

唐宮

香港唐宮飲食集團

TANG PALACE

HONG KONG
TANG PALACE
FOOD & BEVERAGE
GROUP



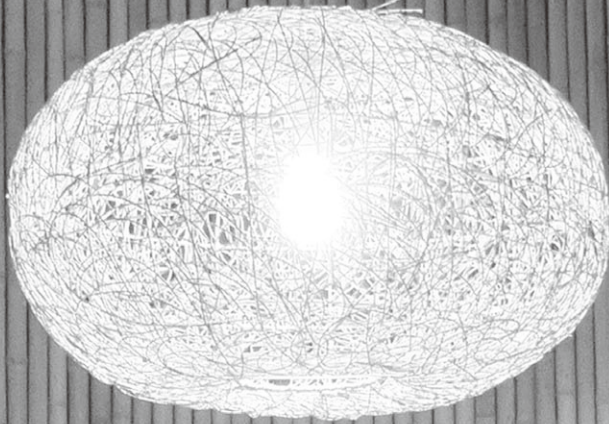
唐宮(中國)控股有限公司

TANG PALACE (CHINA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1181

2013 INTERIM REPORT



Contents

02	Corporate Information
03	Management Discussion and Analysis
08	Other Information
	Interim Condensed Consolidated Financial Statements
16	Condensed Consolidated Income Statement
17	Condensed Consolidated Statement of Comprehensive Income
18	Condensed Consolidated Statement of Financial Position
19	Condensed Consolidated Statement of Changes in Equity
20	Condensed Consolidated Statement of Cash Flows
21	Notes to the Condensed Consolidated Financial Statements



Corporate Information

Directors

Executive Directors

Mr. Yip Shu Ming (*Chairman*)
Mr. Chan Man Wai (*Vice-Chairman*)
Mr. Ku Hok Chiu
Ms. Weng Peihe

Independent Non-Executive Directors

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

Company Secretary

Mr. Wong Chung Yeung, *CPA*

Authorised Representatives

Mr. Chan Man Wai
Mr. Wong Chung Yeung, *CPA*

Members of Audit Committee

Mr. Kwong Ping Man (*Chairman*)
Mr. Kwong Chi Keung
Mr. Cheung Kin Ting Alfred

Members of Nomination Committee

Mr. Cheung Kin Ting Alfred (*Chairman*)
Mr. Kwong Ping Man
Mr. Kwong Chi Keung

Members of Remuneration Committee

Mr. Kwong Chi Keung (*Chairman*)
Mr. Cheung Kin Ting Alfred
Mr. Kwong Ping Man

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Unit 3, 10th Floor
Greenfield Tower
Concordia Plaza
No. 1 Science Museum Road
Kowloon
Hong Kong

Cayman Islands Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Bank of China Limited
Industrial and Commercial Bank of China Limited
Wing Hang Bank, Limited

Auditors

Ernst & Young
Certified Public Accountants

Legal Advisor

As to Hong Kong law:
Robertsons

As to the People's Republic of China's law:
Beijing Bairui (Shenzhen) Law Firm

Compliance Advisor

Cinda International Capital Limited
(resigned on 22 April 2013)

Stock Code

The Stock Exchange of Hong Kong Limited:
1181

Website

www.tanggong.cn

Management Discussion and Analysis

Business Review

The revenue of Tang Palace (China) Holdings Limited (the “**Company**”), together with its subsidiaries (the “**Group**”) 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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	
	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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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: RMB500.2 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 People's Republic of China ("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

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 initial public offering (“IPO”). Up to 30 June 2013, the Group has used part of the net IPO proceeds as follows:

	Net IPO proceeds					
	Available pursuant to the IPO	Available pursuant to the IPO	Utilised as at 1 January 2013	Utilised during the six months ended 30 June 2013	Utilised as at 30 June 2013	Unutilised as at 30 June 2013
	(HK\$ million)	(RMB million equivalent)	(RMB million equivalent)	(RMB million equivalent)	(RMB million equivalent)	(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	73.4	1.6	75.0	-
Opening of about 19 Pepper Lunch restaurants in certain first-tier cities in the PRC	47.9	40.1	20.8	7.9	28.7	11.4
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	8.5	-	8.5	-
General working capital	16.4	13.7	13.7	-	13.7	-
Total	164.2	137.3	116.4	9.5	125.9	11.4

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

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.

Other Information

Capital Commitment

The Group's capital commitment were approximately RMB8.6 million and RMB4.4 million as at 30 June 2013 and 31 December 2012, respectively.

Charges on Group's Assets

As at 30 June 2013, the Group did not have any charges on its assets (31 December 2012: Nil).

Contingent Liabilities

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

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

During the period, 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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

Other Information

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2013, the interests and short positions of the directors and chief executive of the Company in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code as follows:

Name of Directors	Number of ordinary shares ^(Note 1)			Percentage of the issued share capital of the Company
	Beneficial Owners	Held by controlled corporation	Total	
Ordinary shares of HK\$0.1 each of the Company				
Mr. Yip Shu Ming	–	100,870,000 (L) ^(Note 2)	100,870,000 (L)	24.18%
Mr. Chan Man Wai	2,016,000 (L)	144,100,000 (L) ^(Note 3)	146,116,000 (L)	35.02%
Mr. Ku Hok Chiu	–	43,550,000 (L) ^(Note 4)	43,550,000 (L)	10.44%
Ms. Weng Peihe	2,300,000 (L)	–	2,300,000 (L)	0.55%

Notes:

- (1) The letter "L" denotes the directors' long position in the shares of the Company or the relevant associated corporation.
- (2) These shares were held by Current Success Investments Limited, which is wholly-owned by Mr. Yip Shu Ming. By virtue of the SFO, Mr. Yip is taken to be interested in the shares held by Current Success Investments Limited.
- (3) These shares were held by Best Active Investments Limited, which is wholly-owned by Mr. Chan Man Wai. By virtue of the SFO, Mr. Chan is taken to be interested in the shares held by Best Active Investments Limited.
- (4) These shares were held by Bright Mind Investments Limited, which is wholly-owned by Mr. Ku Hok Chiu. By virtue of the SFO, Mr. Ku is taken to be interested in the shares held by Bright Mind Investments Limited.

Save as disclosed above, as at 30 June 2013, none of the directors or chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2013, the interests or short positions of the persons (other than a director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholders	Capacity/nature of interest	Number and class of securities <small>(Note 1)</small>	Approximate percentage of shareholding
Current Success Investments Limited <small>(Note 2)</small>	Beneficial owner	100,870,000 shares (L)	24.18%
Ms. Wong Sau Mui <small>(Note 2)</small>	Interest of spouse	100,870,000 shares (L)	24.18%
Best Active Investments Limited <small>(Note 3)</small>	Beneficial owner	144,100,000 shares (L)	34.54%
Ms. Au Yim Bing <small>(Note 3)</small>	Interest of spouse	146,116,000 shares (L)	35.02%
Bright Mind Investments Limited <small>(Note 4)</small>	Beneficial owner	43,550,000 shares (L)	10.44%
Ms. Ku Wai Man <small>(Note 4)</small>	Interest of spouse	43,550,000 shares (L)	10.44%
Orchid Asia IV, L.P. <small>(Note 5)</small>	Beneficial owner	33,082,000 shares (L)	7.93%
OAIV Holdings, L.P. <small>(Note 5)</small>	Interest of a controlled corporation	33,082,000 shares (L)	7.93%
Orchid Asia IV Group Management, Limited <small>(Note 5)</small>	Interest of a controlled corporation	33,082,000 shares (L)	7.93%
Orchid Asia IV Group, Limited <small>(Note 5)</small>	Interest of a controlled corporation	33,082,000 shares (L)	7.93%
Orchid Asia IV Investment, Limited <small>(Note 5)</small>	Interest of a controlled corporation	33,082,000 shares (L)	7.93%
YM Investment Limited <small>(Note 5)</small>	Interest of a controlled corporation	33,646,000 shares (L)	8.06%

Other Information

Name of Shareholders	Capacity/nature of interest	Number and class of securities ^(Note 1)	Approximate percentage of shareholding
Ms. Lam Lai Ming ^(Note 5)	Founder of a discretionary trust	33,646,000 shares (L)	8.06%
Mr. Li Gabriel ^(Note 5)	Founder of a discretionary trust	33,646,000 shares (L)	8.06%
ManageCorp Limited ^(Note 5)	Trustee	33,646,000 shares (L)	8.06%

Notes:

- (1) The letter "L" denotes the shareholder's long position in the shares of the Company.
- (2) These shares were beneficially owned by Current Success Investments Limited, which was wholly-owned by Mr. Yip Shu Ming. By virtue of the SFO, Mr. Yip is taken to be interested in the shares held by Current Success Investments Limited. Ms. Wong Sau Mui is the spouse of Mr. Yip. Under the SFO, Ms. Wong is taken to be interested in the shares in which Mr. Yip is interested.
- (3) These shares were beneficially owned by Best Active Investments Limited, which was wholly-owned by Mr. Chan Man Wai. By virtue of the SFO, Mr. Chan is taken to be interested in the shares held by Best Active Investments Limited. Ms. Au Yim Bing is the spouse of Mr. Chan. Under the SFO, Ms. Au is taken to be interested in the shares in which Mr. Chan is interested.
- (4) These shares were beneficially owned by Bright Mind Investments Limited, which was wholly-owned by Mr. Ku Hok Chiu. By virtue of the SFO, Mr. Ku is taken to be interested in the shares held by Bright Mind Investments Limited. Ms. Ku Wai Man is the spouse of Mr. Ku. Under the SFO, Ms. Ku is taken to be interested in the shares in which Mr. Ku is interested.
- (5) So far as the directors are aware of, these shares were beneficially owned as to 33,082,000 shares by Orchid Asia IV, L.P. and as to 564,000 shares by Orchid Asia IV Co-investment, Limited. Orchid Asia IV, L.P. was wholly controlled by OAIV Holdings, L.P., which was in turn wholly controlled by Orchid Asia IV Group Management, Limited, which was in turn wholly controlled by Orchid Asia IV Group, Limited, which was in turn wholly controlled by Orchid Asia IV Investment, Limited, which was approximately 92.61% controlled by YM Investment Limited. Orchid Asia IV Co-investment, Limited was wholly controlled by YM Investment Limited. Under the SFO, OAIV Holdings, L.P., Orchid Asia IV Group Management, Limited, Orchid Asia IV Group, Limited, Orchid Asia IV Investment, Limited and YM Investment Limited were taken to be interested in the shares beneficially owned by Orchid Asia IV, L.P., and YM Investment Limited was taken to be interested in the shares beneficially owned by Orchid Asia IV Co-investment, Limited. Ms. Lam Lai Ming and Mr. Li Gabriel were also interested in YM Investment Limited through ManageCorp Limited as Trustee and were taken to be interested in the shares in which YM Investment Limited was interested.

Save as disclosed above, as at 30 June 2013, no person (other than a director or chief executive of the Company) had registered an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.



Other Information

Share Option Schemes and Share Award Plan

(a) Pre-IPO Share Option Scheme

Pursuant to a pre-initial public offering share option scheme (the “**Pre-IPO Share Option Scheme**”) adopted by the Company on 25 March 2011, the Company had granted 4,000,000 options to eligible senior management and employees of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated under the Pre-IPO Share Option Scheme.

As at 30 June 2013, there were 1,336,000 outstanding options granted under the Pre-IPO Share Option Scheme which had not yet been exercised. Share options granted under the Pre-IPO Share Option Scheme are exercisable at HK\$0.825 per share and each of the grantees may exercise the share options (a) up to 30% thereof during the period from 20 April 2012 to 19 April 2013; (b) subject to (a), up to 60% thereof during the period from 20 April 2012 to 19 April 2014; and (c) subject to (a) and (b), all outstanding options during the period from 20 April 2012 to 19 April 2015.

The following table disclosed the movement in the Company’s share options during the period:

			As at	Granted	Exercised	Cancelled	Lapsed upon	As at
Vesting period	Exercisable period	Exercise price	1 January 2013	during the period	during the period	during the period	employment during the period	30 June 2013
Tranche 1	25/03/2011–19/04/2012	20/04/2012–19/04/2015	HK\$0.825	-	-	-	-	-
Tranche 2	25/03/2011–19/04/2013	20/04/2013–19/04/2015	HK\$0.825	1,029,000	-	1,002,000	-	27,000
Tranche 3	25/03/2011–19/04/2014	20/04/2014–19/04/2015	HK\$0.825	1,372,000	-	-	-	36,000
			2,401,000	-	1,002,000	-	63,000	1,336,000

The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK\$1.58 (30 June 2012: \$1.67).

Other Information

(b) Share Option Scheme

Pursuant to a share option scheme (the “**Share Option Scheme**”) adopted by the Company on 25 March 2011, the directors may invite participants to take up options at a price determined by the board of directors (the “**Board**”) but in any event shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares. The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the grant date. Up to and as at 30 June 2013, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

(c) Share Award Plan

The Company adopted a share award plan (the “**Share Award Plan**”) on 25 March 2011 pursuant to which the Board may, subject to and in accordance with the rules of the Share Award Plan, make an award of shares to certain classes of eligible participants as specified in the Share Award Plan, as determined by the Board from time to time on the basis of the Board’s opinion as to the proposed awardee’s contribution and/or future contribution to the development and growth of the Group. The shares and other trust fund for the implementation of the Share Award Plan are administered by a trustee (the “**Share Award Plan Trustee**”) appointed by the Company.

Under the Share Award Plan, the Board shall determine the eligibility of the eligible participants and the number of shares to be awarded (the “**Awarded Shares**”) and notify the Share Award Plan Trustee of the making of awards. The Share Award Plan Trustee shall then set aside the appropriate number of Awarded Shares pending the transfer and vesting to the relevant participants out of a pool of shares which shall comprise of, among others, shares either (1) transferred to it from any person (other than the Group) by way of gift; (2) purchased by the Share Award Plan Trustee out of the funds received by it by way of gift or for nominal consideration; (3) subscribed for or purchased by the Share Award Plan Trustee out of the funds allocated by the Board out of the Group’s resources, subject to the terms and conditions of the rules of the Share Award Plan. The Share Award Plan Trustee may purchase shares on the Stock Exchange at the prevailing market price or off market. In respect of off-market transactions, purchases shall not be made with any connected person, nor shall the purchase price be higher than the lower of (1) the closing market price on the date of such purchase, and (2) the average closing market price for the five preceding trading days on which shares of the Company were traded on the Stock Exchange. In any given financial year of the Company, the maximum numbers of shares to be purchased by the Share Award Plan Trustee shall not exceed 10% of the total number of shares in issue of the Company at the beginning of such financial year. The Share Award Plan Trustee may also subscribe for new shares at par or at such other subscription price as instructed by the Board out of the Group’s contribution if the Board considers it appropriate to do so. The Company shall comply with the relevant Listing Rules when granting the Awarded Shares.

Other Information

The legal and beneficial ownership of the relevant Awarded Shares shall vest in the relevant selected participant within 10 business days after the latest of (1) the date specified on the notice of the award given by the Board to the Share Award Plan Trustee; and (2) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such selected participant as specified in the related notice of award have been attained and notified to the Share Award Plan Trustee by the Board in writing.

Unless early termination by the Board, the Share Award Plan shall be valid and effective for a term of 10 years commencing from the adoption date. As at 30 June 2013, 1,363,000 new shares were resolved by the Board to be awarded to eight grantees pursuant to the Share Award Plan. On 15 July 2013, such shares were allotted and issued to the Share Award Plan Trustee for vesting to selected grantees.

Interim Dividend

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).

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

YIP Shu Ming

Chairman

Hong Kong, 29 August 2013

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	9		
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 RMB'000 (unaudited)	2012 RMB'000 (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

		As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
	Notes		
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	10	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	11	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	12	35,024	34,944
Reserves		312,956	330,110
Total equity		347,980	365,054

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company							
	Issued capital	Share premium account	Statutory general reserve	Share options reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
At 1 January 2012	34,853	114,106	20,886	1,498	74,326	-	93,590	339,259
Profit and total comprehensive income for the period	-	-	-	-	-	-	25,687	25,687
Equity-settled share option arrangement	-	-	-	750	-	-	-	750
Exercise of share	91	660	-	-	-	-	-	751
Share options lapsed during the period	-	-	-	(241)	-	-	241	-
Final 2011 dividend	-	(30,530)	-	-	-	-	-	(30,530)
At 30 June 2012	34,944	84,236	20,886	2,007	74,326	-	119,518	335,917
At 1 January 2013	34,944	85,180	21,675	1,565	74,326	(496)	147,860	365,054
Profit for the period	-	-	-	-	-	-	15,019	15,019
Other comprehensive loss for the period:								
Exchange difference on translation of foreign operations	-	-	-	-	-	(755)	-	(755)
Total comprehensive income for the period	-	-	-	-	-	(755)	15,019	14,264
Equity-settled share option arrangement	-	-	-	369	-	-	-	369
Exercise of share options	80	1,432	-	(851)	-	-	-	661
Share options lapsed during the period	-	-	-	(44)	-	-	44	-
Final 2012 dividend	-	(32,368)	-	-	-	-	-	(32,368)
At 30 June 2013	35,024	54,244	21,675	1,039	74,326	(1,251)	162,923	347,980

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	42,957	40,748
Net cash used in investing activities	(30,995)	(56,591)
Net cash used in financing activities	(31,707)	(29,779)
Net decrease in cash and cash equivalents	(19,745)	(45,622)
Cash and cash equivalents at beginning of the period	265,405	293,567
Cash and cash equivalents at end of the period	245,660	247,945



Notes to the Condensed Consolidated Financial Statements

As at 30 June 2013

1. General 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. 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 Company and its subsidiaries (collectively referred to as the “**Group**”) were 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.

Notes to the Condensed Consolidated Financial Statements

As at 30 June 2013

2. Basis of Preparation and Principal Accounting Policies

(Continued)

Change in Accounting Policy and Disclosures (Continued)

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

Notes to the Condensed Consolidated Financial Statements

As at 30 June 2013

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 (<i>note</i>)	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.

Notes to the Condensed Consolidated Financial Statements

As at 30 June 2013

4. Operating Segment Information (Continued)

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
<i>Reconciliation:</i>								
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
<i>Reconciliation:</i>								
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.

Notes to the Condensed Consolidated Financial Statements

As at 30 June 2013

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).

Notes to the Condensed Consolidated Financial Statements

As at 30 June 2013

8. Share-Based Payment Transactions

Pre-IPO Share Option Scheme

Further details of the Pre-IPO Share Option Scheme are disclosed in the “Other Information” section.

The fair value of the share options at the date of grant determined using the binomial option pricing model is approximately HK\$4,240,000. The Group recognised a total expense of approximately HK\$461,000 (presented as RMB369,000) (six months ended 30 June 2012: RMB750,000) during the period in relation to the share options granted by the Company in prior year.

The variables and assumptions used in computing the fair value of the share options are based on the management’s best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The major inputs into the models at the grant date were as follows:

Expected share price as at grant date	HK\$1.65
Exercise price	HK\$0.825
Expected volatility	59.07%
Expected life	2.6–3.6 years
Risk-free rate	1.797%
Dividend yield	0%
Early exercise level	3.5 times

The risk-free rate has made reference to the yield of HK Exchange Fund Notes (EFN) as at the grant date. The volatility of the Company’s stock was determined by reference to the share price volatilities of companies in similar line of business of the Company and assumed to be constant throughout the option life.

Notes to the Condensed Consolidated Financial Statements

As at 30 June 2013

9. 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 RMB'000 (unaudited)	2012 RMB'000 (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

10. 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 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (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

Notes to the Condensed Consolidated Financial Statements

As at 30 June 2013

11. 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
	143,485	128,344

12. 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

Notes to the Condensed Consolidated Financial Statements

As at 30 June 2013

12. Share Capital (Continued)

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

13. Related Parties Disclosures

The Group had the following material transactions with related parties during the period:

Nature of transaction	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Purchase of leasehold improvement ⁽ⁱ⁾	2,177	1,172
Rental expenses ⁽ⁱⁱ⁾	516	516
Rental expenses ⁽ⁱⁱⁱ⁾	1,700	1,807

Notes:

- (i) The selling price of the leasehold improvement was made at pre-determined prices agreed between the Group and Chiu Kwun Engineering (Shenzhen) Co., Ltd. ("**Chiu Kwun**"). Mr. Ku Hok Chiu, a director of the Company, is the beneficial owner of Chiu Kwun.
- (ii) The rental expenses were charged by Dongguan Well Excellent Hotel Management Services Co., Ltd ("**Dongguan Well Excellent**") at rates agreed between the Group and Dongguan Well Excellent. Mr. Yip Shu Ming, Mr. Chan Man Wai and Mr. Ku Hok Chiu, directors and shareholders of the Company, are also directors and shareholders of Dongguan Well Excellent.
- (iii) The rental expenses were charged by Meco Group Company Limited ("**Meco Group**") at rates agreed between the Group and Meco Group. Mr. Yip Shu Ming, Mr. Chan Man Wai and Mr. Ku Hok Chiu, directors and shareholders of the Company, are also directors and shareholders of Meco Group.

Notes to the Condensed Consolidated Financial Statements

As at 30 June 2013

14. Fair Value

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Financial assets:				
Trade receivables	12,594	10,119	12,594	10,119
Financial assets included in prepayments, deposits and other receivables	25,935	20,881	25,935	20,881
Cash and cash equivalents	245,660	265,405	245,660	265,405
	284,189	296,405	284,189	296,405
Financial liabilities:				
Trade payables	45,973	39,789	45,973	39,789
Amounts due to related companies	2,715	1,394	2,715	1,394
Financial liabilities included in other payables and accruals	69,666	66,081	69,666	66,081
	118,354	107,264	118,354	107,264

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due to related companies, approximate to their carrying amounts largely due to the short term maturities of these instruments.