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唐宮(中國)控股有限公司

TANG PALACE (CHINA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1181)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

1. A remarkable initial public offering (the "**IPO**") of the Company on 19 April 2011 at offering price of HK$1.65 with closing market price at HK$2.31 on the same day, peaked at HK$3.46 on 11 May 2011 with over-subscribed Hong Kong public offering of 600 times, raising a net proceed of approximately HK$164.2 million with full exercise of over-allotment option.

2. Opening of eight new restaurants in Beijing, Tianjin and Shanghai, including two Chinese cuisine restaurants, five Pepper Lunch fast food restaurants and one Japanese restaurant.

3. Revenue achieved approximately RMB746.2 million in 2011, representing a year-on-year growth of 23.0%.

4. Operating margin(1) was improved from approximately 57.1% in 2010 to approximately 58.9% in 2011.

5. The net profit, before deducting one-off listing and related expenses, recorded approximately RMB64.4 million in 2011, representing a year-on-year growth of 32.5% whereas profit attributable to the owners of the Company was approximately RMB50.7 million in 2011, representing a year-on-year growth of 9.0%.

6. Basic earnings per share was RMB0.133 for 2011 (2010: RMB0.155).

7. Final dividend proposed at HK$0.09 per share, representing approximately 59.9% as payout ratio.

Note:

(1) The calculation of operating margin is based on revenue less cost of inventories consumed, divided by revenue and multiplied by 100%.

The board (the "**Board**") of directors (the "**Directors**") of Tang Palace (China) Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2011, together with comparative figures for the year 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** *RMB'000*	2010 *RMB'000*
Revenue	*3*	**746,203**	606,529
Other gains and losses	*4*	**14,598**	11,564
Cost of inventories consumed		**(306,332)**	(260,384)
Staff costs		**(173,126)**	(133,338)
Depreciation of property, plant and equipment		**(31,405)**	(27,950)
Utilities and consumables		**(46,137)**	(37,455)
Rental and related expenses		**(60,937)**	(45,287)
Listing and related expenses		**(13,697)**	(2,098)
Other expenses		**(53,772)**	(41,242)
Finance costs		**(688)**	(204)
Profit before tax	*5*	**74,707**	70,135
Income tax expense	*6*	**(23,981)**	(23,604)
Profit and total comprehensive income for the year and attributable to owners of the Company		**50,726**	46,531
Earnings per share			
– Basic (RMB)	*8*	**0.133**	0.155
– Diluted (RMB)	*8*	**0.133**	0.155

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current Assets			
Property, plant and equipment		**98,860**	94,857
Intangible assets		**7,528**	7,792
Rental deposits		**13,367**	11,358
Deferred tax assets		**4,600**	947
		124,355	114,954
Current Assets			
Inventories		**20,151**	12,773
Trade and other receivables	*9*	**17,331**	17,273
Amount due from a related party		**–**	465
Bank balances and cash		**293,567**	126,902
		331,049	157,413
Current Liabilities			
Trade and other payables	*10*	**107,690**	85,098
Amount due to a related party		**100**	263
Tax payable		**7,405**	6,341
Bank borrowings		**–**	41,019
		115,195	132,721
Net Current Assets		**215,854**	24,692
Total Assets less Current Liabilities		**340,209**	139,646
Capital and Reserves			
Share capital	*11*	**34,853**	338
Reserves		**304,406**	137,906
Equity attributable to owners of the Company		**339,259**	138,224
Total Equity		**339,259**	138,224
Non-current Liability			
Deferred tax liability		**950**	1,402
		340,209	139,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2011

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The 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 consolidated and revised) of the Cayman Islands on 11 March 2010 and its shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 19 April 2011 (the "**Listing Date**"). The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1–1111, Cayman Islands and its principal place of business is located at Unit 3, 10th Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong.

Pursuant to corporate reorganisation (the "**Group Reorganisation**") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company has become the holding company of the Group on 25 March 2011. Details of the Group Reorganisation were set out in the section headed "Statutory and General Information" in Appendix V to the prospectus of the Company dated 7 April 2011 (the "**Prospectus**").

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated statement of comprehensive income for each of the two years ended 31 December 2011 include the results of the companies now comprising the Group which have been prepared by applying the principles of merger accounting, as if the Group structure upon the completion of the Group Reorganisation had been in existence throughout each of the two years ended 31 December 2011, or since their respective dates of incorporation/establishment where this is a shorter period.

The Company is an investment holding company. The Group is principally engaged in restaurant operation.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange and by the Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised 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 consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current period, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Hong Kong Accounting Standard ("**HKAS**") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

* IFRIC represents the IFRS Interpretation Committee.

The application of these new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current or prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised 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 amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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. 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 presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. 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 consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received and receivable for the operation of restaurants, net of discount and sales related taxes, are as follows:

	2011	2010
	RMB'000	*RMB'000*
Gross revenue	**791,291**	639,764
Less: sales related tax	**(45,088)**	(33,235)
	746,203	606,529

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 ("**CODM**") in order to allocate resources to segments and to assess their performance. The information reported to the Group's CODM 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 31 December 2011

	Southern China	**Eastern China**	**Northern China**	**Eliminations**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
REVENUE					
External sales	**129,435**	**342,122**	**274,646**	**–**	**746,203**
Inter-segment sales*	**1,326**	**21,486**	**3,260**	**(26,072)**	**–**
Total	**130,761**	**363,608**	**277,906**	**(26,072)**	**746,203**
RESULT					
Segment profit	**9,215**	**35,991**	**54,197**	**–**	**99,403**
Unallocated corporate expenses					**(24,696)**
Profit before tax					**74,707**

* Inter-segment sales are charged at prevailing market rates.

Year ended 31 December 2010

	Southern China *RMB'000*	Eastern China *RMB'000*	Northern China *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE					
External sales	119,303	266,478	220,748	–	606,529
Inter-segment sales*	813	26,014	–	(26,827)	–
Total	120,116	292,492	220,748	(26,827)	606,529
RESULT					
Segment profit	2,817	17,478	53,716	–	74,011
Unallocated corporate expenses					(3,876)
Profit before tax					70,135

* Inter-segment sales are charged at prevailing market rates.

Other information

Year ended 31 December 2011

	Southern China ***RMB'000***	**Eastern China** ***RMB'000***	**Northern China** ***RMB'000***	**Total** ***RMB'000***
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	**7,405**	**14,168**	**9,832**	**31,405**
Amortisation of intangible assets	**–**	**–**	**437**	**437**
Loss on disposal of property, plant and equipment	**–**	**3**	**–**	**3**

Year ended 31 December 2010

	Southern China *RMB'000*	Eastern China *RMB'000*	Northern China *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	8,248	13,376	6,326	27,950
Amortisation of intangible asset	–	–	182	182
Loss on disposal of property, plant and equipment	38	–	–	38

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 1. 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 CODM for the purpose of resource allocation and performance assessment.

As the Group's segment assets and liabilities are not regularly provided to the CODM, the measure of total assets and liabilities for each operating 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 People's Republic of China (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.

4. OTHER GAINS AND LOSSES

	2011	2010
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**(3)**	(38)
Interest income	**1,092**	449
Commission income *(note)*	**10,082**	8,979
Others	**3,427**	2,174
	14,598	11,564

Note: Commission income represents commission received or receivable in respect of sales of tea related products.

5. PROFIT BEFORE TAX

	2011	2010
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging:		
Directors' emoluments	**4,058**	2,891
Other staff costs	**152,242**	118,322
Retirement benefit scheme contributions excluding those of directors	**15,328**	12,125
Equity-settled share-based payment expenses	**1,498**	–
Total staff costs	**173,126**	133,338
Auditors' remuneration	**2,646**	666
Depreciation of property, plant and equipment	**31,405**	27,950
Amortisation of intangible assets	**848**	320
Net foreign exchange losses	**3,956**	4,003

6. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
Enterprise income tax in the PRC		
Current tax	**28,086**	24,600
Deferred tax	**(4,105)**	(996)
	23,981	23,604

The Company was incorporated in the Cayman Islands and is exempted from income tax. It is not subject to tax in other jurisdictions.

Hong Kong

No provision for taxation has been made as the Group's income neither arises nor derived from Hong Kong.

PRC

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except Shanghai Pudong Tang Palace Seafood Restaurant Company Ltd and Shenzhen Tang Palace F&B Co., Ltd. (the "**Tax Preferential Companies**"). The applicable tax rate of the Tax Preferential Companies is 24% (2010: 22%).

7. DIVIDENDS

A final dividend of HK$0.09 (2010: nil) per share in respect of the year ended 31 December 2011 amounting to approximately HK$37,350,000 (equivalent to approximately RMB30,366,000) (2010: nil) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.

In 2010, the amount of approximately RMB24,475,000 represented dividends paid by the companies comprising the Group to their shareholders prior to the Group Reorganisation.

8. EARNINGS PER SHARE

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

	2011	2010
	RMB'000	*RMB'000*
Earnings:		
Profit for the year attributable to owners of the Company and earnings for the purposes of basic and diluted earnings per share	**50,726**	46,531
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**380,684,932**	300,000,000
Effect of dilutive potential ordinary shares in respect of share options	**1,085,666**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**381,770,598**	300,000,000

The number of ordinary shares for calculating basic earnings per share for the year ended 31 December 2010 has been retrospectively adjusted for the issuance of 298,000,000 shares pursuant to a capitalisation issue and 2,000,000 shares pursuant to the Group Reorganisation.

No diluted earnings per share are presented for the year ended 31 December 2010 as there were no potential ordinary shares issued in 2010.

9. 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 based on invoice dates at the end of the reporting period:

	2011	2010
	RMB'000	*RMB'000*
Trade receivables:		
0–30 days	**6,049**	5,391
31–60 days	**1,075**	807
61–90 days	**438**	571
Over 90 days	**841**	903
	8,403	7,672
Other receivables and deposits:		
Prepayments	**7,914**	8,298
Others	**1,014**	1,303
	8,928	9,601
	17,331	17,273

Before accepting any new corporate customers, the Group based on the nature or the counterparty to assess the potential customer's credit quality and define credit limits by customer. Credit limits to customers are reviewed periodically.

10. TRADE AND OTHER PAYABLES

Ageing analysis of the Group's trade payables presented based on invoice dates at the end of the reporting period are as follows:

	2011	2010
	RMB'000	*RMB'000*
Trade payables:		
0–30 days	**30,519**	24,377
31–60 days	**1,497**	2,349
61–90 days	**451**	388
91–180 days	**301**	934
Over 180 days	**928**	719
	33,696	28,767
Other payables:		
Other payables and accruals	**18,974**	15,663
Salary and welfare payables	**26,537**	22,266
Receipts in advance	**28,483**	18,402
	73,994	56,331
	107,690	85,098

The average credit period on purchases of certain goods is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

11. SHARE CAPITAL

	Notes	**Number of shares**	**Share capital** *HK$'000*
Ordinary shares of HK$0.10 each			
Authorised:			
At the date of incorporation and at 31 December 2010	*(i)*	2,000,000	200
Increase in authorised share capital on 19 April 2011	*(ii)*	1,998,000,000	199,800
As at 31 December 2011		2,000,000,000	200,000
Issued and fully paid:			
Issue of shares on the date of incorporation and at 31 December 2010		1	HK$0.1(nil paid)
Issue of shares pursuant to the Group Reorganisation on 25 March 2011	*(ii)*	1,999,999	200
Issue of shares pursuant to the capitalisation issue on 19 April 2011	*(iii)*	298,000,000	29,800
Issue of shares pursuant to the global offering on 19 April 2011	*(iv)*	100,000,000	10,000
Issue of shares on the exercise of over-allotment option on 26 April 2011	*(v)*	15,000,000	1,500
As at 31 December 2011		415,000,000	41,500
			RMB'000
Presented as			34,853

(i) The Company was incorporated on 11 March 2010 and the authorised share capital was HK$200,000 divided into 2,000,000 shares of HK$0.10 each. As at the date of incorporation, one share was allotted and issued at nil paid.

(ii) Pursuant to the written resolution passed on 25 March 2011, the authorised share capital of the Company was increased from HK$200,000 to HK$200 million, divided into 2,000 million shares, by the creation of additional authorised shares of 1,998 million of HK$0.10 each. On the same day, the Company acquired the entire equity interest of China Tang Palace F&B Enterprise Limited ("**Tang Palace BVI**") from Mr. Chan Man Wai, Mr. Yip Shu Ming and Mr. Ku Hok Chiu in consideration of issuing an aggregate of 1,999,999 shares with nominal value of HK$0.10 each, as to 999,999 shares to Best Active Investments Limited, 700,000 shares to Current Success Investments Limited and 300,000 shares to Bright Mind Investments Limited.

(iii) Pursuant to the written resolutions of all shareholders entitled to vote at general meeting of the Company, which were passed on 25 March 2011, an amount of approximately HK$29.8 million (presented as RMB25,027,000) standing to the credit of the share premium account of the Company was capitalised at the Listing Date and applied to pay up in full at par a total of 298,000,000 new shares for allotment and issued to the shareholders of the Company whose names appeared on the register of members of the Company on 25 March 2011 and details of which are set out in the section headed "Statutory and General Information" in Appendix V to the Prospectus.

(iv) On 19 April 2011, 100,000,000 ordinary shares of HK$0.10 each of the Company were issued at a price of HK$1.65 by way of global offering. On the same date, the Company's shares were listed on the Stock Exchange. The proceeds of HK$10,000,000 (equivalent to RMB8,398,000) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$155,000,000 (equivalent to RMB130,165,000), before issuing expenses, were credited to share premium account.

(v) On 26 April 2011, 15,000,000 ordinary shares of HK$0.10 each of the Company were issued at a price of HK$1.65 pursuant to an over-allotment option. The proceeds of HK$1,500,000 (equivalent to RMB1,260,000) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$23,250,000 (equivalent to RMB19,526,000), before issuing expenses, were credited to share premium account.

The share capital at 31 December 2010 in the consolidated statement of financial position represented the aggregate share capital of the Company and Tang Palace BVI.

12. RELATED PARTIES DISCLOSURES

Balances and transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated on consolidated financial statements and are not disclosed in this note. Details of transactions between the Group and the related parties are disclosed below.

During the year, the Group had the following transactions with related parties:

Name of related party	**Nature of transaction**	**2011** ***RMB'000***	2010 *RMB'000*
Chiu Kwun Engineering (Shenzhen) Co., Ltd. *(note i)*	Purchases of leasehold improvement	**585**	3,332
C & W (Nominees) Ltd. *(note ii)*	Professional fee expenses	**2**	23
Dongguan Well Excellent Hotel Management Services Co., Ltd. *(note iii)*	Management fee *(note iv)*	**–**	680
	Rental expenses	**1,032**	430
Meco Group Company Limited *(note iii)*	Rental expenses	**4,019**	3,285
Well Excellent Development Limited *(note iii)*	Dividend recognised as distribution	**–**	24,475
	Purchase of trademark	**–**	4,127

Notes:

(i) Mr. Ku Hok Chiu is beneficial owner.

(ii) Mr. Chan Chi Kwong, a director of certain subsidiaries, is beneficial owner.

(iii) Mr. Chan Man Wai, Mr. Ku Hok Chiu and Mr. Yip Shu Ming are directors and shareholders of the companies.

(iv) Management fee has been paid up to March 2010 and discontinued in April 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Industry Environment

With the likelihood of lingering post-crisis sluggishness in external demand from Europe and the United States, Mr. Wen Jiabao, the Premier of the People's Republic of China (the "PRC" or "China"), had drawn increasingly on the domestic demand of its massive 1.3 billion China consumers, especially private consumption, as the antidote to the instability of external demand in the country's 12th Five-year Plan (2011–2015) for retail sales. 2011 was the first year of 12th Five-year Plan and the PRC central government has employed different economic tools to orchestrate higher consumer spending and thus spur domestic demand, including (i) improving the social welfare network, (ii) boosting wages, (iii) creating new jobs, (iv) promoting urbanisation and supporting affordable housing, (v) adjusting taxes, and (vi) increasing consumer goods imports. At the same time, the 12th Five-Year Plan also hints at a further relaxation of the residential registration system, which would allow for the portability of benefits for China's large and rapidly expanding population of more than 135 million migrant workers. The PRC central government also announced tax relief in 2011 to lower the PRC individual income tax in the third quarter of 2011 and directly boosted domestic purchasing power, driving domestic consumption. China's urbanisation level was further lifted with 2011 urbanisation rate reaching 51.3%, which was 1.3 percentage points higher than that of 2010, according to the data of the National Bureau of Statistics of China. According to China's 12th Five-year Plan, the urbanisation rate of China will rise by over 0.8% on average annually in the coming years. The urbanisation process has boosted the consumption in retail business, including catering sector.

The consumer price index (CPI), measuring changes in the price level of consumer goods and services purchased by households, in the PRC had increased from the beginning of 2011 to a peak at 6.5% in August of 2011. Finally, the inflation rate in the PRC was gradually eased in the fourth quarter of 2011, and last reported at 4.2% in December 2011. As such, the general price increase in food ingredients and labor wage was considerably slowed down near the end of 2011. The PRC central government has newly announced an general inflation rate of 3.2% in February 2012 and emphasized in curbing inflation in 2012.

Business Review

For the year ended 31 December 2011 ("**FY2011**"), the Group's consolidated revenue was approximately RMB746.2 million (year ended 31 December 2010 ("**FY2010**"): approximately RMB606.5 million), showing a year-on-year growth of 23.0%. The Group's operating profit (defined as revenue less cost of inventories consumed) was approximately RMB439.9 million for FY2011 (FY2010: RMB346.1 million), showing a year-on-year growth of 27.1%. The operating margin improved from approximately 57.1% for FY2010 to approximately 58.9% for FY2011. Before deducting listing and related expenses of approximately RMB13.7 million for FY2011 (FY2010: RMB2.1 million), the Group's net profit and net profit margin (net profit divided by revenue multiplied by 100%) for FY2011 were approximately RMB64.4 million and 8.6% respectively (FY2010: RMB48.6 million and 8.0% respectively), showing a year-on-year growth of 32.5% and 7.5% respectively. Profit and total comprehensive income for FY2011 was approximately RMB50.7 million (FY2010: RMB46.5 million), showing a year-on-year growth of approximately 9.0%. Basic and diluted earnings per share for FY2011 arrived at approximately RMB0.133, as compared to approximately RMB0.155 for FY2010.

Chinese Restaurant Business

Chinese cuisine restaurant business accounted for approximately 97.0% of the Group's revenue for FY2011 (FY2010: 98.2%). Following the opening of two new restaurants in Beijing in 2011, the Group has nineteen Chinese restaurants across China, eight in Beijing, six in Shanghai, one in Hanzhou, one in Suzhou, one in Dongguan and two in Shenzhen as at 31 December 2011. Of the nineteen Chinese restaurants, eight shops with revenue totaled approximately RMB358.0 million in FY2011 (FY2010: RMB301.0 million) has been located inside branded hotels, like Minzu Hotel (民族飯店) and Novotel Beijing Xinqiao Hotel (北京諾富特新橋飯店) in Beijing, Shanghai Galaxy Hotel (上海銀河賓館) and Sky Fortune Boutique Hotel (天禧嘉福酒店) in Shanghai. Our on-going strategy is focusing on cooperating with different renowned hotel chain groups, including both China domestic and international types. We have developed a long-term cooperation with Beijing Capital Tourism Group Co., Ltd. (北京首都旅遊股份有限公司) and Shanghai Jin Jiang International Hotels (Group) Company Limited (上海錦江國際酒店(集團)股份有限公司). Our intimate cooperation with branded hotel groups has proved to benefit us from securing high-end spending customers from business and corporate sectors. Apart from hotel group cooperation, the Group also has restaurants located in premier shopping malls, like Chaoyang Joy City (朝陽大悦城) in Beijing, Super Brand Mall (正大廣場) and Jinjiang Dickson Center (錦江迪生中心) in Shanghai, Hangzhou MIXC Shopping Mall (杭州萬象城) and Suzhou Matro Shopping Mall (蘇州美羅城). Cooperation with such renowned hotel chain groups and mall management groups enables us to expand swiftly across the first-tier and second-tier cities and largely capture mid- to high-end customer profile in China.

Banqueting market segment kept booming in the past years, especially in Guangdong and Huadong areas in the PRC. The Group was increasing its efforts in such segment by frequently attending different banquet exhibitions during 2011 and was encouraged by a healthy year-on-year growth in such segment though the total revenue arising from such segment was low compared to the Group's revenue. The operating margin from the banquet market is normally higher as most food and dishes can be pre-made or pre-processed, reducing food waste and better staffing strategy. Our decision to tap this market can promote the trends, current and future, of convening memorable weddings and banquets in branded hotels and premier malls by the young generation with higher spending power.

Fast Food and Casual Dining Business

For FY2011, the Group, as a franchisee, had operated six Pepper Lunch fast food restaurants (FY2010: 1) in China, five in Beijing and one in Tianjin, recording a total revenue of approximately RMB11.5 million for FY2011 (FY2010: RMB1.8 million), showing a year-on-year growth of approximately 538.9%. The average spending per customer was approximately RMB43.3 for FY2011 (FY2010: RMB35.8), showing a gradual increase in brand recognition by the customers in China. The operating margin was approximately 59.8% for FY2011 as compared to 58.2% for FY2010. As the first mover of "Pepper Lunch" (胡椒廚房) brand in the Eastern and Northern China, ample marketing and promotional effort were put in place, lowering the operating margin in initial stages. Although an overall loss for Pepper Lunch had been recorded for FY2011, we noted improvement in some shops in terms of average daily revenue and customer traffic, signaling brand awareness by young diners.

For the casual dining line, we newly opened Sakuragawa Japanese Restaurant (櫻川日本料理) in Shanghai in 2011, in addition to our present Ninja House Japanese Restaurant (忍者居日本料理). The revenue of this line totaled approximately RMB8.8 million for FY2011 (FY2010: RMB7.9 million).

The table below summarised, average spending per customer, and percentage of revenue contributed to the Group by major brands:

Major brands	Type	**Average spending per customer for**		**Percentage of revenue contributed to the Group**	
		FY2011	FY2010	**FY2011**	FY2010
		RMB	*RMB*		
Tang Palace Seafood Restaurant (唐宮海鮮舫)	Chinese cuisine	**151.8**	142.9	**67.2%**	66.6%
Tang's Cuisine (唐宮壹號)	Chinese cuisine	**305.4**	270.7	**10.1%**	9.6%
Excellent Tang Palace (盛世唐宮)	Chinese cuisine	**88.6**	80.5	**9.6%**	10.1%
Tang Palace Restaurant (唐宮膳)	Chinese cuisine	**99.4**	89.7	**9.7%**	11.4%
Pepper Lunch (胡椒廚房)	Fast food	**43.3**	35.8	**1.5%**	0.3%

Cost Control

Apart from the above market and product diversification strategies, the Group also focuses on cost control especially under current fierce inflationary environment in the PRC. The inflation peaked in August 2011 and considerably eased at the end of 2011. Pricing strategy is only one of the ways to curb the difficulties, we had implemented cost control measures through bettering centralized procurement for high-value food items of larger scale, serviced staff and cook exchange programs with large-scale hotel and tourism management schools across

China, departments and procedures re-engineering and streamlining paired with large-scale Enterprise Resource Planning ("**ERP**") application were also efficient and effective means to encounter the inflation threat. Besides, long-term tenancy arrangement with renowned hotel chain groups and mall management groups were also effective strategies in stabilizing rental expenses in short to long run. Improving performance reflected by our higher operating margin at approximately 58.9% for FY2011 (FY2010: 57.1%), staff related costs ratio to revenue dropping to 23.2% for FY2011 as compared to 24.2% in the first half of 2011 and better net profit margin at approximately 8.6% for FY2011 (before deducting one-off listing and related expenses) compared to 8.0% for FY2010.

Procurement and Logistics

It has been our target to strengthen our procurement system, especially in sourcing our raw materials. With the rapid raise in food prices in China, securing both the quantity and quality of food become a challenge for us. To ensure food quality and safety, we continue to establish long term relationship with reliable suppliers, like Metro Jinjiang Cash & Carry Co., Ltd. (錦江麥德龍現購自運有限公司普陀分部), while in the meantime seek for new co-operative partners. Currently, we have entered into framework agreements with leading businesses in agriculture, such as COFCO Food Sales & Distribution Co. Ltd. (中糧食品營銷有限公司) and Yihai Kerry Food Sales & Distribution Co., Ltd. (益海嘉里食品營銷有限公司), which will not only provide fine products at a competitive price, but also stablize the food supply with reliable and traceable origin.

Quality Control and 5S Management

We believe quality control is crucial to our business. Apart from central procurement which allows us to ensure food quality and hygiene, we also focus on monitoring our internal operation by adopting 5S Management in cuisines restaurant business. Since implementation, we manage to improve our overall efficiency on inventory control and storage, as well as maintaining a good hygiene and safe working environment and staff morale on abiding the system. In 2011, three of our restaurants from Guangdong, Shanghai and Beijing obtained the tile 'ERS 5S Management Model Shop', which indicates a high score of 85 and qualified as an exemplar for outsiders. We plan to intensify our 5S management system to accommodate our Group's future growth and development.

Outlook

Looking forward, the Group is diversifying its strategies in markets and products. To penetrate more effectively into different branded hotel chain groups, the Group is seeking cooperation with existing China domestic groups as well as international brands. We have successfully secured the opening of a Chinese restaurant located inside Shanghai Marriott Hotel Hongqiao (上海萬豪虹橋大酒店) in Shanghai in the third quarter of 2012, and negotiate with a hotel group about the opening of a Chinese restaurant inside Venetian Macao Resort Hotel (澳門威尼斯人渡假村酒店) in Macau in the second quarter of 2012. The Group will open a Chinese restaurant in Bai Yu Lan Hotel (白玉蘭酒店) in Shanghai in the second quarter of 2012 and a restaurant next to Novotel Shenzhen Watergate Hotel (深圳諾富特萬德酒店) in Shenzhen in the third quarter of 2012. Brand differentiation strategy is also critical to tap high-end customers. The Group will use its "Tang's Cuisine" (唐宮壹號) to penetrate into high-end hotels like Shanghai Marriott Hotel Hongqiao and Venetian Macao Resort Hotel. In the second quarter of 2012, the Group will renovate its existing restaurant in Haoyuan Jianguo Garden Hotel (好苑建國酒店) located at Chang An Street in Beijing, re-branding it from "Tang Palace Seafood Restaurant" to "Tang's Cuisine" to escalate the image. In China, the world class hotel groups are never ending in building their niche theme hotels in the past decade. Our intimate cooperation with branded hotel groups definitely benefits us from securing high-end spending customers from business and corporate sectors, escalating our Chinese restaurant image and easily spreading through the whole China following the network expansion of those branded hotel groups.

Currently, the Group continues to give greater efforts in fast food and casual dining segment. Pepper Food line is still our main focus to open shops in Beijing, Tianjin and Shanghai. Pursuant to the Prospectus, the Group will aim at opening a total of 21 Pepper Lunch restaurants by the end of 2012. Location is the critical success factor. Our close operation with different mall management groups facilitates our search of better locations. Exploring various meat and food suppliers continue to improve our operating margin. In the long run, the Group will aim at negotiating for a nationwide franchisee right so that we can elevate our marketing and promotional efforts from a regional to nationwide scale in China. With the Group's close relationship with different prestigious mall management groups coupled with ample years of successful experience of Pepper Lunch brand, in Asia Pacific region and Hong Kong, this kind of fast food style can easily be replicated to tap those young and white-collar of mid- and high-spending consumption power in Beijing, Tianjin and Shanghai where the Group currently has franchisee operating rights. Besides fast food line, the Group is exploring different venture partners or brand owners, in Mainland China or overseas, for different modes of cooperation in expanding their China blueprint, employing the Group's affluent China experience. We currently start our dialogue with a renowned Asian catering group in bringing their brands of stylish catering into China, tapping the tremendous domestic consumption market in the PRC.

Following the easing of inflation and increasing wages of consumers in China, retail and catering sectors will become better in 2012. We will continue our centralized procurement strategies to cooperate with large credible suppliers and allow traceable sourcing of food. Frequently changing the mix of food ingredients and dishes will continue to improve operating margin. Exchanging more operating staff and cook with increasing number of hotel and tourism management school allows a stabilization of staff costs. Different realignment of procedures and department re-engineering plus widely usage of integrated ERP systems will help lower the headcount, saving staff related costs. Strategically cooperating with branded hotel chain groups and mall management groups can strike for a more optimal rent negotiation due to mutual trust and understanding. More than that, we can follow those branded hotel groups or mall management groups to bring "Tang Palace" (唐宮) overseas to explore different opportunities in a longer run apart from the massive 1.3 billion China consumer base. The Group believes that the year of 2012 will be a challenging year globally due to adverse impact from continuing global financial crunch but also a fruitful year for the Group as our market share in operating Chinese restaurant inside chain hotels keep increasing and cost curbing strategies fully implemented in the upcoming year.

Awards and Recognition

In 2011, we obtained awards and certifications in respect of our food, services and management. The following table sets forth our recent awards and certifications:

Award	Awarding and Issuing Authority
2010 National Top 100 Catering Services Award (2010年度中國餐飲百強企業)	China Cuisine Association (中國烹飪協會)
ERS 5S Management Model Shop (源全5S管理樣板店)	Hong Kong Environmental Resources and Safety Institute (香港環境資源及安全學會)
Modern Weekly Best Restaurants Selection 2010 (2010年度最佳潮粵菜餐廳獎)	Modern Weekly International (周末畫報)
Exemplar Restaurant in Beijing National Health Lifestyle Action (北京市全民健康生活方式行動示範餐廳)	Beijing Health Bureau/Beijing National Health Lifestyle Action Office (北京市衛生局、北京市全民健康生活方式行動辦公室)
Healthy Tasty Happy (HTH) Shop (健康美味愉快放心店)	Shanghai Restaurants Association (上海餐飲行業協會)
Five Stars National Premium Restaurant (國家五鑽級酒家)	National Restaurant and Hotel Grading Association (全國酒家酒店等級評定委員會)
Top 10 Most Influential Food & Beverage Brand in the PRC (中國餐飲行業十大影響力品牌)	Joint award by China United Business News, Brand Magazine, China Wisdom Engineering Association China Administration Institute, Chinese International Brand Association, CIKB (中國聯合商報社，品牌雜誌社，中國知會工程研究會，中國管理科學研究院，中國國際品牌學會，全國高科技產品品牌推進委員會)
2011 Exemplar Restaurant in Food Safety Compliance Management – Chang Ning District (2011年度長寧區餐飲服務食品安全規範化管理單位)	Shanghai Food and Drug Administration Bureau, Chang Ning Sub-Bureau (上海市食品監督管理局長寧分局)

Financial Review

Revenue and segment performance

The Group's revenue recorded approximately RMB746.2 million for FY2011 (FY2010: RMB606.5 million), representing a year-on-year growth of about 23.0%. The increase in revenue of approximately RMB139.7 million was due to (i) opening of eight new restaurants in the PRC in 2011, including two Chinese cuisine shops, five Pepper Lunch fast food restaurants and one Japanese restaurant, which had contributed an aggregate of approximately RMB29.8 million approximately, (ii) full year operation in 2011 of certain Chinese restaurants previously opened in 2010 and (iii) same store growth for certain Chinese restaurants in 2011.

Revenue from Northern China, Eastern China and Southern China were approximately RMB277.9 million, RMB363.6 million, and RMB130.8 million respectively for FY2011 (FY2010: RMB220.7 million, RMB292.5 million and RMB120.1 million respectively), showing year-on-year-growth rates of approximately 25.9%, 24.3% and 8.9% respectively. Revenue increase in Northern China in 2011 was mainly due to opening of two new restaurants coupled with same store sale growth. Revenue increase in Eastern China was mainly due to same store sale growth coupled with additional sale from full-year operation in 2011 of certain restaurants previously opened in 2010.

Other gains and losses

Other gains and losses increased by approximately RMB3.0 million, or by approximately 26.2%, from approximately RMB11.6 million for FY2010 to approximately RMB14.6 million for FY2011. The increase was mainly due to (i) an increase in sale of tea-related products of approximately RMB1.1 million as the number of Chinese restaurants increased, (ii) an increase of approximately RMB0.6 million in bank interest income arising from depositing net proceeds from the Company's IPO in 2011, and (iii) an increase of approximately RMB1.2 million for tax incentives received from local government authorities.

Cost of inventories consumed and operating profit

Cost of inventories consumed increased by approximately RMB45.9 million, or by approximately 17.6%, from approximately RMB260.4 million for FY2010 to approximately RMB306.3 million for FY2011. The increase was mainly due to (i) the growth in revenue from existing restaurants, (ii) the opening of eight new restaurants, and (iii) 2011 full-year operation of certain Chinese cuisine restaurants and one Pepper Lunch fast food restaurant, previously opened in 2010.

The operating profit (defined as revenue less cost of inventories consumed) was approximately RMB439.9 million for FY2011 (FY2010: RMB346.1 million), representing a year-on-year growth of approximately 27.1%. The improvement in operating margin (defined as operating profit divided by revenue) from approximately 57.1% for FY2010 to approximately 58.9% for FY2011 was mainly due to: (i) effective centralized procurement and food mixing policies which came in place in 2011, lowering the cost of inventories consumed, and (ii) the inflationary pressure of major food items being eased from the third quarter of 2011 onwards.

Staff cost

Staff cost increased by approximately RMB39.8 million, or by approximately 29.8%, from approximately RMB133.3 million for FY2010 to approximately RMB173.1 million for FY2011. The increase in staff cost was primarily due to (i) an overall increase in the labor wages as a result of minimum wage adjustment and other staff benefits to retain experienced staff under the soaring inflationary environment from 2010 to 2011, (ii) an increase in staff related costs of approximately RMB7.3 million for new restaurants opened in 2011. As a percentage of our revenue, staff cost increased from approximately 22.0% for FY2010 to approximately 23.2% for FY2011 even under such fierce inflation due to our effective cost control from re-engineering of internal departments as well as effective staff exchange program conducted with vast hotel and tourism management schools across China.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by approximately RMB3.5 million, or by approximately 12.4%, from approximately RMB28.0 million for FY2010 to approximately RMB31.4 million for FY2011. The increase mainly represented depreciation expenses incurred in leasehold improvement and procurement of equipment and furniture for opening new restaurants during 2011. As a percentage of revenue, depreciation of property, plant and equipment decreased from approximately 4.6% for FY2010 to approximately 4.2% for FY2011.

Utilities and consumables

Utilities and consumables increased by approximately RMB4.6 million, or approximately 12.2%, from approximately RMB37.5 million for FY2010 to approximately RMB46.1 million for FY2011 due to the opening of new restaurants in 2011. As a percentage of revenue, utilities and consumables accounted for approximately 6.2% for FY2011 (FY2010: 6.2%).

Rental and related expenses

Rental and related expenses increased by approximately RMB15.6 million, or approximately by 34.4%, from approximately RMB45.3 million for FY2010 to approximately RMB60.9 million for FY2011. This amount included approximately RMB50.4 million as lease payment for FY2011 (FY2010: RMB36.4 million). The increase was mainly attributable to (i) the opening of two Chinese cuisine restaurants, five Pepper Lunch fast food restaurants and one Japanese restaurant in 2011 and (ii) full-year operation in 2011 of certain restaurants previously opened in 2010. As a percentage of revenue, lease payment accounted for approximately 6.8% for FY2011 (FY2010: 6.0%).

Other expenses

Other expenses, mainly comprising professional fees, sales and marketing expenses, administrative expenses, donations, bank charges and miscellaneous expenses, amounted to approximately RMB53.8 million for FY2011 compared to approximately RMB41.2 million for FY2010, showing an increase of 30.4%. The increase was mainly due to an increase of bank commission charges of approximately RMB2.2 million and marketing and promotional expense of RMB3.3 million.

Income tax expense

Income tax expense increased by approximately RMB0.4 million, or by approximately 1.6%, from approximately RMB23.6 million for FY2010 to approximately RMB24.0 million for FY2011, mainly due to the recognition of approximately RMB13.7 million of one-off non-deductible listing and related expenses for FY2011 (FY2010: RMB2.1 million). The Group's effective income tax rate was lowered from approximately 33.7% for FY2010 to approximately 32.1% for FY2011.

Profit and total comprehensive income attributable to the Company and Net margin

The profit and total comprehensive income attributable to owners of the Company for FY2011 increased by approximately RMB4.2 million, or by approximately 9.0%, from approximately RMB46.5 million for FY2010 to approximately RMB50.7 million for FY2011, mainly due to an increase in revenue and improvement in operating margin, partially offset the general increase in different operating costs due to inflation and one-off listing related expenses incurred for the Company's IPO in April 2011. The net profit margin before listing and related expenses, was approximately 8.6% for FY2011 compared to 8.0% for FY2010. After the deduction of listing and related expenses, the net profit margin became 6.8% for FY2011 compared to the 7.7% for FY2010.

Cash flow

Bank balances and cash increased by approximately RMB166.7 million from approximately RMB126.9 million as at 31 December 2010 to approximately RMB293.6 million as at 31 December 2011.

Net cash of approximately RMB94.2 million was generated from operating activities for FY2011. Net cash used in investing activities amounted to approximately RMB34.4 million for FY2011, of which approximately RMB35.4 million related to the purchase of property, plant and equipment for opening new restaurants.

Net cash provided by financing activities was approximately RMB106.9 million for FY2011, comprising principally the gross proceeds of approximately RMB159.3 million from the issue of new ordinary shares ("**Shares**") at offer price of HK$1.65 each on 19 April 2011 pursuant to the Company's IPO, offset by the net repayment of bank loans of approximately RMB41.0 million.

Liquidity and Financial Resources

The Group's funding and treasury activities are managed and controlled by the senior management. Historically, the Group funded its liquidity and capital requirements principally through cash inflow from operating activities, and shareholders' financing as well as bank borrowings. Following the Company's IPO in April 2011, the Group funds its liquidity and capital requirements by the net proceeds from the IPO as well as internal resources.

The Group maintained cash and bank balances of approximately RMB293.6 million as at 31 December 2011 (as at 31 December 2010: RMB126.9 million). As at 31 December 2011, the Group's total assets, net current assets and net assets were approximately RMB455.4 million (as at 31 December 2010: approximately RMB272.4 million), approximately RMB215.9 million (as at 31 December 2010: approximately RMB24.7 million) and approximately RMB339.3 million (as at 31 December 2010: approximately RMB138.2 million), respectively.

As at 31 December 2011, the Group's had no bank borrowings (as at 31 December 2010: approximately RMB41.0 million). The gearing ratio (total bank borrowing divided by total assets multiplied by 100%) was nil as at 31 December 2011 (as at 31 December 2010: approximately 15.1%).

As at 31 December 2011, the current ratio (current assets divided by current liabilities) was 2.9 (as at 31 December 2010: 1.2).

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

Foreign Currency Exposure

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

As at 31 December 2011, the Directors considered the Group's foreign exchange risk to be insignificant. During the year under review, the Group did not use any financial instruments for hedging purposes.

Capital Commitment

Our capital commitment were approximately RMB6.8 million and RMB3.4 million as at 31 December 2011 and 31 December 2010, respectively.

Contingent Liabilities

As at 31 December 2011, the Group did not have any material contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Pursuant to the Group Reorganisation to rationalise the group structure of the Group in preparation of the listing, the Company became the holding company of the subsidiaries of the Company now comprising the Group since 25 March 2011. Details of the said reorganisation have been set out in the section headed "History, Reorganization of Corporate Structure" in the Prospectus.

Save for the Group Reorganization, during the year under review, there was no other material acquisition or disposal of subsidiaries or associated companies of the Company.

Number and Remuneration of Employees

As at 31 December 2011, the Group had over approximately 4,000 full-time employees in Hong Kong and the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for expansion of new restaurants. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes, share options and performance related bonus.

Use of Net Proceeds from the IPO Exercise

The Company raised an aggregate net proceeds of approximately HK$164.2 million from the issuance of an aggregate of 115,000,000 Shares (including exercise of the over-allotment option) pursuant to the Company's IPO. Up to 31 December 2011, the Group has used part of the net proceeds pursuant to the IPO as follows:

	Net IPO proceeds			
Use of Proceeds	**Available pursuant to the IPO (HK$ million)**	**Available pursuant to the IPO (RMB million equivalent)**	**Utilised during FY2011 (RMB million equivalent)**	**Unutilised as at 31 December 2011 (RMB million equivalent)**
Opening of about 8 new Chinese restaurants in certain first-tier and second-tier cities in the PRC	89.7	75.0	9.0	66.0
Opening of about 19 Pepper Lunch fast food restaurants in certain first-tier cities in the PRC	47.9	40.1	4.5	35.6
Sales and marketing promotion and brand awareness activities in certain first-tier cities, including launching of promotional campaigns and conducting of market surveys	10.2	8.5	7.2	1.3
General working capital	16.4	13.7	13.7	–
Total	164.2	137.3	34.4	102.9

The remaining net proceeds are mainly placed in reputable financial institutions as short term deposits.

OTHER INFORMATION

Listing of Shares on the Stock Exchange

Trading of Shares on the Main Board of the Stock Exchange commenced on 19 April 2011. Immediately upon the listing, the total number of issued shares was 400,000,000 shares.

As part of the IPO, the Company has granted to ICBC International Capital Limited, the sole global coordinator under the IPO, the over-allotment option (the "**Over-allotment Option**") to cover any over-allocation under the placing tranche of the IPO. On 19 April 2011, the Over-allotment Option was exercised in full pursuant to which additional 15,000,000 Shares were allotted and issued by the Company on 26 April 2011. Details of the exercise of the Over-allotment Option have been set out in the Company's announcement dated 20 April 2011.

Audit Committee

The Company established an audit committee (the "**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 25 March 2011. The primary duties of the 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 the Company. 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 the Audit Committee.

The Audit Committee has reviewed the audited consolidated results of the Group for FY2011.

Corporate Governance

The Board is committed to maintaining high standard of corporate governance practices to safeguard the interests of Company and the shareholders and to enhance corporate value and accountability. These can be achieved by an effective Board, segregation of duties with clear responsibility, sound internal control, appropriate risk assessment procedures and transparency to all the shareholders.

The Code on Corporate Governance Practices (the "**Corporate Governance Code**") as set forth in Appendix 14 of the Listing Rules has only become applicable to the Company since the date of listing of the Company's Shares on the Stock Exchange on 19 April 2011. The Company and the Board had complied with the Corporate Governance Code during the period from the Listing Date up to 31 December 2011.

Model Code for Securities Transactions by Directors (the "Model Code")

The Company has adopted its own code for securities transactions by Directors on terms no less exacting than those set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries to all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the period from the Listing Date up to 31 December 2011.

Purchase, Sale or Redemption of Listed Securities of the Company

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

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting will be held on 25 May 2012, Hong Kong (the "**Annual General Meeting**"). A formal notice of the Annual General Meeting will be published and dispatched to shareholders of the Company as required by the Listing Rules in due course.

DIVIDEND

The Board recommended the payment of a final dividend of HK$0.09 per share, representing approximately 59.9% as payout ratio, payable to shareholders of the Company whose names appear on the register of members of the Company on 1 June 2012. The Board wishes to clarify that such proposed dividend was recommended due to the good performance of the Group's results achieved in 2011 and taken into account the Group's sufficiency in resources for its working capital and business development requirements, the Company would like to share the achievement with its shareholders by way of a higher dividend payout. The Board would also like to clarify that there is no change to the Company's current dividend policy as stated in the Prospectus to distribute no more than 50% of the Group's net profit for each year. Subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting to be held on 25 May 2012, the final dividend will be paid on or before 15 June 2012.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the shareholders to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 21 May 2012 to 25 May 2012 (both days inclusive), during which period no transfer of share(s) will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers documents, accompanies by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 18 May 2012.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. For the purpose of determining the entitlement of the shareholders to the final dividend for the year ended 31 December 2011 (if approved), the register of members of the Company will be closed from 31 May 2012 to 1 June 2012 (both days inclusive), during which period no transfer of share(s) will be effected. To be entitled to the final dividend for the year ended 31 December 2011 (if approved), all transfers documents, accompanies by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 30 May 2012.

APPRECIATION

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

By Order of the Board
Yip Shu Ming
Chairman and Executive Director

Hong Kong, 28 March 2012

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:	*Mr. Yip Shu Ming, Mr. Chan Man Wai, Mr. Ku Hok Chiu, Ms. Weng Peihe*
Independent non-executive Directors:	*Mr. Cheung, Kin Ting Alfred, Mr. Kwong Chi Keung, Mr. Kwong Ping Man*