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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 2012

HIGHLIGHTS

1. Opening of 11 new restaurants in Beijing, Tianjin, Shanghai and Macau, including 3 Chinese restaurants and 8 Pepper Lunch restaurants.
2. Revenue achieved RMB824.7 million in 2012, representing a year-on-year growth of 10.5%.
3. Operating margin⁽¹⁾ maintained at 59.0% in 2012.
4. Profit for the year recorded RMB54.8 million in 2012 representing a year-on-year growth of 8.1%.
5. Basic earnings per share was RMB0.132 for 2012.
6. Final dividend proposed at HK9.7 cents per share, representing 60.0% 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 of directors (the “**Board**”) of Tang Palace (China) Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2012 (“**FY2012**”), together with comparative figures for the year ended 31 December 2011 (“**FY2011**”) as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	<i>Notes</i>	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Revenue	3	824,712	746,203
Other income and gain, net	3	18,386	14,598
Cost of inventories consumed		(338,536)	(306,332)
Staff costs		(206,917)	(173,126)
Depreciation of items of property, plant and equipment		(39,800)	(31,405)
Utilities and consumables		(52,362)	(46,137)
Rental and related expenses		(72,773)	(60,937)
Listing and related expenses		–	(13,697)
Other expenses		(57,453)	(53,772)
Finance costs	6	–	(688)
PROFIT BEFORE TAX	5	75,257	74,707
Income tax expense	7	(20,425)	(23,981)
PROFIT FOR THE YEAR		54,832	50,726
Attributable to owners of the Company		54,832	50,726
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic (RMB)		0.132	0.133
Diluted (RMB)		0.131	0.133

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>54,832</u>	<u>50,726</u>
OTHER COMPREHENSIVE LOSS		
Exchange differences on translation of foreign operations	<u>(496)</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>54,336</u>	<u>50,726</u>
Attributable to owners of the Company	<u>54,336</u>	<u>50,726</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	<i>Notes</i>	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		148,699	98,860
Intangible assets		12,169	7,528
Rental deposits		16,802	13,367
Deferred tax assets		6,097	4,600
Total non-current assets		183,767	124,355
CURRENT ASSETS			
Inventories		24,048	20,151
Trade and other receivables	<i>10</i>	26,941	17,331
Cash and cash equivalents		265,405	293,567
Total current assets		316,394	331,049
CURRENT LIABILITIES			
Trade and other payables	<i>11</i>	128,344	107,690
Amount due to related companies		1,394	100
Tax payable		4,254	7,405
Total current liabilities		133,992	115,195
NET CURRENT ASSETS		182,402	215,854
TOTAL ASSETS LESS CURRENT LIABILITIES		366,169	340,209
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,115	950
Net assets		365,054	339,259
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>12</i>	34,944	34,853
Reserves		330,110	304,406
Total equity		365,054	339,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Tang Palace (China) Holdings Limited is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 19 April 2011 (the “**Listing date**”). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is located at Unit 3, 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 on 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 and cash flows for the year ended 31 December 2011 included the results and cash flows of the companies comprising the Group in that year which had 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 the year ended 31 December 2011, or since their respective dates of incorporation or establishment where that was a shorter period.

During the year, the Group is principally engaged in restaurant operations.

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning on 1 January 2012. The Group has not early adopted these new and revised HKFRSs.

3. REVENUE, OTHER INCOME AND GAIN, NET

Revenue, which is also the Group's turnover, represents the amount received and receivable for the operation of restaurants, net of discounts and sales related taxes during the year.

An analysis of the Group's revenue, other income and gain, net is as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Revenue		
Gross revenue	873,343	791,291
Less: sales related tax	<u>(48,631)</u>	<u>(45,088)</u>
	<u>824,712</u>	<u>746,203</u>
Other income and gain, net		
Bank interest income	3,210	1,092
Commission income [#]	11,122	10,082
Gain/(loss) on disposal of items of property, plant and equipment	409	(3)
Others	<u>3,645</u>	<u>3,427</u>
	<u>18,386</u>	<u>14,598</u>

[#] Commission income represents commission received or receivable in respect of sales of tea related products.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on geographical areas and has three reportable operating segments as follows:

- (i) the Southern China region;
- (ii) the Eastern China region; and
- (iii) the Northern China region

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

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

During the year, the Group's operating segments changed as a result of the change of in the Group's internal business reporting structure for more efficient use of the managerial resources. The corresponding information for the year ended 31 December 2011 has been re-presented accordingly.

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group.

Segment information about the business is presented below:

Year ended 31 December 2012

	Southern China RMB'000	Eastern China RMB'000	Northern China RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	133,551	364,824	326,337	-	824,712
Inter-segment sales	-	10,776	-	(10,776)	-
	<u>133,551</u>	<u>375,600</u>	<u>326,337</u>	<u>(10,776)</u>	<u>824,712</u>
Segment results	7,974	28,308	59,733	-	96,015
<i>Reconciliation:</i>					
Interest income					2,332
Unallocated expenses					<u>(23,090)</u>
Profit before tax					<u>75,257</u>
Other segment information:					
Depreciation of items of property, plant and equipment	8,874	16,702	14,189	-	39,765
Amortisation of intangible assets	-	255	88	-	343
Gain on disposal of items of property, plant and equipment	409	-	-	-	409
Capital expenditure*	<u>28,382</u>	<u>46,053</u>	<u>21,255</u>	<u>-</u>	<u>95,690</u>

* Capital expenditure represents additions to property, plant and equipment and intangible assets.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2011

	Southern China <i>RMB'000</i>	Eastern China <i>RMB'000</i>	Northern China <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:					
Sales to external customers	130,761	337,536	277,906	–	746,203
Inter-segment sales	–	26,072	–	(26,072)	–
	<u>130,761</u>	<u>363,608</u>	<u>277,906</u>	<u>(26,072)</u>	<u>746,203</u>
Segment results	12,087	40,840	60,410	–	113,337
<i>Reconciliation:</i>					
Interest income					623
Unallocated expenses					(38,565)
Finance costs					<u>(688)</u>
Profit before tax					<u>74,707</u>
Other segment information:					
Depreciation of items of property, plant and equipment	7,369	14,168	9,832	–	31,369
Amortisation of intangible assets	–	–	57	–	57
Loss on disposal of items of property, plant and equipment	–	(3)	–	–	(3)
Capital expenditure*	<u>2,895</u>	<u>11,125</u>	<u>21,981</u>	<u>–</u>	<u>36,001</u>

* Capital expenditure represents additions to property, plant and equipment and intangible assets.

5. PROFIT BEFORE TAX

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Depreciation	39,800	31,405
Amortisation of intangible assets	1,117	848
Minimum lease payments under operating leases of land and buildings	60,255	50,104
Contingent rents under operating leases*	1,731	170
Auditors' remuneration	650	2,646
Directors' remuneration	4,479	4,058
Employee benefit expense excluding directors' and chief executive's remuneration:		
Wages and salaries	183,388	152,242
Equity-settled share option expense	1,238	1,498
Pension scheme contributions (defined contribution scheme)^	17,812	15,328
	<u>202,438</u>	<u>169,068</u>
Foreign exchange differences, net	<u>866</u>	<u>3,956</u>

* Contingent rents under operating leases is included in "Rental and related expenses" in the consolidated income statement

^ At 31 December 2012, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2011: Nil).

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Interest on bank loans wholly repayable within five years	<u>–</u>	<u>688</u>

7. INCOME TAX

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

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Current charge for the year	21,757	28,086
Deferred	<u>(1,332)</u>	<u>(4,105)</u>
Total tax charge for the year	<u>20,425</u>	<u>23,981</u>

8. DIVIDENDS

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Proposed final dividend HK9.7 cents (2011: HK9.0 cents) per ordinary share	<u>32,899</u>	<u>30,336</u>

9. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 415,691,016 (2011: 380,684,932) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company	<u>54,832</u>	<u>50,726</u>
	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year	415,691,016	380,684,932
Effect of dilutive potential ordinary shares in respect of share options	<u>1,448,726</u>	<u>1,085,666</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>417,139,742</u>	<u>381,770,598</u>

10. TRADE AND OTHER RECEIVABLES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Trade receivables	10,119	8,403
Prepayments	12,743	7,914
Deposits and other receivables	<u>20,881</u>	<u>14,381</u>
	43,743	30,698
Less: Rental deposits classified as non-current assets	<u>(16,802)</u>	<u>(13,367)</u>
	<u>26,941</u>	<u>17,331</u>

10. TRADE AND OTHER RECEIVABLES (Continued)

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from 30 to 80 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Within 30 days	8,422	6,049
31 to 60 days	1,007	1,075
61 to 90 days	173	438
Over 90 days	517	841
	10,119	8,403

11. TRADE AND OTHER PAYABLES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Trade payables	39,789	33,696
Other payables and accruals	23,755	18,974
Salary and welfare payables	22,474	26,537
Receipts in advance	42,326	28,483
	128,344	107,690

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Within 30 days	36,050	30,519
31 to 60 days	1,796	1,497
61 to 90 days	452	451
91 to 180 days	557	301
Over 180 days	934	928
	39,789	33,696

12. SHARE CAPITAL

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Authorised:		
2,000,000,000 (2011: 2,000,000,000) ordinary shares of HK\$0.10 (2011: HK\$0.10) each	200,000	200,000
Issued and fully paid:		
416,116,000 (2011: 415,000,000) ordinary shares of HK\$0.10 (2011: HK\$0.10) each	41,612	41,500
Presented as (equivalent to RMB'000)	34,944	34,853

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

	Number of shares in issue	Issued capital <i>HK\$'000</i>	Issued capital <i>(equivalent to)</i> <i>RMB'000</i>
Issued and fully paid:			
At 1 January 2011	1	–	–
Issue of shares pursuant to the Group Reorganisation on 25 March 2011	1,999,999	200	168
Issue of shares pursuant to the capitalisation issue on 19 April 2011	298,000,000	29,800	25,027
Issue of shares pursuant to the global offering on 19 April 2011	100,000,000	10,000	8,398
Issue of shares on the exercise of Over-allotment Option on 26 April 2011	15,000,000	1,500	1,260
At 31 December 2011 and 1 January 2012	415,000,000	41,500	34,853
Issue of shares pursuant to the exercise of Pre-IPO share options:			
On 18 May 2012	924,000	93	75
On 26 May 2012	192,000	19	16
At 31 December 2012	416,116,000	41,612	34,944

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As the recovery of the global economy remains uncertain, it is only natural that the China economy reflected a relatively slower growth in 2012. According to the National Bureau of Statistics of China, the Gross Domestic Product in 2012 was RMB51,932.2 billion, or increased by 7.8%, as compared to the year-on-year growth of 9.3% in 2011. The growth rate of total retail sales of consumer goods in 2012 recorded 14.3%, as compared to 17.1% in 2011. The Consumer Price Index growth rate has also shown a decline, from 4.5% in 2011 to 2.5% in 2012. Despite the slowdown of China's economic growth, the Chinese government's Twelfth Five-Year Plan (2011-2015) highlighted the importance on creating domestic demand on retail sector, which mirrored the potential growth of the industry in coming years.

With expectation on the future capacity of China's food & beverage industry, we had been consistently fine tuning our business strategy to respond to the changes in the market. In doing so, during the year, we opened 3 Chinese restaurants and 8 Pepper Lunch restaurants, and also completed renovation of 2 Chinese restaurants in Beijing and Shanghai, as well as reallocated 1 Chinese restaurant in Shenzhen. The Group achieved a consolidated revenue of RMB824.7 million for FY2012, showing an increase of 10.5%, as compared to RMB746.2 million for FY2011. Operating margin remained stable, recorded 59.0% for FY2012. Profit for the year amounted to RMB54.8 million, showing an increase of 8.1%, as compared to RMB50.7 million for FY2011. Basic earnings per share for FY2012 was RMB0.132, as compared to RMB0.133 for FY2011.

As at 31 December 2012, we operated 38 restaurants located in Beijing, Tianjin, Shanghai, Suzhou, Hangzhou, Dongguan, Shenzhen and Macau. In addition, we have 1 food plant in Shanghai, providing food production such as seasonal products to our restaurants.

Chinese Restaurant Business

Chinese cuisine remains as our core business. We are currently operating 22 Chinese restaurants under 4 different brands, which contributed 94.0% of the Group's revenue, with total revenue of RMB774.9 million in FY2012 (FY2011: RMB721.1 million), showing 7.5% increase as compared to FY2011. We continue to build a close and trustworthy relationship with renowned hotel management groups and nationwide large scaled property groups for new store locations. During the year, we opened 3 Chinese restaurants, which were all located in national and international high-end hotels, including one Tang's Cuisine newly opened in Venetian Macao Resort Hotel (澳門威尼斯人渡假村酒店) in October 2012.

Casual Dining Business

We have continued to aggressively pursue our strategy to enlarge our customer base and increase our market share by developing the casual dining business. As the awareness and reputation of Pepper Lunch grows, we have accelerated our opening plan. During the year, 8 Pepper Lunch restaurants were opened in Beijing, Tianjin and Shanghai, bringing the total number of outlets to 14 as at 31 December 2012. Pepper Lunch recorded a total revenue of RMB36.3 million for FY2012, showing a year-on-year growth of 215.7%, as compared to

RMB11.5 million for FY2011. In another initiative to expand our market share, in May 2012, we entered into a Shareholders' Agreement with PappaRich Group, one of the leading brands in the local food and beverage chain in Malaysia, aimed at introducing a trendy Southeast Asian dining experience into Mainland China, Hong Kong and Macau, with strong believe in capturing the tremendous domestic consumption demand in the regions.

The table below summarised, average spending per customer (including gross revenue from dining and tea related products), and percentage of revenue contributed to the Group by major brands:

Brand	No. of restaurants as at 31 December		Average spending per customer for the year		Percentage of revenue contributed to the Group	
			ended 31 December		for the year	
	2012	2011	2012	2011	2012	2011
			RMB	RMB		
Tang Palace Seafood Restaurant (唐宮海鮮舫)	14	13	165.3	160.0	66.1%	67.2%
Tang's Cuisine (唐宮壹號)	5	2	331.2	326.7	11.8%	10.1%
Excellent Tang Palace (盛世唐宮)	2	2	102.4	92.0	8.9%	9.6%
Tang Palace Restaurant (唐宮膳)	1	2	109.4	104.8	7.2%	9.7%
Pepper Lunch (胡椒廚房)	14	6	41.8	45.9	4.4%	1.5%

Procurement and Logistics

Our target to expand the scale of central procurement continues to be one of our major goals. It is essential for us to ensure food safety, a reliable supply of quality food, as well as cost control. To achieve efficient management of such, we maintain a close relationship with our long term business partners 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. (益海嘉里食品有限公司), in the meantime, while evaluating different suppliers for our constantly diversified menu, we are also in negotiations with several well-known chain suppliers to expand the variety and quantity of food purchasing. In addition, we invested in upgrading our ERP system and further enhanced our procurement staff's skill and knowledge accordingly, to better cope with our increasing amount of central procurement and to better manage our supply chain.

Quality Control and 5S Management

Since its implementation in 2003, 5S management has been playing an important role in our quality control. For nearly a decade, we persisted to advance the system in order to pursue food hygiene, work safety, reduce wastage and overall efficiency on inventory storage and control. In 2012, all of our 22 Chinese restaurants has passed annual 5S inspection with very satisfactory result.

Awards and Recognition

In 2012, 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
National Outstanding Enterprise 全國餐飲業優秀企業	China Cuisine Association 中國烹飪協會
2011 National Top 100 Catering Services Award 2011年度中國餐飲百強企業	China Cuisine Association 中國烹飪協會
	China General Chamber of Commerce 中國商業聯合會
	China National Commercial Information Center 中華全國商業信息中心
National Trustworthy Unit with Quality Services 全國質量服務信得過單位	Social Survey Centre 中國國情調查委員會
	China Foundation of Consumer Protection 中國保護消費者基金會
National Trustworthy Brand on Consumer Protection 全國關心保護消費者權益信用品牌	Social Survey Centre 中國國情調查委員會
	China Foundation of Consumer Protection 中國保護消費者基金會
Best Model Brand of Customer Satisfactory on Service Sector 全國餐飲服務公眾滿意最佳典範品牌	Survey Associate of National Customer Satisfactory on Service Sector 全國服務業公眾滿意度調查活動組委員會
National Most Influential Leading Brand in the Industry 行業最具影響力領導品牌	Survey Associate of National Customer Satisfactory on Service Sector 全國服務業公眾滿意度調查活動組委員會
2012 Gourmet's Favorite Restaurant 2012年度吃貨最喜歡餐廳	CCTV 中國中央電視台 Sina Weibo 新浪微博

Outlook

We will continue our strategy of steadily developing Chinese cuisines and aggressively speeding up the development in the causal dining business to cater for the constant changing food and beverage market. We will proactively respond to the market and adjust our development strategies accordingly.

In addition to selecting location for new restaurants with favourable terms, we will continue to cooperate with reputable hotel groups and property groups. We will also select location with size suitable for boutique type of cuisines, so as to introduce innovative dining experience to our customers.

We will review our menu continually and adjust our recipes to the changable customer tastes, so as to expand our customer base especially to capture young diners and customers with healthy consciousness. On food cost control, we will expand the scale of central procurement by continuously putting effort in facilitating cooperation with large chain suppliers that have numerous distribution centres in major cities to ensure the quality and quantity of food, as well as to reduce logistic cost.

In view of the everchanging employment market, we will further optimise our operational processes and adjust our staff structure. In addition, the cooperation with hotel and tourism management school will remain as our major effort on securing stable staff supply and stabilizing staff cost.

On the other hand, developing causal dining business is our future highlight. With Pepper Lunch gradually building up its presence, we believe our strategy on capturing young diners will reach our expectations. We will accelerate the expansion, as well as preparing for our first PappaRich Restaurant to launch in a first tier city in China.

Financial Review

Revenue

The Group's revenue increased by RMB78.5 million, or by 10.5%, from RMB746.2 million for FY2011 to RMB824.7 million for FY2012, which was mainly attributable to the revenue growth of the existing restaurants and the opening of additional 11 restaurants during the year, including 3 Chinese restaurants and 8 Pepper Lunch restaurants.

Other income and gain, net

Other income and gains increased by RMB3.8 million, or by 25.9%, from RMB14.6 million for FY2011 to RMB18.4 million for FY2012. Such increase was mainly due to the increase in commission income in respect of sales of tea products and increase in bank interest income arising from depositing unutilised proceeds from our initial public offering.

Cost of inventories consumed

Cost of inventories consumed increased by RMB32.2 million, or by 10.5%, from RMB306.3 million for FY2011 to RMB338.5 million for FY2012, primarily due to the revenue growth of the existing restaurants and the opening of the new restaurants. As a percentage of revenue, cost of inventories consumed decreased slightly from 41.1% for FY2011 to 41.0% for FY2012, revealing preliminary result of our central procurement system coming into effect in lowering our cost.

Staff cost

Staff cost increased by RMB33.8 million, or by 19.5%, from RMB173.1 million for the year 2011 to RMB206.9 million for FY2012. As a percentage of revenue, staff cost increased from 23.2% for FY2011 to 25.1% for the FY2012. The increase in staff cost was primarily due to an overall increase in the level of salaries and other employee benefits, as well as increase in staff force which resulted from the opening of new restaurants.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by RMB8.4 million, or by 26.7%, from RMB31.4 million for FY2011 to RMB39.8 million for FY2012. As a percentage of revenue, depreciation of property, plant and equipment increased from 4.2% for FY2011 to 4.8% for FY2012. The increase mainly represented depreciation incurred in connection with the leasehold improvements and equipment acquired for the new restaurants.

Utilities and consumables

Utilities and consumables increased by RMB6.2 million, or 13.5%, from RMB46.1 million for FY2011 to RMB52.4 million for FY2012. As a percentage of revenue, utilities and consumables slightly increased from 6.2% for FY2011 to 6.3% for FY2012.

Rental and related expenses

Rental and related expenses increased by RMB11.8 million, or by 19.4%, from RMB60.9 million for FY2011 to RMB72.8 million for FY2012. As a percentage of revenue, rental and related expenses increased from 8.2% for FY2011 to 8.8% for FY2012. The increase was mainly attributable to the opening of the new restaurants.

Other expenses

Other expenses, mainly comprising professional fees, sales and marketing expenses, administrative expenses, donations, bank charges and miscellaneous expenses, amounted to RMB57.5 million for FY2012 compared to RMB53.8 million for FY2011.

Income tax expense

Income tax expense decreased by RMB3.6 million, or by 14.8%, from RMB24.0 million for FY2011 to RMB20.4 million for FY2012. The Group's effective income tax rate decreased from 32.1% for FY2011 to 27.1% for FY2012 as a result of more efficient tax planning during the year.

Profit for the year

The Group's profit for the year increased by RMB4.1 million, from RMB50.7 million for FY2011 to RMB54.8 million for FY2012, mainly due to increase in revenue during the year and one-off listing and related expenses of RMB13.7 million was incurred in FY2011.

Cash flow

Cash and cash equivalents decreased by RMB28.2 million from RMB293.6 million as at 31 December 2011 to RMB265.4 million as at 31 December 2012.

Net cash of RMB93.5 million was generated from operating activities for FY2012. Net cash used in investing activities amounted to RMB91.8 million for FY2012, of which RMB90.6 million related to the purchase of property, plant and equipment. Net cash used in financing activities amounted to RMB29.8 million, including dividend paid amounting to RMB30.5 million.

Liquidity and Financial Resources

The Group's funding and treasury activities are managed and controlled by senior management. The Group maintained cash and bank balances of RMB265.4 million as at 31 December 2012 (31 December 2011: RMB293.6 million). As at 31 December 2012, the Group's total assets, net current assets and net assets were RMB500.2 million (31 December 2011: RMB455.4 million), RMB182.4 million (31 December 2011: RMB215.9 million) and RMB365.1 million (31 December 2011: RMB339.3 million), respectively.

As at 31 December 2012, the Group's had no bank borrowings (31 December 2011: Nil). The gearing ratio was nil as at 31 December 2012 (31 December 2010: Nil).

As at 31 December 2012, the current ratio (current assets divided by current liabilities) was 2.4 (31 December 2011: 2.9).

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

Foreign Currency Exposure

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

As at 31 December 2012, the directors considered the Group's foreign exchange risk to be insignificant. During the year, the Group did not use any financial instruments for hedging purposes.

OTHER INFORMATION

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 initial public offering ("IPO"), the Company has granted 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.

Use of IPO Proceeds

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 IPO. Up to 31 December 2012, the Group has used part of the net IPO proceeds as follows:

	Net IPO proceeds				
	Available pursuant to the IPO (HK\$ million)	Available pursuant to the IPO (RMB million equivalent)	Utilised as at 1 January 2012 (RMB million equivalent)	Utilised during FY2012 (RMB million equivalent)	Unutilised as at 31 December 2012 (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	64.4	1.6
Opening of about 19 Pepper Lunch restaurants in certain first-tier cities in the PRC	47.9	40.1	4.5	16.3	19.3
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	82.0	20.9

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

Number and Remuneration of Employees

As at 31 December 2012, the Group had over 4,000 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.

Capital Commitment

Our capital commitment were approximately RMB4.4 million and RMB6.8 million as at 31 December 2012 and 31 December 2011, respectively.

Charges on Group's Assets

As at 31 December 2012, the Group did not have any charges on its assets (31 December 2011: Nil).

Contingent Liabilities

As at 31 December 2012, the Group did not have any material contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

During the year, there was no material acquisition or disposal of subsidiaries or associated companies of the Company.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code")

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

Audit Committee

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee has reviewed the consolidated results of the Group for FY2012.

Corporate Governance

The Board is committed to maintain high standard of corporate governance practices to safeguard the interests of Company and its 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 Company has complied with all the code provisions as set out in Appendix 14 to the Listing Rules (Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012)) throughout the year.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting will be held on 24 May 2013, 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 HK9.7 cents per share, representing 60.0% as payout ratio, payable to shareholders of the Company whose names appear on the register of members of the Company on 31 May 2013. Taken into account the Group’s sufficiency in resources for its working capital and business development requirements, the Company would like to share the result achieved in 2012 with its shareholders by way of a higher dividend payout. The Board would like to clarify that there is no change to the Company’s intention 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 24 May 2013, the final dividend will be paid on or before 17 June 2013.

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 20 May 2013 to 24 May 2013 (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, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 16 May 2013.

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 2012 (if approved), the register of members of the Company will be closed from 30 May 2013 to 31 May 2013 (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 2012 (if approved), all transfers documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 29 May 2013.

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, 22 March 2013

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

Executive directors:

*Mr. Yip Shu Ming, Mr. Chan Man Wai,
Mr. Ku Hok Chiu, Ms. Weng Peihe*

Independent non-executive directors:

*Mr. Kwong Chi Keung, Mr. Kwong Ping Man,
Mr. Cheung Kin Ting Alfred*