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

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the "**Board**") of Tang Palace (China) Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2013, together with the comparative figures for the six months ended 30 June 2012.

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

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 June 2013*

| | Notes | Six months ended 30 June 2013 RMB'000 (unaudited) | 2012 RMB'000 (unaudited) |
|---|---|---|---|
| Revenue | 3 | **437,290** | 391,929 |
| Other income and gains | 3 | **10,145** | 8,871 |
| Cost of inventories consumed | | **(183,379)** | (161,588) |
| Staff cost | | **(118,935)** | (100,591) |
| Depreciation of property, plant and equipment | | **(23,772)** | (17,469) |
| Utilities and consumables | | **(26,157)** | (23,660) |
| Rental and related expenses | | **(42,073)** | (33,314) |
| Other expenses | | **(33,553)** | (26,004) |
| Profit before tax | 5 | **19,566** | 38,174 |
| Income tax expense | 6 | **(4,547)** | (12,487) |
| Profit for the period attributable to owners of the Company | | **15,019** | 25,687 |
| Earnings per share attributable to ordinary equity holders of the Company | 8 | | |
| Basic (RMB) | | **0.0361** | 0.0619 |
| Diluted (RMB) | | **0.0360** | 0.0616 |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the six months ended 30 June 2013*

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Profit for the period | **15,019** | 25,687 |
| Other comprehensive loss | | |
| Other comprehensive loss to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **(755)** | – |
| Total comprehensive income for the period attributable to owners of the Company | **14,264** | 25,687 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2013*

| | Notes | As at 30 June 2013 RMB'000 (unaudited) | As at 31 December 2012 RMB'000 (audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **155,361** | 148,699 |
| Intangible assets | | **12,020** | 12,169 |
| Rental deposits | | **18,228** | 16,802 |
| Deferred tax assets | | **6,453** | 6,097 |
| Total non-current assets | | **192,062** | 183,767 |
| **CURRENT ASSETS** | | | |
| Inventories | | **24,399** | 24,048 |
| Trade and other receivables | *9* | **34,273** | 26,941 |
| Cash and cash equivalents | | **245,660** | 265,405 |
| Total current assets | | **304,332** | 316,394 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *10* | **143,485** | 128,344 |
| Amounts due to related companies | | **2,715** | 1,394 |
| Tax payable | | **1,099** | 4,254 |
| Total current liabilities | | **147,299** | 133,992 |
| **NET CURRENT ASSETS** | | **157,033** | 182,402 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **349,095** | 366,169 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | **1,115** | 1,115 |
| Net assets | | **347,980** | 365,054 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | *11* | **35,024** | 34,944 |
| Reserves | | **312,956** | 330,110 |
| Total equity | | **347,980** | 365,054 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Tang Palace (China) Holdings Limited was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its principal place of business is located at Unit 3, 10th Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong.

During the period, the Group was principally engaged in restaurant operations.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2012 except that the Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**", which include all Hong Kong Financial Reporting Standards, HKASs and interpretations) issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2013.

**Change in Accounting Policy and Disclosures**

The Group has adopted the following new and revised HKFRSs for the first time which are pertinent to its operations and relevant to these unaudited condensed consolidated interim financial statements.

| | |
|---|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First Time Adoption of Hong Kong Financial Reporting Standards – Government Loans* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* |
| HKFRS 10 | *Consolidated Financial Statements* |
| HKFRS 11 | *Joint Arrangements* |
| HKFRS 12 | *Disclosure of Interests in Other Entities* |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance* |
| HKFRS 13 | *Fair Value Measurement* |
| HKAS 1 Amendments | *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* |
| HKAS 19 (2011) | *Employee Benefits* |
| HKAS 27 (2011) | *Separate Financial Statements* |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures* |
| HK(IFRIC)-Int 20 | *Stripping Costs in the Production Phase of a Surface Mine* |
| *Annual Improvements 2009-2011 Cycle* | Amendments to a number of HKFRSs issued in June 2012 |

The adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated interim 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 2013. The Group has not early adopted these new and revised HKFRSs.

## 3. REVENUE, OTHER INCOME AND GAINS

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Revenue: | | |
| Gross revenue | **462,830** | 415,194 |
| Less: sales related tax | **(25,540)** | (23,265) |
| | **437,290** | 391,929 |
| Other income and gains: | | |
| Interest income | **1,120** | 1,968 |
| Commission income *(note)* | **6,372** | 4,968 |
| Others | **2,653** | 1,935 |
| | **10,145** | 8,871 |

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

## 4. OPERATING SEGMENT INFORMATION

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

(i) the Southern China region;

(ii) the Eastern China region; and

(iii) the Northern China region

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

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

**Information about major customers**

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

Segment information about the business is presented below:

| | Southern China | | Eastern China | | Northern China | | Total | |
|---|---|---|---|---|---|---|---|---|
| | For the six months ended 30 June | | | | | | | |
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| **Segment revenue:** | | | | | | | | |
| Sales to external customers | **76,903** | 64,628 | **209,807** | 170,422 | **150,580** | 156,879 | **437,290** | 391,929 |
| Inter-segment sales | **–** | – | **2,932** | 1,743 | **–** | – | **2,932** | 1,743 |
| | **76,903** | 64,628 | **212,739** | 172,165 | **150,580** | 156,879 | **440,222** | 393,672 |
| *Reconciliation:* | | | | | | | | |
| Elimination of inter-segment sales | | | | | | | **(2,932)** | (1,743) |
| Revenue | | | | | | | **437,290** | 391,929 |
| **Segment results** | **4,419** | 6,960 | **12,588** | 12,737 | **14,699** | 28,871 | **31,706** | 48,568 |
| *Reconciliation:* | | | | | | | | |
| Interest income | | | | | | | **563** | 1,499 |
| Unallocated expenses | | | | | | | **(12,703)** | (11,893) |
| Profit before tax | | | | | | | **19,566** | 38,174 |

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

The Group's revenue are mainly from operating restaurants 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 the PRC.

## 5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Directors' emoluments | **1,971** | 1,984 |
| Other staff costs | **108,477** | 92,335 |
| Retirement benefit scheme contribution | **8,487** | 6,272 |
| Total staff costs | **118,935** | 100,591 |
| Depreciation | **23,772** | 17,469 |
| Amortisation of intangible assets | **709** | 425 |

## 6. INCOME TAX EXPENSE

Taxes on profits assessable in Hong Kong and Mainland China have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Current charge for the period | **4,903** | 12,566 |
| Deferred | **(356)** | (79) |
| | **4,547** | 12,487 |

## 7. DIVIDENDS

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

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

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Earnings: | | |
| Profit attributable to ordinary equity holders of the Company | **15,019** | 25,687 |
| | **Number of shares** | |
| Shares: | | |
| Weighted average number of ordinary shares in issue during the period | **416,376,188** | 415,261,363 |
| Effect of dilutive potential ordinary shares in respect of share options | **978,823** | 1,814,704 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **417,355,011** | 417,076,067 |

## 9. TRADE AND OTHER RECEIVABLES

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

| | **As at 30 June 2013** | As at 31 December 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Trade receivables: | | |
| Within 30 days | **12,215** | 8,422 |
| 31 to 60 days | **344** | 1,007 |
| 61 to 90 days | **28** | 173 |
| Over 90 days | **7** | 517 |
| | **12,594** | 10,119 |
| Other receivables: | | |
| Prepayments | **13,972** | 12,743 |
| Deposits and other receivables | **7,707** | 4,079 |
| Total trade and other receivables | **34,273** | 26,941 |

## 10. TRADE AND OTHER PAYABLES

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

| | **As at 30 June 2013 RMB'000 (unaudited)** | As at 31 December 2012 RMB'000 (audited) |
|---|---|---|
| Trade payables: | | |
| Within 30 days | **43,464** | 36,050 |
| 31 to 60 days | **1,551** | 1,796 |
| 61 to 90 days | **200** | 452 |
| 91 to 180 days | **377** | 557 |
| Over 180 days | **381** | 934 |
| | **45,973** | 39,789 |
| Other payables: | | |
| Other payables and accruals | **24,662** | 23,755 |
| Salary and welfare payables | **27,846** | 22,474 |
| Receipts in advance | **45,004** | 42,326 |
| Total trade and other payables | **143,485** | 128,344 |

## 11. SHARE CAPITAL

| | **As at 30 June 2013** | | As at 31 December 2012 | |
|---|---|---|---|---|
| | ***HK$'000*** **(unaudited)** | ***RMB'000*** **equivalent (unaudited)** | *HK$'000* (audited) | *RMB'000* equivalent (audited) |
| Authorised: | | | | |
| 2,000,000,000 (31 December 2012: 2,000,000,000) ordinary shares of HK$0.10 (31 December 2012: HK$0.10) each | **200,000** | | 200,000 | |
| Issued and fully paid: | | | | |
| 417,118,000 (31 December 2012: 416,116,000) ordinary shares of HK$0.10 (31 December 2012: HK$0.10) each | **41,712** | **35,024** | 41,612 | 34,944 |

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

| | **Number of shares in issue** | **Issued capital** *HK$'000* | **Issued capital** *RMB'000* equivalent |
|---|---|---|---|
| At 1 January 2013 | 416,116,000 | 41,612 | 34,944 |
| Issue of shares pursuant to the exercise of options under the Pre-IPO Share Option Scheme | 1,002,000 | 100 | 80 |
| At 30 June 2013 | 417,118,000 | 41,712 | 35,024 |

## INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months end 30 June 2013 (six months ended 30 June 2012: nil)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group's revenue recorded RMB437.3 million for the six months ended 30 June 2013, representing an increase of 11.6% as compared to RMB391.9 million for the six months ended 30 June 2012. Such an increase was mainly attributable to the opening of 8 new restaurants during the period. As of 30 June 2013, the Group operated 46 (30 June 2012: 30) restaurants in Beijing, Tianjin, Suzhou, Hangzhou, Shanghai, Dongguan, Shenzhen and Macau. Operating margin was 58.1%, representing a slight decrease as compared to 58.8% for the same period in 2012 as a result of the launch of a series of promotion programs during the period.

### Chinese Restaurant Business

Chinese restaurants continue to be the Group's core business and major income source. As at 30 June 2013, the Group operated 23 Chinese restaurants, of which 1 Chinese restaurant was opened in Shanghai during the period. Since the Chinese government announced its determination on promoting frugality and curb waste in 2012, a series of guidelines, regulations and restrictions introduced subsequently has hinted on the change of certain customer groups' expenditure. The avian influenza in the second quarter has also casted an impact on the food and beverage industry following the Chinese government's policies on poultry sale suspension. The average spending per customer reduced in general, resulting in a decrease in sales at certain restaurants. However, the Group still managed to maintain a healthy customer traffic.

### Casual Dining Business

Diversification on dining business has long been one of the Group's strategies on sustainable and continuous development. With its feature of simple and easier-to-replicate business model, casual dining business is expected to be the Group's future highlight and revenue driver.

Pepper Lunch's expansion had sped up; there were 6 restaurants newly opened during the period. As at 30 June 2013, the Group operated 20 restaurants located in Beijing, Tianjin and Shanghai, as compared to 8 restaurants as at 30 June 2012. The Group's other milestone in May 2013 was the grand opening of the first PappaRich restaurant in Shanghai. The Group brought this brand into the Chinese market and a new concept of stylish Southeast Asian delights through entering a shareholders' agreement with the brand owner originated from Malaysia. The unique dining experience targets on a wider range of customers including young diners and is expected to enlarge the Group's customer base and contribute to the Group's revenue in the future. With only one month's operation, PappaRich's unique Southeast Asian flavor has brought to Shanghai a whole new dining experience and is widely accepted by local diners.

The table below illustrates the number of restaurants, 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 for the six months ended 30 June | | Average spending per customer for the six months ended 30 June | | Percentage of revenue contributed to the Group for the six months ended 30 June | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | | | ***RMB*** | *RMB* | | |
| Tang Palace Seafood Restaurant (唐宮海鮮舫) | **15** | 14 | **146.6** | 169.6 | **65.2%** | 67.0% |
| Tang's Cuisine (唐宮壹號) | **5** | 2 | **303.0** | 347.4 | **14.4%** | 9.4% |
| Excellent Tang Palace (盛世唐宮) | **2** | 2 | **98.7** | 101.8 | **8.2%** | 9.3% |
| Tang Palace Restaurant (唐宮膳) | **1** | 2 | **123.2** | 104.2 | **3.8%** | 9.3% |
| Pepper Lunch (胡椒廚房) | **20** | 8 | **39.7** | 42.1 | **6.9%** | 3.5% |

**Outlook and prospect**

In view of the ever changing food and beverage industry in China, the Group believes that building up and strengthening the solid foundation will enable the Group to confront any challenges. The Group aims at achieving this through tactical planning on enhancing cost control, central procurement and streamlining operational and managerial structure.

It is also the Group's strategy to proactively and continuously adjust operational model to capture the market trend. The Group will maintain a steady expansion in Chinese restaurant business, and continue on expanding customer base by consistently adjusting menus to cater different tastes, while at the same time strategically selecting locations for boutique type of cuisines, targeting on young diners and customers with healthy consciousness.

Providing diversified dining experiences is the core to the Group's success. The Chinese restaurant business stays strong as the Group's steady income generator through its renown brand recognition and reputable quality, which ensures the Group's continuous development in different aspects with extensive resources. In addition, the Group will maintain a healthy growth and extend the network and market share for both Pepper Lunch and PappaRich businesses. It is confident on the casual dining business development which is expected to provide significant contribution to the Group's revenue in the coming years.

## Financial Review

*Revenue and cost of inventories consumed*

The Group's revenue for the period increased by RMB45.4 million, or by 11.6%, from RMB391.9 million for the six months ended 30 June 2012 to RMB437.3 million. The following table illustrates the number of restaurants in operation and revenue for the period:

| | Southern China | | Eastern China | | Northern China | | Total | |
|---|---|---|---|---|---|---|---|---|
| | For the six months ended 30 June | | | | | | | |
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| **Number of restaurants** | | | | | | | | |
| Chinese restaurant | **4** | 3 | **11** | 9 | **8** | 8 | **23** | 20 |
| Japanese restaurant | **1** | 1 | **1** | 1 | **–** | – | **2** | 2 |
| Pepper Lunch restaurant | **–** | – | **4** | – | **16** | 8 | **20** | 8 |
| PappaRich restaurant | **–** | – | **1** | – | **–** | – | **1** | – |
| Total | **5** | 4 | **17** | 10 | **24** | 16 | **46** | 30 |
| **Revenue** *(RMB '000)* | **76,903** | 64,628 | **209,807** | 170,422 | **150,580** | 156,879 | **437,290** | 391,929 |

During the period, revenue from Southern China and Eastern China has increased by 19.0% and 23.1% respectively, and the revenue from Northern China has decreased by 4.0%. Such change was attributable to the opening of additional restaurants, offsetting with the decrease in average spending per customer and reflecting the decrease in sales in certain restaurants during the period. Cost of inventories consumed increased by RMB21.8 million during the period, which is in line with the rising revenue. As a result of the launch of a series of promotion programs during the period to cope with the change in market situation, cost of inventories consumed as a percentage of revenue increased from 41.2% to 41.9% during the period.

*Staff cost*

Staff cost for the period increased by RMB18.3 million from RMB100.6 million for the six months ended 30 June 2012 to RMB118.9 million. As a percentage of revenue, staff cost increased from 25.7% for the six months ended 30 June 2012 to 27.2%. The increase in staff cost was primarily due to adjustment in wage level for restaurant staff.

*Depreciation of property, plant and equipment*

Depreciation of property, plant and equipment for the period increased by RMB6.3 million from RMB17.5 million for the six months ended 30 June 2012 to RMB23.8 million. As a percentage of revenue, depreciation of property, plant and equipment increased from 4.5% for the six months ended 30 June 2012 to 5.4%. The increase mainly represented depreciation incurred in connection with the equipment acquired for the new restaurants.

*Utilities and consumables*

Utilities and consumables for the period increased by RMB2.5 million from RMB23.7 million for the six months ended 30 June 2012 to RMB26.2 million. As a percentage of revenue, utilities and consumables remains stable, recorded both 6.0% for the six months ended 30 June 2013 and the same period of 2012.

*Rental and related expenses*

Rental and related expenses for the period increased by RMB8.8 million from RMB33.3 million for the six months ended 30 June 2012 to RMB42.1 million. As a percentage of revenue, rental and related expenses increased from 8.5% for the six months ended 30 June 2012 to 9.6%. 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 RMB33.6 million for the period compared to RMB26.0 million for the six months ended 30 June 2012.

*Income tax expense*

Income tax expense for the period decreased by RMB8.0 million from RMB12.5 million for the six months ended 30 June 2012 to RMB4.5 million. The effective tax rate decreased from 32.7% for the six months ended 30 June 2012 to 23.2%. The improvement in effective tax rate is resulting from the launch of series of tax planning arrangements which came into effect during the period.

*Profit attributable to owners of the Company for the period*

The Group's profit attributable to owners of the Company for the period declined by RMB10.7 million from RMB25.7 million for the six months ended 30 June 2012 to RMB15.0 million. The net profit margin for the period decreased from 6.6% for the six months ended 30 June 2012 to 3.4%. It was mainly due to the decrease in sales in certain restaurants across the three regional operating segments.

*Cash flow*

Cash and cash equivalents decreased by RMB19.7 million from RMB265.4 million as at 31 December 2012 to RMB245.7 million as at 30 June 2013.

Net cash of RMB43.0 million was generated from operating activities for the period. Net cash used in investing activities amounted to RMB31.0 million for the period, of which RMB30.4 million related to the purchase of property, plant and equipment. Net cash used in financing activities amounted to RMB31.7 million during the period, including dividend paid amounting to RMB32.4 million.

**Liquidity and financial resources**

The Group's funding and treasury activities are managed and controlled by the senior management. The Group maintained cash and cash equivalents of RMB245.7 million as at 30 June 2013 (31 December 2012: RMB265.4 million). As at 30 June 2013, the Group's total assets, net current assets and net assets were RMB496.4 million (31 December 2012: RMB: 500.2 million), RMB157.0 million (31 December 2012: RMB182.4 million) and RMB348.0 million (31 December 2012: RMB365.1 million), respectively.

As at 30 June 2013, the Group had no bank borrowings (31 December 2012: Nil). The gearing ratio was nil as at 30 June 2013 (31 December 2012: Nil).

As at 30 June 2013, the current ratio (current assets divided by current liabilities) was 2.1 (31 December 2012: 2.4).

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

**Foreign currency exposure**

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

As at 30 June 2013, the directors considered the Group's foreign exchange risk to be insignificant. During the period, the Group did not use any financial instruments for hedging purposes.

## OTHER INFORMATION

**Number and Remuneration of Employees**

As at 30 June 2013, the Group had over 4,000 employees in Hong Kong, Macau and the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for expansion of new restaurants. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes, share options and performance related bonus.

**Contingent Liabilities**

As at 30 June 2013, the Group did not have any material contingent liabilities.

**Purchase, Sale or Redemption of Listed Securities of the Company**

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

**Corporate Governance Code**

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the period.

**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 period.

**Audit Committee**

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

**Publication of Interim Results and Interim Report**

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

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

**Appreciation**

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

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

Hong Kong, 29 August 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* |