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 2015

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 2015 (the "**Period**"), together with the comparative figures for the six months ended 30 June 2014 as follows:

HIGHLIGHTS

	For the six months ended 30 June		Increase/ (Decrease) in
	2015	2014	%
Revenue			
RMB'000	**545,806**	477,610	
*HKD'000 equivalent**	***682,258***	*597,013*	14.3%
Profit attributable to owners of the Company			
RMB'000	**29,278**	28,640	
*HKD'000 equivalent**	***36,598***	*35,800*	2.2%
Basic earnings per share			
RMB cents	**6.96**	6.84	
*HKD cents equivalent**	***8.70***	*8.55*	1.8%
No. of restaurants at 30 June	**57**	52	

* *For illustrative purpose only, HKD1: RMB0.8 currency conversion rate is adopted here.*

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		RMB'000	*RMB'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*3*	**545,806**	477,610
Other income	*3*	**14,566**	11,100
Cost of inventories consumed		**(219,850)**	(193,612)
Staff cost		**(148,636)**	(122,738)
Depreciation of items of property, plant and equipment		**(28,001)**	(26,688)
Utilities and consumables		**(31,929)**	(27,597)
Rental and related expenses		**(57,874)**	(48,243)
Other expenses		**(35,849)**	(32,542)
PROFIT BEFORE TAX	*5*	**38,233**	37,290
Income tax expense	*6*	**(8,955)**	(8,650)
PROFIT FOR THE PERIOD		**29,278**	28,640
Attributable to:			
Owners of the Company		**29,278**	28,640
Non-controlling interests		**–**	–
		29,278	28,640
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic (RMB cents)		**6.96**	6.84
Diluted (RMB cents)		**6.96**	6.83

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	**29,278**	28,640
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**–**	24
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**29,278**	28,664
Attributable to:		
Owners of the Company	**29,278**	28,664
Non-controlling interests	**–**	–
	29,278	28,664

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	**As at 30 June 2015 *RMB'000* (unaudited)**	As at 31 December 2014 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**143,630**	167,910
Intangible assets		**9,615**	10,378
Interest in a joint venture		**828**	–
Deposits		**38,864**	28,812
Deferred tax assets		**5,473**	5,897
Total non-current assets		**198,410**	212,997
CURRENT ASSETS			
Inventories		**32,312**	36,288
Trade and other receivables and prepayments	*9*	**39,448**	24,559
Pledged time deposit		**25,000**	25,000
Time deposits		**36,600**	25,543
Cash and cash equivalents		**303,806**	273,357
Total current assets		**437,166**	384,747
CURRENT LIABILITIES			
Trade and other payables	*10*	**207,649**	166,679
Amount due to a related company		**252**	1,649
Interest-bearing bank borrowing		**22,160**	22,160
Tax payable		**2,417**	2,990
Total current liabilities		**232,478**	193,478
NET CURRENT ASSETS		**204,688**	191,269
TOTAL ASSETS LESS CURRENT LIABILITIES		**403,098**	404,266
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**950**	950
Net assets		**402,148**	403,316
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*11*	**35,327**	35,221
Reserves		**366,821**	368,095
		402,148	403,316
Non-controlling interests		**–**	–
Total equity		**402,148**	403,316

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 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 2014.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those used in the financial statements of the Group for the year ended 31 December 2014, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**"), which are effective for the Group's accounting period beginning on or after 1 January 2015.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no significant financial effect on the unaudited interim financial statements and there have been no significant changes to the accounting policies applied in the unaudited interim financial statements.

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

HKFRS 9	*Financial Instruments*[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

3. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue:		
Gross revenue	**576,960**	505,314
Less: sales related tax	**(31,154)**	(27,704)
	545,806	477,610
Other income:		
Bank interest income	**1,429**	767
Commission income#	**8,764**	7,943
Others	**4,373**	2,390
	14,566	11,100

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							
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:								
Sales to external customers	**117,720**	93,734	**274,416**	235,626	**153,670**	148,250	**545,806**	477,610
Inter-segment sales	**–**	–	**14,594**	5,489	**–**	–	**14,594**	5,489
	117,720	93,734	**289,010**	241,115	**153,670**	148,250	**560,400**	483,099
Reconciliation:								
Elimination of inter-segment sales							**(14,594)**	(5,489)
Revenue							**545,806**	477,610
Segment results	**15,128**	10,050	**24,718**	22,043	**14,428**	15,684	**54,274**	47,777
Reconciliation:								
Interest income							**365**	175
Unallocated expenses							**(16,406)**	(10,662)
Profit before tax							**38,233**	37,290

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

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

Geographical information

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

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Directors' emoluments	**2,172**	1,983
Other staff costs	**136,561**	112,012
Pension scheme contributions	**9,903**	8,743
Total staff costs	**148,636**	122,738
Depreciation of items of property, plant and equipment	**28,001**	26,688
Amortisation of intangible assets	**763**	749

6. INCOME TAX

Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The Company's subsidiaries in Mainland China are subject to income tax at the rate of 25% (six months ended 30 June 2014: 25%).

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current charge for the period – PRC	**8,362**	8,454
Deferred	**593**	196
	8,955	8,650

7. DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: 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	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the Company	**29,278**	28,640
	Number of shares	
Shares:		
Weighted average number of ordinary shares in issue during the period	**420,729,994**	418,709,420
Effect of dilutive potential ordinary shares in respect of share options	**–**	334,761
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**420,729,994**	419,044,181

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables:		
Within 30 days	**9,906**	8,022
31 to 60 days	**1,167**	707
61 to 90 days	**454**	382
Over 90 days	**1,275**	1,180
	12,802	10,291
Prepayments	**13,140**	12,577
Deposits and other receivables	**13,506**	1,691
	39,448	24,559

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 2015 ***RMB'000*** **(unaudited)**	As at 31 December 2014 *RMB'000* (audited)
Trade payables:		
Within 30 days	**38,746**	42,168
31 to 60 days	**3,437**	4,782
61 to 90 days	**809**	1,630
91 to 180 days	**1,084**	1,869
Over 180 days	**3,617**	2,502
	47,693	52,951
Other payables and accruals	**38,893**	31,694
Salary and welfare payables	**31,411**	25,850
Receipts in advance	**57,664**	56,184
Dividend payable	**31,988**	–
	207,649	166,679

11. SHARE CAPITAL

	As at 30 June 2015		As at 31 December 2014	
	HK$'000 **(unaudited)**	***RMB'000*** **equivalent (unaudited)**	*HK$'000* (audited)	*RMB'000* equivalent (audited)
Authorised:				
2,000,000,000 (31 December 2014: 2,000,000,000) ordinary shares of HK$0.10 (31 December 2014: HK$0.10) each	**200,000**		200,000	
Issued and fully paid:				
420,899,000 (31 December 2014: 419,569,000) ordinary shares of HK$0.1 (31 December 2014: HK$0.10) each	**42,090**	**35,327**	41,957	35,221

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 2015	419,569,000	41,957	35,221
Issue of shares under a share award plan	1,330,000	133	106
At 30 June 2015	420,899,000	42,090	35,327

INTERIM DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the first half of 2015, China's economy grew steadily at a reasonable level under ongoing State reform. According to the National Bureau of Statistics, GDP increased by 7.0% year-on-year in the first half of 2015. As major indicators for different categories picked up, catering industry maintained modest and stable growth with a year-on-year increase in revenue of 11.5% in the first half year. The increase in dining out benefited the popular catering market, resulting in a more intense competition. Rising cost of food ingredient was still a major concern to the catering industry. In particular, grain and pork prices increased by over 2% while price of fresh vegetables increased significantly by 4.6%. The change of consumers' spending pattern had profound effects on the catering industry. Along with high-end restaurants' shift to diversified and innovative development models, new brands featuring light meal and casual dining had been booming, which aggravated the market competition. During the first half of 2015, popularity of the Internet drove vigorous growth in online sales which posted a year-on-year increase of over 39% in national retail sales. With booming diverse online and offline sales, such a lucrative market will never be overlooked by the catering industry.

Business Review

Despite keen competition in the catering industry, the Group maintained satisfactory growth in revenue of HK$545.8 million as at 30 June 2015, representing an increase of 14.3% as compared with the corresponding period in 2014.

Chinese Restaurant Business

As at 30 June 2015, the Group was operating 27 Chinese restaurants. Our operating strategies for the first half year focused on consolidating brand awareness, expanding income source and controlling costs.

Marketing Strategies to Boost Customer Loyalty

The Group adopts customers-oriented approach. Taking into account the prevailing trend of using the internet and the speed of circulation of information, we collect feedbacks by traditional channels such as customer service hotlines and email, as well as WeChat groups in different regions, in addition, a "Customer Satisfaction Appraisal System" is also put into place. We closely track comments on popular online platforms like "大眾點評網" (dianping.com) and WeChat to handle daily comments. Moreover, we improved our procedures to speed up our response in order to maintain good online rating with further enhanced customer service quality. This has proved that the Group managed to improve service quality through information technology effectively.

Multi-channel Marketing to Improve Turnover and Efficiency

Marketing is an essential element for business growth. Apart from the membership card scheme, which continued to bring stable customer source, and stepping up promotion for different festivals, the Group also rolled out new initiatives to boost turnover. Particularly, expanding take-away product range was one of the important initiatives of the Group as a means to raise our brand awareness and explore new customers base when customers send out our products as a gift. In 2015, the Group launched its newly developed gift product with refreshing packaging and unique taste, which appealed to customers and generated satisfactory sales. The Group believes it will generate good income by stepping up promotion, improving its products and developing new products. In respect of the promising take-away market, the cooperation with "到家美食" (daojia.com.cn) in 2014 opened door for the Group to develop such business and the Group started cooperation with "百度外賣"(waimai.baidu.com) in 2015.

Thank to the effective promotion of group purchase through the Group's regional internet platform, not only our brand reputation has been substantially enhanced, but also group purchase orders keep increasing. With the introduction of new customers through group purchase from internet, coupled with offline favorable policies which encouraged continuous consumption by new customers, appropriate adherence procured a better interaction with customers, and helped to foster loyal customers.

The internet and mobile applications are now an integral part of modern lifestyle, which cover many aspects of livelihood with profound influence and presence. Online marketing explored extensive customer source for the Group. "WeChat Ordering and Payment", a key project actively developed by the Group in 2014, commenced full-scale operation progressively in the first half of this year after successful test run in some stores last year. In 2015, the Group took the lead in working with "美味不用等" (9now.cn) in eastern China and Guangdong Province, a reservation app under Dianping.com. With this app, customers no longer have to wait outside stores with number tags; instead, they can obtain a number tag and check the waiting queue anytime, anywhere. This can reduce the number of customer losses due to long waiting time and avoid any dissatisfaction that may lead to poor reputation. The app will soon be running at each of our Chinese restaurant.

Casual Dining Business

Since 2014, the Group has been reviewing and restructuring the operation and management of each store of Pepper Lunch and PappaRich. After assessing their operating conditions and growth potential, the Group intended to close or change the business of stores which are underperforming in terms of profit. In turn, the Group focused on enhancing management and consolidating brand awareness of existing stores as well as stepping up promotion to boost revenue. As at 30 June 2015, Pepper Lunch has 23 branches with revenue up by over 8% as compared to the corresponding period last year. As at 30 June 2015, PappaRich has 5 branches, and its revenue doubled as compared to the corresponding period last year. PappaRich successfully embarked on the expansion of market presence in Taiwan through the cooperation with Shin Yeh Restaurant Group Inc.* (欣葉國際餐飲股份有限公司) of Taiwan last year. As a joint venture, it opened the first branch in Taiwan in May 2015. The opening was well-received and widely reported by several media with satisfactory operating condition. Since its opening in October 2014, Social Place's turnover kept increasing, with monthly revenue at a compound average growth of 15.3% up to 30 June 2015, as its simple and stylish image was well-received by younger generations. Besides, novelty dishes were frequently launched to the delight of our customers and creative dim sums with delicate appearance often attracted coverage from both local and foreign media. In addition, by making good use of social platforms such as Facebook and Instagram, we enhanced brand image and maintained a close tie with target customers.

Overall Efficiency Enhanced with Effective Cost Control

Despite continuous rise in prices of food ingredients, the Group adopted a bulk purchase strategy with specific focuses in previous years, which had successfully stabilised prices and made costs under control for us. The Group had been expanding the categories and volume of bulk purchases, which focused on grain and oil and frozen meat in the past. In recent years, the purchase was boosted with extra product categories as well as seafood, seasonal fruits, beverages and seasonings and added premium dried goods in this year. It was one of the Group's objectives to lift the gross profit by adjusting its product mix. Novel and low-cost food ingredients were used in promotional sets and newly introduced dishes, with a view of keeping the constant newness for our customers as well as to enhancing our gross profit. Meanwhile, in an attempt to reduce costs and boost income, the Group also set up a reduction target for food waste and was committed to the research and development of dishes which maximise the utilisation of food ingredients. Moreover, casual dining concentrates on light meals and has a simpler operating model which requires less technical and management input and lower product structure and food ingredient costs than Chinese dining. Gross profit benefited from the maturity of the business. There was an increase in the Group's overall margin due to its cost controlling measures in response to ongoing rise in prices of food ingredients.

* *For identification purpose only*

Outlook and Prospect

In the second half of 2015, the Group intended to expand its presence and enhance the brand awareness across many regions by multiple approaches. Five Chinese restaurants and two casual dining restaurants in total will be set up in Shanghai, Beijing, Chengdu and Hong Kong. Given the popularity of the Chinese restaurant brand in the PRC, the Group will strive to strengthen the brand and create income streams while further enhancing its efficiency with steadfast and unwavering efforts. Maturity and rapid growth of online sales and mobile applications should pave the way for the Group to secure new customer bases with low costs. In August this year, "WeChat Ordering and Payment" system had been implemented in the majority of stores in the eastern and northern regions in the PRC and promotional campaigns, such as "Reducing 30 upon successful payment", were jointly organised with Tencent to boost the number of users of "WeChat Ordering and Payment". The system was widely accepted by customers immediately after its launch and the fans count on WeChat had reached 30,000, having successfully attracted new customers and boosted brand reputation for the Group, which effectively catered for the payment needs of users and enhanced their shopping experience. Furthermore, it also shortened the time required for ordering and payment during peak hours. Given the prevailing mobile payment and the giant customer base of Ali Baba Group, the Group has started to renew all branch systems in its Chinese restaurant, and comprehensively connected to the Alipay system under Ali Baba Group in August this year, so as to secure prompt bill payment and enhance efficiency. The Group intended to carry out in phase a targeted and large-scale internet promotion in the second half this year. In addition, the Group will also grasp the opportunity to set up "Wei Dian" (weidian.com) selling E-coupons, gifts and initiate more WeChat functions, and continue to actively seek for internet business opportunities with high potential that can enhance operation efficiency.

Popular catering is now the mainstream format in the market and simple and light meals, which suit the modern life style, are a more popular and appealing option to customers. Our self-owned casual dining brands, such as "Social Place", had been successful which makes the Group highly confident in respect to this sector and we plan to introduce the brands to Chengdu, a city with enormous potential spending power. In August 2015, the Group opened a brand new dim sum outlet which delivers Cantonese dim sum and delicious cuisines in a presentation that appeals to younger generations. Complemented with a radiant and comfortable environment, the outlet provides our loyal customers with a fresh experience and is expected to expand our customer base by tapping into the market of the youths. The first two weeks of operation had witnessed wide acclaims and overwhelming number of customers and generated satisfactory results, which were reflected by daily sales of over 800 items of the award winning "Signature Roasted Pigeon" and an average daily customer counts of 800.

The Group foresees challenges in second half of 2015. Persistent rise in food ingredients and staff costs will counteract our efforts on cost control and the influx of players into the arena of popular catering will result in escalated competition. However, the Group believes that it is capable of maintaining its dominance in the market through effective implementation of the prevailing strategies, prudent approach to handle various issues and rapid strategic adjustments in response to market changes.

Financial Review

Revenue and cost inventories consumed

The Group's revenue for the period increased 14.3%. This is mainly attributable to the full operation of 2 Tang Palace restaurants in Shanghai and 1 Social Place restaurant in Hong Kong which commenced business during or close to the second half of 2014, as well as improved sales from the most of the existing stores.

Cost of inventories consumed as a percentage of revenue decreased by 0.3%. In addition to our continue enhancement on efficiency in procurement and production, the improvement is resulted from more casual dining business is conducted during the period which is generally with lower food cost than traditional Chinese restaurants.

As at 30 June 2015, the Group is operating 57 restaurants. The table below illustrates the number of restaurants by major brands, together with the average spending per customer and percentage of revenue to the Group:

	No. of restaurants as at 30 June		**Average spending per customer as at 30 June**		**Percentage of revenue contributed to the Group as at 30 June**	
Brand	**2015**	2014	**2015**	2014	**2015**	2014
Tang Palace*	**22**	21	**137.3**	139.3	**74.8%**	75.8%
Tang's Cuisine	**5**	5	**307.9**	301.7	**12.3%**	13.9%
Pepper Lunch	**23**	22	**44.9**	42.6	**7.6%**	8.0%
PappaRich	**5**	3	**64.5**	64.4	**2.8%**	1.5%
Social Place	**1**	–	**161.2**	–	**1.9%**	–

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

Operating expenses

It is noted that staff cost as a percentage of revenue increased by 1.5%, which is primarily due to the increase in the minimum wage in Mainland China, as well as additional human resources invested for the development of casual dining business. A decrease in depreciation of property, plant equipment as a percentage of revenue by 0.5% is noted which is benefited from the improved sales from most of the existing stores. Rental and related expenses slightly increased by 0.5% as a result of increasing proportion of casual dining business which is generally of smaller size and relatively higher market rental per area of lease. Utilities and consumables as a percentage of revenue is constant with the prior period and other expenses as a percentage of revenue slightly dropped by 0.3% due to our continues effect on cost control.

Profit attributable to owners of the Company for the Period

The Group's profit attributable to owners of the Company for the Period increased by 2.2% from RMB28.6 million to RMB29.3 million.

Cash flow

Cash and cash equivalents increased by RMB30.4 million from RMB273.4 million as at 31 December 2014 to RMB303.8 million as at 30 June 2015.

Net cash of RMB44.6 million was generated from operating activities for the Period. Net cash used in investing activities amounted to RMB14.2 million for the Period, of which RMB3.7 million related to the purchase of property, plant and equipment.

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 RMB303.8 million as at 30 June 2015 (31 December 2014: RMB273.4 million). As at 30 June 2015, the Group's total assets, net current assets and net assets were RMB635.6 million (31 December 2014: RMB597.7 million), RMB204.7 million (31 December 2014: RMB191.3 million) and RMB402.1 million (31 December 2014: RMB403.3 million), respectively.

As at 30 June 2015, the Group had bank borrowings 22.2 million (31 December 2014: 22.2 million). The gearing ratio (calculated as borrowed fund over equity) was 5.5% as at 30 June 2014 (31 December 2014: 5.5%).

As at 30 June 2015, the current ratio (current assets divided by current liabilities) was 1.9 (31 December 2014: 2.0).

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 2015, 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 2015, 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 2015, 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 Board is of the opinion that the Company has complied with all the code provisions as set out in the corporate governance code contained in Appendix 14 to the Listing Rules throughout the Period.

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

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

Audit Committee

The Audit Committee 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, 28 August 2015

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*