option Scheme

Detail terms of the options which have been granted under the Pre-IPO Share Option Scheme and which remained outstanding as of the Latest Practicable Date are set out below:

Name of grantee ^(Note 1)	Position in our Group	Residential address of grantee	The date on which the grantee joined our Group	Number of underlying Shares under the option and exercise period ^(Note 2)	Approximate percentage of shareholding held upon exercise of all the options ^(Note 3)
Pang Ning	Head of marketing and development	No.59, Da Wang Road West, Chaoyang District, Beijing, PRC	February 6, 2009	50,000	0.012%
Li Yan	Head of the human resources department	Rm 601, No.22, 2348 Jin Sha Jiang Road, Shanghai, PRC	March 1, 2008	200,000	0.050%

Name of grantee ^(Note 1)	Position in our Group	Residential address of grantee	The date on which the grantee joined our Group	Number of underlying Shares under the option and exercise period ^(Note 2)	Approximate percentage of shareholding held upon exercise of all the options ^(Note 3)
Chu Kin Yu	General Manager of the administration department	Rm 2204, Yue Wo House, Yue Tin Court, Shatin, Hong Kong	March 21, 2008	200,000	0.050%
Lv Xiao Wen	General Manager of the training department	Rm 301, 26 Courtyard, No. 354 Xin Gang Middle Road, Haizhu District, Guangzhou, PRC	March 17, 2008	150,000	0.037%
Wang Zuo Chun	General Manager of human resources	No.8 /1, Block 22, Sanlihe 2nd District, Xicheng District, Beijing, PRC	May 12, 2008	80,000	0.020%
Cai Wei Xiong	Manager of the communications department	Rm 716, Chao Qun Building, Jiang Nan Road, Buji, Longgang District, Shenzhen, PRC	June 15, 1997	50,000	0.012%
Mo Yuan Ming	Project Manager of the training center	Customs Frontier Dorm, Sha Tau Kok, Yantian District, Shenzhen, PRC	January 5, 2009	50,000	0.012%
Chen Jun Yi	Regional manager of operations department in Guangdong	Rm 602, No.6 Xigang East, Haizhu District, Guangzhou, PRC	May 4, 2009	80,000	0.020%
Zhang Qin Sheng	Regional manager of quality control department in Guangdong	17E Huating Ju, Block A, 1 Guozhan Court, Buji, Longgang District, Shenzhen, PRC	April 10, 2009	50,000	0.012%
Huang Zhi Heng	Regional deputy manager of quality control department in Guangdong	No.79, Shuikou Village, Gangning, Shuibu Town, Taishan, PRC	April 12, 2009	80,000	0.020%
Zeng Qi Mei	Regional manager of human resources management department in Guangdong	5B, Block A, Yishen Shidai, Beishan Road, Yantian District, Shenzhen, PRC	May 19, 2008	50,000	0.012%
Ye Zhi Chang	Regional manager of purchasing department in Guangdong	No.7, Lane 7, Xintian Road West, Daojiao Town, Dongguan, PRC	September 1, 2003	50,000	0.012%

Name of grantee ^(Note 1)	Position in our Group	Residential address of grantee	The date on which the grantee joined our Group	Number of underlying Shares under the option and exercise period ^(Note 2)	Approximate percentage of shareholding held upon exercise of all the options ^(Note 3)
Zheng Hai Wei	Regional financial manager in Guangdong	Delong Court, Defu Garden, Buji, Longgang District, Shenzhen, PRC	June 21, 1997	100,000	0.025%
Wu Wan Zhang	Financial manager of Dongguan	No.67, Jingfu 3 Road, Daojiao Town, Dongguan, PRC	April 1, 2000	100,000	0.025%
Lin Hua Liang	Regional financial manager of Eastern China	Rm 102, Block 25, Qianjia Village, Qingnian Road, Haikou, Hainan, PRC	December 9, 2001	100,000	0.025%
Zhu Wen Jia	Regional manager of human resources management department of Eastern China	Rm 1301, No.11, 789 Lingling Road, Xuhui District, Shanghai, PRC	May 4, 2008	50,000	0.012%
Li Hai Yan	Regional training manager in Shanghai	No.1, Liuzhishui Village, Baile Town North, Xian Wei, Zhangjiakou, Hebei, PRC	May 12, 2008	50,000	0.012%
Wang Jing	Training manager	Dai Liu Zhuang Village, Wan Li Town, Su Ning Xian, Hebei, PRC	July 1, 2002	50,000	0.012%
Ye Ri Jin	Manager	Tangjiao Village, Guitang Xiang, Guanying Town, Boluo, Guangdong, PRC	October 1, 1997	60,000	0.015%
Chen Xin Rong	Head of dim sum section	No.62, Yongle Village, Luobian, Shuibu Town, Taishan City, Guangdong, PRC	November 24, 2005	50,000	0.012%
Liang Jian	Head of roast meat section	Rm 213, Block F, Huangqi Fusheng Garden, Dali Town, Nanhai, Foshan, Guangdong, PRC	June 3, 1997	60,000	0.015%
Chen Jiang Hong	Manager	403, Block 2, Guimuyuan, Guiyuan Road, Luohu, Shenzhen, PRC	June 28, 1997	60,000	0.015%

Name of grantee ^(Note 1)	Position in our Group	Residential address of grantee	The date on which the grantee joined our Group	Number of underlying Shares under the option and exercise period ^(Note 2)	Approximate percentage of shareholding held upon exercise of all the options ^(Note 3)
Chen Jian	Manager	206, Block 2, Guimuyuan, Guiyuan Road, Luohu, Shenzhen, PRC	June 30, 1997	60,000	0.015%
Yang Shu Zhen	Manager	No.2 Street 1, 1 West Gangyi Village, Gangkou Town, Huidong Xian, Huizhou, Guangdong, PRC	July 4, 2002	50,000	0.012%
Zhu Sen	Assistant executive chef	206, Block 2, Guimuyuan, Guiyuan Road, Luohu, Shenzhen, PRC	January 23, 2006	40,000	0.010%
Chen Yan Fen	Head of dim sum section	206, Block 2, Guimuyuan, Guiyuan Road, Luohu, Shenzhen, PRC	January 15, 2006	40,000	0.010%
Liu Bang Zhong	Head of roast meat section	Rm 302, No. 50 Buxin Village, Luohu, Shenzhen, PRC	July 1, 2002	50,000	0.012%
Yu Ze You	Executive Chef (Sushi)	10C, Nan Jing Court, Nanwan Street, Longgang District, Shenzhen, PRC	December 28, 2002	50,000	0.012%
Zhu Wen Yong	Executive Chef (Japanese cuisine)	501, Block 6, Jiafu Court, Guiyuan Road, Luohu, Shenzhen, PRC	March 20, 2007	40,000	0.010%
Huang Yan Yang	Head of dim sum section	Rm 308, No.8, 11 Lane, Woling Commercial Street East, Dongcheng District, Dongguan, Guangdong, PRC	November 1, 2005	50,000	0.012%
Yao Zhu Biao	Head of roast meat section	No.5, Lane 5, Woling Central Street, Dongcheng District, Dongguan, Guangdong, PRC	January 15, 2006	40,000	0.010%

Name of grantee ^(Note 1)	Position in our Group	Residential address of grantee	The date on which the grantee joined our Group	Number of underlying Shares under the option and exercise period ^(Note 2)	Approximate percentage of shareholding held upon exercise of all the options ^(Note 3)
Yang Xian Feng	Senior Manager	No.8 Street 4, 1 East Gangyi Village, Gangkou Town, Huidong Xian, Guangdong, PRC	June 1, 2000	60,000	0.015%
Zhang Jin Tang	Chief chopper	No.8, Hongshi Villager Group, Lanshan Village, Lantang Town, Zijin, Guangdong, PRC	June 4, 1999	60,000	0.015%
Zhang Hui Cheng	Head of dim sum section	No.10, Honger Villager Group, Beikeng Village, Zhongba Town, Zijin, Guangdong, PRC	September 24, 1998	60,000	0.015%
Ni Si Bin	Manager	No. 298, Ni Tun, Liu Lin Town, Guan Xian, Shandong, PRC	August 19, 1999	50,000	0.012%
Liu Qing Hai	Manager	No. 1, Dongdui Village, Dongshan Village Committee, Jiaji Town, Qionghai City, Hainan, PRC	August 5, 1998	60,000	0.015%
Chen Han Dong	Executive Chef	No.8, 1 Mizhai Village, Xing Tian Sub-district Offices, Xingning, Guangdong, PRC	July 25, 2006	50,000	0.012%
Zhang Huai Zhen	Head of roast meat section	No.378, Shagudui Village, Wushengqiao Xiang, Dongming, Shandong, PRC	July 28, 2006	40,000	0.010%
Xie Tuo En	Head of dim sum section	No.34, Shu Shan Village, Xie Gang Town, Dongguan, Guangdong, PRC	December 20, 2007	40,000	0.010%
Wen Ji Hai	Head of roast meat section	No.34, Lingxia Villager Group, Fachang Village, Zhongba Town, Zijin, Guangdong, PRC	December 28, 2007	40,000	0.010%

Name of grantee ^(Note 1)	Position in our Group	Residential address of grantee	The date on which the grantee joined our Group	Number of underlying Shares under the option and exercise period ^(Note 2)	Approximate percentage of shareholding held upon exercise of all the options ^(Note 3)
Li Bao	Head of roast meat section	No.44, Daiyingcungou West Team, Nihe Village, Panji District, Huainan, Anhui, PRC	December 1, 2003	40,000	0.010%
Zhang Qi Mao	Chief wok chef	No.4, Street 7, Zhaizi Village, Tangwei Village Committee, Gongfeng Town, Yangdong Xian, Guangdong, PRC	September 6, 2002	40,000	0.010%
He Hai Qiong	Head of roast meat section	East Island Economic Development Zone, Zhanjiang, Guangdong, PRC	July 1, 2003	40,000	0.010%
Li Wen Bing	Chief chopper	No.2, Honger Villager Group, Jiayuan Village, Lantang Town, Zijin, Guangdong, PRC	December 1, 2000	50,000	0.012%
Li Guo Hua	Head of dim sum section	Daoban Hostel, Langtang Residents' Committees, Lantang Town, Zijin, Guangdong, PRC	July 1, 2006	40,000	0.010%
Wen Zhong Fan	Head of roast meat section	Fachang Village, Zhongba Town, Zijin, Guangdong, PRC	July 24, 2006	40,000	0.010%
Li Bi Kun	Head of dim sum section	Xiangqian Group, Shatang Village, Lantang Town, Zijin, Guangdong, PRC	July 22, 2000	60,000	0.015%
Li Ming	Chief wok chef	No. 613, Block1, 38 Jiaotong University Road, Haidian District, PRC	June 3, 1997	60,000	0.015%
Guo Man Chang	Chief chopper	Changwan Village, Wugouying Town, Xiping, Henan, PRC	June 3, 1997	60,000	0.015%
Jie Rui Ye	Head of roast meat section	No. 23, Mudaichong Village, Daishui Po, Zhenlong Town, Xinyi City, Guangdong, PRC	April 30, 2000	60,000	0.015%

Name of grantee ^(Note 1)	Position in our Group	Residential address of grantee	The date on which the grantee joined our Group	Number of underlying Shares under the option and exercise period ^(Note 2)	Approximate percentage of shareholding held upon exercise of all the options ^(Note 3)
Chen Yan Hui	Head of dim sum section	No.67, Xiawei Village, Xiashi Village, Fengan Town, Zijin, Guangdong, PRC	June 1, 2003	50,000	0.012%
Han Gao Yang	Head of roast meat section	Hanjiazu, Shizi Village, Liuji Xiang, Fuping, Shaanxi, PRC	April 22, 2004	50,000	0.012%
Hu Chun Yi	Manager	No. 300, Shuiba Village, Bier Town, Baojing Xian, Hunan, PRC	April 13, 2002	50,000	0.012%
Peng Jia Yong	Head of dim sum section	No.35, Weiyazi Gang, Gu Mo Village, Waidi Town, Luoding City, Guangdong, PRC	January 6, 2002	50,000	0.012%
Tao Jian Qing	Head of roast meat section	2nd Qintian Village, Huanggang Town, Duanzhou District, Zhaoqing, Guangdong, PRC	January 7, 2002	50,000	0.012%
Li An Ting	Chief chopper	Jiayuan Divisions, Lantang Town, Zijin, Guangdong, PRC	February 27, 2001	40,000	0.010%
Chen Yue Feng	Assistant executive chef	No.123, Dongshen Village, Xiashi Village, Fengan Town, Zijin, Guangdong, PRC	December 1, 2000	60,000	0.015%
Li Ming Yan	Head of dim sum section	7, Dongxin Village, Dongxin Xiang, Guiping City, Guangxi, PRC	March 19, 2005	50,000	0.012%
Liu Qing Bo	Head of roast meat section	East 401, Block B, Ming Mingju Area, Guanbu Lane, 2nd Road, Shanwei City, Guangdong, PRC	July 30, 2002	50,000	0.012%
Bai Peng	Supervisor trainee	No.47, Sheping Street, Ganzhaibao Village, Daizhao Village, Changan, Shaanxi, PRC	May 20, 2005	40,000	0.010%

Name of grantee ^(Note 1)	Position in our Group	Residential address of grantee	The date on which the grantee joined our Group	Number of underlying Shares under the option and exercise period ^(Note 2)	Approximate percentage of shareholding held upon exercise of all the options ^(Note 3)
Li Cui Juan	Manager	No.040, Liren Village, Daiyushu Town, Kailu, Inner Mongolia, PRC	July 1, 2002	50,000	0.012%
Chen Bing Chao	Head of roast meat section	Mo Hai Village, Cheng Dong Town, Liu Feng, Guangdong, PRC	April 6, 2006	40,000	0.010%
Ren Ke Neng	Manager	No.6, Village, Huangcun Ziran Village, Zhangmiao Executive Village, Fudu Town, Wuwei, Chaohu, Anhui, PRC	April 20, 2002	50,000	0.012%
Ruan Hai Ke	Executive Chef	Laowu Village, Xiatush Divisions, Yihe Village, Dongyuan, Guangdong, PRC	December 28, 2004	40,000	0.010%
Deng Wei Xiang	Chief chopper	No.11, Maguang Hostel, Langtang Residents' Committees, Lantang Town, Zijin, Guangdong, PRC	September 13, 2002	40,000	0.010%
Tan Xiao Qin	Senior manager	3/F, Zhonghai Commercial Building, No.1 Xinyuan Road, Luohu, Shenzhen, Guangdong, PRC	December 1, 2000	60,000	0.015%
Chen Yong Bin	Head of Chinese cuisine workshop	Huangbei Village, Zhenjue Hill, Dianbaixian, Guangdong, PRC	March 14, 2001	50,000	0.012%
Gao Zheng Wu	Head of Shanghai Food Plant	Kangdaer Garden, Buji, Shenzhen, PRC	June 15, 2009	40,000	0.010%
Total:				<u>4,000,000</u>	<u>0.990%</u>

Notes:

- (1) Each grantee has undertaken to us that he/she will comply with all applicable laws, legislation and regulations (including all applicable exchange control, fiscal and other laws to which he/she is subject) in connection with the acceptance of the grant of his/her option, the holding and exercise of his/her option in accordance with the rules of the Pre-IPO Share Option Scheme, the allotment and issue of Shares to him/her upon exercise of his/her option and the holding of such Shares.

- (2) These options are exercisable during the period commencing from the day immediately following the expiry of one year period after the Listing Date, and ending on the day falling four years after the Listing Date, during which, (a) up to 30% of the options granted may be exercised on or prior to the end of the second year after the Listing Date; (b) subject to (a), up to 60% of the options granted may be exercised on or prior to the end of the third year after the Listing Date; and (c) subject to (a) and (b), all outstanding options may be exercised prior to the expiry of the said exercise period, failing which the options will lapse and no longer be exercisable.
- (3) These percentages are calculated on the basis of 404,000,000 Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (as enlarged by the exercise in full of all the options granted under the Pre-IPO Share Option Scheme) but does not take into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and assuming that all the options granted under the Pre-IPO Share Option Scheme are exercised in full at the same time.

The exercise of the options granted under the Pre-IPO Share Option Scheme will result in the dilution of the percentage interest in Shares of the then Shareholders and the earning per Share at the time of such exercise. Based on the assumption that 304,000,000 Shares, comprising 2,000,000 Shares in issue, 298,000,000 Shares to be issued pursuant to the Capitalization Issue and the 4,000,000 Shares to be issued upon the exercise in full of the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue throughout the year ended December 31, 2010, and based on the combined profit and total comprehensive income for the year attributable to owners of our Company for the year ended December 31, 2010, the basic earnings per Share for the year ended December 31, 2010 could have been reduced from RMB0.155 to RMB0.153. The following table illustrates the potential dilution effect on the shareholding of our Company upon completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised) in respect of the exercise of options granted under the Pre-IPO Share Option Scheme.

Shareholders ^(Note)	Number of Shares in issue after the Global Offering and the Capitalization Issue	Percentage	Number of Shares in issue after the exercise of the options granted under the Pre-IPO Share Option Scheme	Approximate percentage
Best Active Investments	150,000,000	37.50	150,000,000	37.13
Current Success Investment..	105,000,000	26.25	105,000,000	25.99
Bright Mind Investments	45,000,000	11.25	45,000,000	11.14
Grantees of Share Options ...	0	0	4,000,000	0.99
Other public Shareholders	<u>100,000,000</u>	<u>25.00</u>	<u>100,000,000</u>	<u>24.75</u>
	<u>400,000,000</u>	<u>100.00</u>	<u>404,000,000</u>	<u>100.00</u>

Note: Details of the Shareholders are described in the paragraph headed “Corporate Structure” under the section headed “History, Reorganization and Corporate Structure” in this prospectus.

None of the grantees under the Pre-IPO Share Option Scheme is a connected person of our Company. As such, the exercise of the options granted under the Pre-IPO Share Option Scheme will not result in the number of Shares in hands of public falling below the prescribed minimum percentage of 25%.

16. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the then Shareholders on March 25, 2011:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, the Directors and other selected participants for their contributions to us. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of us so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(ii) Who may join

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“Invested Entity”) in which any member of us holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of us or any Invested Entity;
- (dd) any customer of any member of us or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of us or any Invested Entity;

- (ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Invested Entity;
- (gg) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of us or any Invested Entity;
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of us;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of us to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to our development and growth.

(iii) Maximum number of the Shares

- (aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by us must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of us) to be granted under the Share Option Scheme and any other share option scheme of us must not in aggregate exceed 10% of the Shares in issue on the Listing Date, being 40,000,000 Shares ("**General Scheme Limit**").
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of us must not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of us) previously granted under the Share Option Scheme and any

other share option scheme of us will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to the Directors, chief executive or substantial shareholders of our Company or their respective associates

- (aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).
- (bb) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the

Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting in favor at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of our Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of our results for any year, half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no offer for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with us or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with us or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or us or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and us or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or

analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of us by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to Shareholders, a grantee shall notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant record date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while an option remains exercisable or the Share Option Scheme remains in effect, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial advisor to our Company as fair and reasonable will be made to the number or nominal amount of Shares to which the Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that (aa) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (bb) the issue of Shares or other securities of us as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (cc) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (dd) any adjustment must be made in compliance with the Listing Rules and such rules, codes, guidance notes and/or interpretation of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial advisor must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the option period in respect of such option;
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the date on which the Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options or prospective grantees except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

(b) *Present status of the Share Option Scheme*

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As of the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as of the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) Compliance with the Listing Rules

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

17. Share Award Plan*(a) Summary of terms*

The following is a summary of the principal terms of the Share Award Plan adopted by a resolution passed by the Board on March 25, 2011:

(i) Purposes of the plan

The purpose of the Share Award Plan is to recognize and reward the contribution of certain selected participants to the growth and development of our Group, to give incentives thereto in order to retain them for the continual operation and development of our Group and to attract suitable personnel for further development of our Group through an award of Shares.

(ii) Who may join

The Share Award Plan shall be subject to the administration of the Board, or such committee or such sub-committee or person(s) delegated with the power and authority by the Board to administer the Plan. The Board shall, subject to and in accordance with the rules of the Share Award Plan, be entitled to make an award of Shares to any person belonging to any of the following classes of participants:

- (aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director, and including any person who has entered into an employment contract with us, provided that the commencement date of his tenure under the employment contract shall fall on a date before the vesting date and such employment contract shall remain valid and subsisting up to and including the vesting date, and provided further that, for the purpose of paragraph (xi) below, such person shall not be regarded as Eligible Employee if he dies before the commencement date of his tenure under the employment contract) of our Company, any of our subsidiaries or any entity (“**Invested Entity**”) in which any member of us holds an equity interest (“**Eligible Employee**”);
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of us or any Invested Entity;
- (dd) any customer of any member of us or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of us or any Invested Entity;

- (ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Invested Entity;
- (gg) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of us or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to our development and growth;

and, for the purposes of the Share Award Plan, the award may be made to any company wholly owned by one or more of the above participants.

The eligibility of any of the above classes of participants to an award shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution and/or future contribution to the development and growth of our Group.

(iii) Award of Shares and pool of awarded Shares

The Board shall notify the Share Award Plan Trustee in writing upon the making of an award to an eligible participant (the "**Selected Participant**") under the Share Award Plan. Upon the receipt of such notice, the Share Award Plan Trustee shall set aside the appropriate number of awarded Shares pending the transfer and vesting of the same to the Selected Participant out of a pool of Shares comprising the following:

- (aa) such Shares as may be (1) transferred to the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorized by the Share Award Plan Trustee) from any person (other than our Group) by way of gift, or (2) purchased by the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorized by the Share Award Plan Trustee) by utilizing the funds received by the Share Award Plan Trustee (or via Share Award Plan SPV, if so established and subsisting) by way of gift or for nominal consideration, but subject to the limitations set out in paragraph (v) below;
- (bb) such Shares as may be subscribed or purchased by the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorized by the Share Award Plan Trustee) by utilizing the funds allocated by the Board out of our resources ("**Group Contribution**"), but subject to the limitations set out in paragraph (v) below;
- (cc) such Shares as may be purchased by the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorized by the Share Award Plan Trustee) by utilizing any surplus gift contribution, or as the case maybe, the net proceeds of the sale of the relevant nil-paid rights, options or warrants allocated to it in respect of awarded Shares as described in paragraph (ix)(bb) below; and

- (dd) such Shares which remain unvested and revert to the Share Award Plan Trustee (or via Share Award Plan SPV, if so established and subsisting) in accordance with the rules of the Share Award Plan.

The making of an award to any connected person must be approved by a majority of the independent non-executive Directors at the relevant time. The Company will comply with the applicable provisions of Chapter 14A of the Listing Rules when making awards to connected persons.

After an award is made, the Board shall notify the Selected Participant who may decline to accept such award by notifying us in writing within the prescribed period in accordance with the rules of the Share Award Plan. Unless so declined by the Selected Participant, the award shall be deemed irrevocably accepted by the Selected Participant.

(iv) Subscription and purchase of Shares by the Share Award Plan Trustee

- (aa) The Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and delegated by the Share Award Plan Trustee) may purchase Shares on the Stock Exchange at the prevailing market price or off the market. In respect of off-market transactions, purchases shall not be made with any connected person, nor shall the purchase price be higher than the lower of the following: (1) the closing market price on the date of such purchase, and (2) the average closing market price for the five preceding trading days on which our Shares were traded on the Stock Exchange.

- (bb) In the event that the Board considers it appropriate for the Share Award Plan Trustee to subscribe Shares by utilizing the Group Contribution, the Share Award Plan Trustee shall, upon the instructions of the Board, apply to our Company for the allotment and issue of the appropriate number of new Shares at par or at such other subscription price as instructed by the Board. We shall seek separate Shareholders' approval in general meeting to authorize the Directors to allot and issue new Shares to the Share Award Plan Trustee, subject to the limitations set out in paragraph (v) below and any allotment and issue of Shares shall only be made after the Listing Committee of the Stock Exchange has granted the listing of and permission to deal in such Shares.

(v) Maximum number of Shares to be subscribed and purchased

At the beginning of each financial year of our Group, the Board shall (after having regard to all our relevant circumstances and affairs (including without limitation our business and financial performance during the preceding financial year, business plans and cashflow requirements)) determine the maximum amount of the Group Contribution to be allocated to the Share Award Plan Trustee (or via Share Award Plan SPV, if so established and subsisting and authorized by the Share Award Plan Trustee) during such financial year. Notwithstanding that there may be sufficient funds in the Group Contribution, the Board shall not instruct the Share Award Plan Trustee (or Share Award Plan SPV, if so established

and subsisting and authorized by the Share Award Plan Trustee) to subscribe or purchase Shares exceeding the maximum number of Shares which could be subscribed or purchased by the Share Award Plan Trustee (or via SPV, if so established and subsisting and authorized by the Share Award Plan Trustee) as may be determined by the Board for that financial year, provided that the maximum number of Shares which may be awarded for each financial year under the Share Award Plan shall not exceed 10% of the total number of Shares in issue at the beginning of such financial year. The Board may determine from time to time the maximum number of awarded Shares which may be provisionally awarded to any Selected Participant.

(vi) Vesting of the awarded Shares

Subject to the rules of the Share Award Plan, the legal and beneficial ownership of the relevant awarded Shares shall vest in the relevant Selected Participant within ten business days after the latest of:

- (aa) the date specified on the notice of the award given by the Board to the Share Award Plan Trustee (which shall not be earlier than the first business day immediately following the expiry of six months after the Listing Date); and
- (bb) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such Selected Participant as specified in the related notice of award have been attained and notified to the Share Award Plan Trustee by the Board in writing.

(vii) Restrictions on the time of making awards, subscription, purchase and/or vesting

- (aa) An award or, as the case may be, any instruction of the Board to the Share Award Plan Trustee (who will authorize Share Award Plan SPV, if so established and subsisting) to subscribe or acquire Shares may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with the Listing Rules. In particular, during the period preceding the publication of financial results in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by us and up to the date of publication of the relevant financial results, no award may be made.
- (bb) The Board may not make an award to any of our Directors during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by us.

(cc) During the periods referred to in paragraphs (aa) and (bb) above, no purchases and/or vesting of Shares can be effected by the Share Award Plan Trustee.

(dd) No award shall be made during the first six months after the Listing Date.

(viii) Voting rights of the Shares in the Shares pool

Neither the Share Award Plan Trustee nor Share Award Plan SPV (if so established and subsisting) shall exercise the voting rights in respect of the Shares held under trust, including but not limited to the Shares provisionally awarded under the Share Award Plan and Shares in the Shares pool. The Selected Participants shall not have any right to receive any awarded Shares set aside for them and all other distributions attributable thereto unless and until the Share Award Plan Trustee (via Share Award Plan SPV, if so established and subsisting) has transferred and vested the legal and beneficial ownership of such awarded Shares to and in the Selected Participants.

(ix) Rights on distributions and equity offers

During the vesting period of awards,

(aa) any dividends and other distributions (“**Other Distributions**”) declared and made in respect of any awarded shares shall be held by the Share Award Plan Trustee or Share Award Plan SPV (if so established and subsisting) for the benefit of, and shall only be payable or transferrable to, the relevant Selected Participant when such awarded shares are vested in such Selected Participant in accordance with the terms of the Share Award Plan. Without prejudice to the above, with respect to any such dividends in connection with which our Company allows its Shareholders to elect to receive Shares in lieu of cash, then in respect of any awarded shares that have not been vested in the relevant Selected Participant, the Share Award Plan Trustee (after consulting the Board) shall have the right (in its absolute discretion) to determine whether it shall elect to receive Shares in lieu of cash or cash in respect of such dividends, and any such scrip dividend or cash dividend so elected and received by the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting) shall be treated as and constitute Other Distributions;

(bb) if our Company offers to Shareholders new Shares or other securities for subscription by way of rights, options or warrants and no amount is required to be payable by the Shareholders for such rights, options or warrants, the Share Award Plan Trustee (or via Share Award Plan SPV, if so established and subsisting and authorized by the Share Award Plan Trustee) shall sell any nil-paid rights, options or warrants allocated to it in respect of the awarded Shares if there is any open market for such rights, options or warrants. The net proceeds of such sale (if so sold) shall be applied to purchase Shares for the Shares pool.

- (cc) if our Company offers to the Shareholders new Shares or other securities for subscription by way of rights, options, warrants or other open or preferential offer and consideration is required to be paid, the Share Award Plan Trustee shall (or via Share Award Plan SPV, if so established and subsisting and authorized by the Share Award Plan Trustee) decline to take up, purchase and/or subscribe for such rights, options, warrants or open or preferential offer.
- (dd) in case of a general or partial offer, whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner is made to all Shareholders (or all Shareholders other than the offer or, any persons controlled by the offeror and any persons acting in association or concert with the offeror), and such offer becomes or is declared unconditional prior to the vesting of the awarded Shares in the relevant Selected Participants, the Board shall have the right in their absolute discretion to determine whether the Share Award Plan Trustee shall elect to accept such offer. If the offer is elected to be accepted, all proceeds paid or payable to the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorized by the Share Award Plan Trustee) by reason of such acceptance shall be held by the Share Award Plan Trustee (via Share Award Plan SPV) for the benefit of the relevant Selected Participant and be payable to the relevant Selected Employee on the date of vesting of the awarded Shares. The Board shall be deemed to have directed the Share Award Plan Trustee not to accept such offer if no direction in writing is actually received by the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorized by the Share Award Plan Trustee) within the prescribed period under the Share Award Plan.

(x) *Period of the Share Award Plan*

The Share Award Plan will remain in force for a period of 10 years commencing on the date on which the Share Award Plan is adopted.

(xi) *Rights on death or retirement*

- (aa) In respect of a Selected Participant who is an Eligible Employee, at any time prior to the vesting date:
- (1) died; or
 - (2) retired at his normal retirement date; or
 - (3) retired at an earlier retirement date (with prior written agreement given by us or the Invested Entity),

all his awarded shares and the other distributions attributable thereto shall be deemed to be vested (a) on the day immediately prior to his death or retirement; or (b) on the day immediately after the six months after the Listing Date, whichever is the later.

- (bb) In the event of the death of a Selected Participant who is an Eligible Employee, the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting) shall hold the vested awarded shares and the Other Distributions upon trust and to transfer the same to the personal representatives of the Selected Participant on and subject to the rules of the Share Award Plan. If such vested awarded shares and the Other Distributions would otherwise become *bona vacantia*, they shall be forfeited and cease to be transferrable.

(xii) Lapse of awards

In the event that any Selected Participant who is an Eligible Employee ceases to be an Eligible Employee by virtue of a corporate reorganization of our Group or the Invested Entity, any award made to such Selected Participant shall forthwith lapse and be cancelled.

Save as provided in paragraph (xi)(aa) above, in the event:

- (aa) a Selected Participant who is an Eligible Employee ceases to be an Eligible Employee; or
- (bb) the subsidiary or Invested Entity by which a Selected Participant is employed as an Eligible Employee ceases to be a subsidiary of our Company (or of a member of us) or, as the case may be, that we cease to have any equity interest in that Invested Entity; or
- (cc) our Directors shall at their absolute discretion determine in respect of a Selected Participant (other than an Eligible Employee) that (a) the Selected Participant or his associate has committed any breach of any contract entered into between the Selected Participant or his associate on the one part and any member of us or any Invested Entity on the other part as our Directors may at their absolute discretion determine; or (b) the Selected Participant has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally or (c) the Selected Participant could no longer make any contribution to the growth and development of any member of us by reason of the cessation of its relations with us or by any other reason whatsoever; or
- (dd) an order for the winding-up of our Company is made or a resolution is passed for the voluntary winding-up of our Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of our Company pass to a successor company),

the award shall automatically lapse forthwith and all the awarded Shares and other distributions attributable thereto (other than cash distributions which shall be applied to purchase shares and, upon termination of the Plan, treated and dealt with as income of the trust fund) shall become returned Shares for the purposes of the Share Award Plan.

In the event (1) a Selected Participant is found to be resident in a place where an award and/or the vesting and transfer of awarded Shares is not permitted under the laws and regulations of such place or where in the view of the Board or the Share Award Plan Trustee (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such person or (2) (subject to paragraph (xi)(aa) a Selected Participant fails to return duly executed transfer documents prescribed by the Share Award Plan Trustee (or via Share Award Plan SPV, if so established and subsisting and authorized by the Share Award Plan Trustee) for the relevant awarded Shares and other distributions attributable thereto within the stipulated period, the relevant part of the award shall automatically lapse forthwith and the relevant awarded Shares and other distributions attributable thereto (other than cash distributions which shall be applied to purchase shares and, upon termination of the Plan, treated and dealt with as income of the trust fund) shall become returned Shares for the purposes of the Share Award Plan.

(xiii) Selected Participant being a company wholly owned by eligible participants

If the Selected Participant is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xi) and (xii) shall apply to the Selected Participant and to the awards granted to such Selected Participant, mutatis mutandis, as if such awards had been granted to the relevant eligible participant, and such awards shall accordingly lapse or (deem to be) vest(ed) or forfeited after the event(s) referred to in sub-paragraphs (xi) and (xii) shall occur with respect to the relevant eligible participant; and
- (bb) the awards granted to the Selected Participant shall lapse and determine on the date the Selected Participant ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such awards or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xiv) Termination of the Share Award Plan

The Plan shall terminate on the earlier of:

- (aa) the 10th anniversary date of the adoption date; and
- (bb) such date of early termination as determined by the Board, provided that such termination shall not affect any subsisting rights of any Selected Participant.

(xv) Rights are personal to the Selected Participants

An award shall be personal to the Selected Participant and shall not be transferable or assignable.

(b) *Present status of the Share Award Plan*

As of the Latest Practicable Date, no awards have been granted or agreed to be granted under the Share Award Plan, and the Share Award Plan Trustee for the administration of the Shares and other trust fund under the Share Award Plan has not yet been appointed.

As the Share Award Plan does not involve the grant of options over new Shares or other new securities of the Group, the Share Award Plan is not subject to the provisions of Chapter 17 of the Listing Rules.

18. Estate duty, tax and other indemnities

Our Controlling Shareholders (together, the “**Indemnifiers**”) have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract (l) referred to in paragraph 9 above) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any liability for estate duty payable under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and/or any applicable amounts under any equivalent laws of any jurisdiction outside Hong Kong which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance) to any member of our Group on or before the Listing Date; and
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions or events earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to December 31, 2010;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on January 1, 2011 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after January 1, 2011; or

- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before December 31, 2010 or pursuant to any statement of intention made in the prospectus; or
- (c) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to December 31, 2010 and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve so applied as to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

In connection with the defects of the leases in respect of our properties leased in the PRC (the “**Leased Properties**”) as set out under the section headed “Business — Non-compliance of our Group — Non-compliance of our Group as of the Latest Practicable Date — Leased Properties” in this prospectus, under the deed of indemnity, in the event that the relevant member of our Group is either:

- (a) not being permitted to use or occupy or is being evicted from the relevant Leased Properties prior to the expiry of the term of the relevant lease agreements,
- (b) not permitted to use the relevant Leased Properties for the current purposes during the term of the relevant lease agreements,
- (c) imposed of any penalty or suffer any costs, expenses, losses or damages for any non-compliance with the permitted or designated usage of the relevant Leased Properties,

solely for the said defects of the relevant leases, each of the Indemnifiers has jointly and severally agreed to indemnify our Group against, where applicable,

- (i) any difference in rentals between any substitute premises and the relevant Leased Property for the remaining term of the relevant lease agreement payable by the relevant Group member;
- (ii) all such costs and expenses arising from the relocation of the relevant Group member's business and assets from the relevant Leased Property to the substitute premises;
- (iii) all such costs or expenses in connection with the fitting out of the substitute premises for the purposes of rendering it fit to be used in the same manner and to the same extent as the relevant Leased Property;

- (iv) all operating and business losses which the relevant member of our Group may suffer howsoever arising from such relocation of its business from the relevant Leased Property to the substitute premises; and
- (v) all penalties, costs, expenses, losses and damages which the relevant member of our Group may suffer howsoever as a result of the contravention of the permitted or designated usages of the relevant Leased Properties as set out under paragraph (c) above.

None of the Indemnifiers shall be liable under the deed of indemnity if our Group is not permitted to use or prevented from using the relevant Leased Property or suffer an eviction from the relevant Leased Property if it is resulted from any one of the following reasons:

- (a) the expiry of the term of the relevant lease agreement or the sooner determination thereof in accordance with its terms;
- (b) the relevant Group member voluntarily surrenders the relevant Leased Property to the landlord/lessor thereof or otherwise voluntarily gives up possession or use of the relevant Leased Property or any part thereof;
- (c) the relevant Group member fails or refuses to perform its obligations under the relevant lease agreement pursuant to which it derives its right to occupy the Leased Property; and/or
- (d) the occurrence of any of the following calamities affecting the Leased Property, namely, fire, flood or earthquake, or the occurrence of any other event beyond the control of any of our Group members which renders the relevant Leased Property dangerous for use or occupation.

Under the deed of indemnity, each of the Indemnifiers has also jointly and severally agreed to indemnify and keep each member of our Group fully indemnified against all claims, demands, costs, expenses, losses, damages, fines, penalty and charges incurred and/or suffered by us due to (i) any non-compliance by our Group members with law and regulations in the PRC which may arise from the sale of pre-paid cards as set out in the section headed “Business — Sales and Marketing — Marketing — Loyalty Program” in this prospectus before the Listing Date; (ii) any non-compliance by Shenzhen Dongmen Jiangnan Cuisine with law and regulations in the PRC which may arise from the failure to obtain the food and beverage license before it commenced the operation of its restaurant at Dongmen, Shenzhen, the PRC under the brand name of Tanggong Jiangnan Cuisine (唐宮江南一號) as more particularly referred to in the section headed “Business — Licenses and approvals” in this prospectus; and (iii) the irregularity in the contribution of registered capital of Tang Palace Shanghai WE as set out in the section headed “History, Reorganization and Corporate Structure — Corporate Structure” in this prospectus.

In addition, each of the Indemnifiers has also jointly and severally undertaken to indemnify and keep each member of our Group fully indemnified against all claims, demands, costs, expenses, fines, penalty and charges incurred by us directly or indirectly arising out of or in connection with the non-compliance or alleged non-compliance by our Group with any applicable PRC rules, regulations and laws in relation to the contribution from the Group to the social insurance and housing provident

fund in the PRC (“**Social Insurance and Housing Fund Claims**”) on or before the Listing Date (including said Social Insurance and Housing Fund Claims that may be incurred by us due to the failure by our Group to contribute social insurance and housing provident fund as required by the applicable PRC laws and regulations for some of our employees as set out in the section headed “**Business — Non-compliance of our Group — Non-compliance of our Group as of the Latest Practicable Date — Social Insurance and Housing Provident Fund Contributions**” in this prospectus), provided that the Indemnifiers shall be under no liability under the deed of indemnity in respect of any such Social Insurance and Housing Fund Claim:

- (a) to the extent that provision or reserve has been made for such Social Insurance and Housing Fund Claim in the audited accounts of any member of our Group for any accounting period up to December 31, 2010; or
- (b) to the extent that any provision or reserve made for such Social Insurance and Housing Fund Claim in the audited accounts of any member of our Group for any accounting period up to December 31, 2010 which is finally established to be over-provision or an excessive reserve, in which case the Indemnifiers’ liability (if any) in respect of such Social Insurance and Housing Fund Claim shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers’ liability in respect of the Social Insurance and Housing Fund Claims shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, each of the Indemnifiers has also undertaken to us that he/it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganization.

19. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operations or financial condition of our Company.

20. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$61,000 and are payable by our Company.

21. Promoter

- (a) Our Company does not have any promoter.
- (b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus

22. Agency fees or commissions received

The Hong Kong Underwriters shall receive a commission of 2.5% of the aggregate Offer Price of our Hong Kong Offer Shares underwritten by the Hong Kong Underwriters and the International Underwriters shall receive an underwriting commission of 2.5% of the aggregate of the Offer Price of our International Offer Shares underwritten by the International Underwriters, out of which they shall pay any sub-underwriting commissions. In addition, our Company may, at our sole discretion, pay an incentive fee of up to 1% of the proceeds derived from the Offer Shares offered by our Company under the Global Offering to the Sole Global Coordinator.

The underwriting commission, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$1.45 (being the mid-point of Offer Price range between HK\$1.25 per Offer Share and HK\$1.65 per Offer Share), are estimated to amount to approximately HK\$25 million in total (assuming that the Over-allotment Option is not being exercised).

23. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option, any option granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme, being 10% of the Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

24. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
ICBC International Capital Limited	Licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Qualified PRC lawyers
Jones Lang LaSalle Sallmanns Limited	Professional property valuer

25. Consents of experts

Each of ICBC International Capital Limited, Deloitte Touche Tohmatsu, Conyers Dill & Pearman, Jingtian & Gongcheng and Jones Lang LaSalle Sallmanns Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report(s) and/or letter(s) and/or summary of valuations and/or legal opinion (as the case may be) and the references to its name or summaries of opinions included herein in the form and context in which they respectively appear.

26. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

27. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

28. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within two years preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

- (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;
- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2010 (being the date to which the latest audited combined financial statements of our Group were made up).
- (c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

29. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the **WHITE, YELLOW, PINK and GREEN** Application Forms;
- (b) the statement of adjustments to the Accountants' Report;
- (c) the written consents referred to in the sub-paragraph headed "Consents of experts" in the paragraph headed "Other information" in Appendix V to this prospectus; and
- (d) copies of the material contracts referred to in the sub-paragraph headed "Summary of material contracts" in the paragraph headed "Further information about the business of our Company" in Appendix V to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the memorandum of association of our Company and the Articles;
- (b) the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus, and the related statement of adjustments;
- (c) the audited financial statements of companies comprising our Group for each of the three financial years ended December 31, 2010 (or the period since their respective dates of incorporation of the relevant member of our Group where it is shorter), if any;
- (d) the letter prepared by Deloitte Touche Tohmatsu on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the valuation report (including a letter, a summary of valuation and the valuation certificate) prepared by Jones Lang LaSalle Sallmanns Limited relating to the property interests of our Company, the texts of which are set out in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;
- (h) the legal opinions prepared by our PRC legal advisors in respect of certain aspects of our Group and the property interests of our Group in the PRC;

- (i) the material contracts referred to in the sub-paragraph headed “Summary of material contracts” under the paragraph headed “Further information about the business of our Company” in Appendix V to this prospectus;
- (j) the service contracts referred to in the sub-paragraph headed “Particulars of Directors’ service contracts and letters of appointment” under the paragraph headed “Further information about Directors and Shareholders” in Appendix V to this prospectus;
- (k) the rules of the Pre-IPO Share Option Scheme, Share Option Scheme and Share Award Plan;
and
- (l) the written consents referred to in the sub-paragraph headed “Consents of experts” under the paragraph headed “Other information” in Appendix V to this prospectus.



唐宮(中國)控股有限公司
TANG PALACE (CHINA) HOLDINGS LIMITED