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## 唐宮(中國)控股有限公司

TANG PALACE (CHINA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1181)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “**Board**”) of Tang Palace (China) Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2016 (“**FY2016**”), together with comparative figures for the year ended 31 December 2015 (“**FY2015**”) as follows:

|   | For the year ended  |           | Increase in<br>% |
|---|---------------------|-----------|------------------|
|   | 31 December<br>2016 | 2015      |                  |
| <b>Revenue (RMB'000)</b>  | <b>1,248,455</b>    | 1,088,147 | 14.7%            |
| <b>Gross profit (RMB'000)</b>   | <b>784,875</b>      | 653,402   | 20.1%            |
| <b>Gross profit margin</b>  | <b>62.9%</b>        | 60.0%     | 2.9%             |
| <b>Profit for the year attributable<br/>to owners of the Company (RMB'000)</b>      | <b>100,992</b>      | 48,589    | 107.8%           |
| <b>Basic and diluted earnings per share<br/>(RMB cents)</b>                         | <b>23.83</b>        | 11.53     | 106.7%           |
| <b>Number of restaurants<br/>(including joint ventures)<br/>(as at 31 December)</b> | <b>56</b>           | 62        |                  |
| <b>Dividend per ordinary share</b>  |                     |           |                  |
| – Interim special dividend (HK cents)   | <b>6.00</b>         | –         |                  |
| – Proposed final dividend (HK cents)  | <b>21.00</b>        | 10.90     |                  |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***Year ended 31 December 2016*

|  |              | <b>2016</b>           | 2015           |
|--|--------------|-----------------------|----------------|
|  | <i>Notes</i> | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Revenue  | 3            | <b>1,248,455</b>      | 1,088,147      |
| Other income   | 3            | <b>33,716</b>         | 29,486         |
| Cost of inventories consumed   |              | <b>(463,580)</b>      | (434,745)      |
| Staff costs  |              | <b>(337,491)</b>      | (302,455)      |
| Depreciation of items of property,<br>plant and equipment                                |              | <b>(55,306)</b>       | (57,200)       |
| Utilities and consumables  |              | <b>(66,780)</b>       | (62,515)       |
| Rental and related expenses  |              | <b>(112,815)</b>      | (117,226)      |
| Other expenses   |              | <b>(92,990)</b>       | (75,964)       |
| Finance costs  | 5            | <b>(978)</b>          | (509)          |
| Share of losses of joint ventures  |              | <b>(6,961)</b>        | (2,435)        |
| <b>PROFIT BEFORE TAX</b>   | <b>6</b>     | <b>145,270</b>        | 64,584         |
| Income tax expense   | 7            | <b>(42,997)</b>       | (15,995)       |
| <b>PROFIT FOR THE YEAR</b>   |              | <b>102,273</b>        | 48,589         |
| Attributable to:   |              |                       |                |
| Owners of the Company  |              | <b>100,992</b>        | 48,589         |
| Non-controlling interests  |              | <b>1,281</b>          | –              |
|  |              | <b>102,273</b>        | 48,589         |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO<br/>ORDINARY EQUITY HOLDERS<br/>OF THE COMPANY</b> | <b>9</b>     |                       |                |
| Basic and diluted (RMB cents)  |              | <b>23.83</b>          | 11.53          |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

|   | 2016<br><i>RMB'000</i> | 2015<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| PROFIT FOR THE YEAR   | <u>102,273</u>         | <u>48,589</u>          |
| OTHER COMPREHENSIVE INCOME/(LOSS)   |                        |                        |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: |                        |                        |
| Available-for-sale investments:   |                        |                        |
| Changes in fair value   | 12,292                 | –                      |
| Exchange differences on translation of foreign operations                                     | <u>453</u>             | <u>(1,225)</u>         |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX                                    | <u>12,745</u>          | <u>(1,225)</u>         |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR   | <u>115,018</u>         | <u>47,364</u>          |
| Attributable to:  |                        |                        |
| Owners of the Company   | 113,737                | 47,364                 |
| Non-controlling interests   | <u>1,281</u>           | <u>–</u>               |
|   | <u>115,018</u>         | <u>47,364</u>          |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

|   | <i>Notes</i> | <b>2016</b><br><b>RMB'000</b> | 2015<br>RMB'000 |
|---|--------------|-------------------------------|-----------------|
| <b>NON-CURRENT ASSETS</b>                           |              |                               |                 |
| Property, plant and equipment                       |              | <b>129,191</b>                | 159,948         |
| Intangible assets                                   |              | <b>6,504</b>                  | 13,060          |
| Investments in joint ventures                       |              | <b>6,158</b>                  | 9,574           |
| Available-for-sale investments                      |              | <b>42,326</b>                 | –               |
| Deposits  |              | <b>26,239</b>                 | 28,451          |
| Deferred tax assets                                 |              | <b>5,990</b>                  | 8,998           |
| Total non-current assets                            |              | <b>216,408</b>                | 220,031         |
| <b>CURRENT ASSETS</b>                               |              |                               |                 |
| Inventories   |              | <b>35,531</b>                 | 40,609          |
| Trade and other receivables and prepayments         | <i>10</i>    | <b>46,099</b>                 | 34,247          |
| Due from joint ventures                             |              | <b>2,914</b>                  | 1,703           |
| Pledged time deposits                               |              | <b>43,000</b>                 | 68,000          |
| Time deposits                                       |              | <b>29,122</b>                 | 36,954          |
| Cash and cash equivalents                           |              | <b>400,390</b>                | 297,873         |
| Total current assets                                |              | <b>557,056</b>                | 479,386         |
| <b>CURRENT LIABILITIES</b>                          |              |                               |                 |
| Trade and other payables                            | <i>11</i>    | <b>240,551</b>                | 202,157         |
| Due to joint ventures                               |              | –                             | 3,171           |
| Due to related companies                            |              | <b>179</b>                    | 1,019           |
| Interest-bearing bank borrowings                    |              | <b>41,040</b>                 | 65,268          |
| Tax payable   |              | <b>12,387</b>                 | 4,906           |
| Total current liabilities                           |              | <b>294,157</b>                | 276,521         |
| <b>NET CURRENT ASSETS</b>                           |              | <b>262,899</b>                | 202,865         |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>        |              | <b>479,307</b>                | 422,896         |
| <b>NON-CURRENT LIABILITY</b>                        |              |                               |                 |
| Deferred tax liabilities                            |              | –                             | 1,236           |
| Net assets  |              | <b>479,307</b>                | 421,660         |
| <b>EQUITY</b>                                       |              |                               |                 |
| <b>Equity attributable to owners of the Company</b> |              |                               |                 |
| Issued capital                                      | <i>12</i>    | <b>35,586</b>                 | 35,409          |
| Reserves  |              | <b>442,140</b>                | 386,251         |
| Non-controlling interests                           |              | <b>477,726</b>                | 421,660         |
|   |              | <b>1,581</b>                  | –               |
| Total equity  |              | <b>479,307</b>                | 421,660         |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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 and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is located at Unit 3 on 10th Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong.

During the year, the Group was principally engaged in restaurant operations and food productions.

## 2.1 BASIS OF PREPARATION

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

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

|   |  |
|---|--|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | <i>Investment Entities: Applying the Consolidation Exception</i>   |
| Amendments to HKFRS 11<br>HKFRS 14                  | <i>Accounting for Acquisitions of Interests in Joint Operations</i><br><i>Regulatory Deferral Accounts</i> |
| Amendments to HKAS 1                                | <i>Disclosure Initiative</i>   |
| Amendments to HKAS 16 and HKAS 38                   | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>                                |
| Amendments to HKAS 16 and HKAS 41                   | <i>Agriculture: Bearer Plants</i>  |
| Amendments to HKAS 27 (2011)                        | <i>Equity Method in Separate Financial Statements</i>  |
| <i>Annual Improvements 2012-2014 Cycle</i>          | Amendments to a number of HKFRSs   |

Other than as explained below regarding the impact of Amendments to HKAS 1, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

### 3. REVENUE AND OTHER INCOME

Revenue represents the amounts received and receivable for operation of restaurants, net of discounts and sales related taxes during the year.

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

|  | 2016<br><i>RMB'000</i>  | 2015<br><i>RMB'000</i>  |
|--|-------------------------|-------------------------|
| <b>Revenue</b>   |                         |                         |
| Gross revenue  | 1,272,326               | 1,149,148               |
| Less: sales related tax                                    | <u>(23,871)</u>         | <u>(61,001)</u>         |
|  | <b><u>1,248,455</u></b> | <b><u>1,088,147</u></b> |
| <b>Other income</b>  |                         |                         |
| Bank interest income                                       | 3,838                   | 2,530                   |
| Commission income <sup>#</sup>                             | 22,140                  | 19,357                  |
| Gain on disposal of items of property, plant and equipment | –                       | 38                      |
| Others   | <u>7,738</u>            | <u>7,561</u>            |
|  | <b><u>33,716</u></b>    | <b><u>29,486</u></b>    |

<sup>#</sup> 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 four reportable operating segments as in Northern, Eastern, Southern and Western regions of China.

In the prior years, the Group had three reportable operating segments which are restaurant operations in Southern China, Eastern China and Northern China region. Due to the increase in restaurant operations in the Western China region, the Group has reassessed the operating performance which resulted in a new operating segment, namely the Western 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

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

#### 4. OPERATING SEGMENT INFORMATION (Continued)

Segment information about the business is presented below:

|  | Northern region |                | Eastern region |                | Southern region |                | Western region |          | Total            |                  |
|--|-----------------|----------------|----------------|----------------|-----------------|----------------|----------------|----------|------------------|------------------|
|  | 2016            | 2015           | 2016           | 2015           | 2016            | 2015           | 2016           | 2015     | 2016             | 2015             |
|  | RMB'000         | RMB'000        | RMB'000        | RMB'000        | RMB'000         | RMB'000        | RMB'000        | RMB'000  | RMB'000          | RMB'000          |
| <b>Segment revenue:</b>                                |                 |                |                |                |                 |                |                |          |                  |                  |
| Sales to external customers                            | 352,923         | 310,962        | 570,005        | 533,545        | 286,795         | 243,640        | 38,732         | -        | 1,248,455        | 1,088,147        |
| Inter-segment sales                                    | -               | -              | 42,838         | 35,455         | -               | -              | -              | -        | 42,838           | 35,455           |
|  | <u>352,923</u>  | <u>310,962</u> | <u>612,843</u> | <u>569,000</u> | <u>286,795</u>  | <u>243,640</u> | <u>38,732</u>  | <u>-</u> | <u>1,291,293</u> | <u>1,123,602</u> |
| <i>Reconciliation:</i>                                 |                 |                |                |                |                 |                |                |          |                  |                  |
| Elimination of inter-segment sales                     |                 |                |                |                |                 |                |                |          | (42,838)         | (35,455)         |
| Revenue  |                 |                |                |                |                 |                |                |          | <u>1,248,455</u> | <u>1,088,147</u> |
| <b>Segment results</b>                                 | <b>60,334</b>   | <b>23,805</b>  | <b>95,035</b>  | <b>56,530</b>  | <b>33,183</b>   | <b>24,074</b>  | <b>6,062</b>   | <b>-</b> | <b>194,614</b>   | <b>104,409</b>   |
| <i>Reconciliation:</i>                                 |                 |                |                |                |                 |                |                |          |                  |                  |
| Interest income  |                 |                |                |                |                 |                |                |          | 758              | 482              |
| Share of losses of joint ventures                      |                 |                |                |                |                 |                |                |          | (6,961)          | (2,435)          |
| Unallocated expenses                                   |                 |                |                |                |                 |                |                |          | (42,163)         | (37,363)         |
| Finance costs  |                 |                |                |                |                 |                |                |          | (978)            | (509)            |
| Profit before tax                                      |                 |                |                |                |                 |                |                |          | <u>145,270</u>   | <u>64,584</u>    |
| <b>Other segment information:</b>                      |                 |                |                |                |                 |                |                |          |                  |                  |
| Depreciation of items of property, plant and equipment | 12,725          | 15,712         | 25,789         | 26,267         | 14,742          | 14,853         | 2,050          | -        | 55,306           | 56,832           |
| Amortisation of intangible assets                      | 291             | 190            | 512            | 567            | -               | -              | -              | -        | 803              | 757              |
| Capital expenditure*                                   | <u>143</u>      | <u>16,561</u>  | <u>8,732</u>   | <u>25,890</u>  | <u>27,610</u>   | <u>21,466</u>  | <u>4,775</u>   | <u>-</u> | <u>41,260</u>    | <u>63,917</u>    |

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

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 asset and liability 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 is arising from restaurant 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 most of its non-current assets are located in the PRC, including Hong Kong and Macau.

## 5. FINANCE COSTS

|                        | <b>2016</b><br><i>RMB'000</i> | 2015<br><i>RMB'000</i> |
|------------------------|-------------------------------|------------------------|
| Interest on bank loans | <b>978</b>                    | 509                    |

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

|   | <b>2016</b><br><i>RMB'000</i> | 2015<br><i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Depreciation of items of property, plant and equipment                              | <b>55,306</b>                 | 57,200                 |
| Amortisation of intangible assets   | <b>2,338</b>                  | 2,494                  |
| Minimum lease payments under operating leases                                       | <b>93,768</b>                 | 98,252                 |
| Contingent rents under operating leases*  | <b>5,258</b>                  | 2,179                  |
| Auditor's remuneration  | <b>1,143</b>                  | 1,000                  |
| Loss/(gain) on disposal of items of property, plant and equipment                   | <b>1,852</b>                  | (38)                   |
| Written off of intangible assets  | <b>1,043</b>                  | –                      |
| Impairment of intangible assets***  | <b>3,333</b>                  | –                      |
| Gain on partial disposal of joint ventures**  | –                             | (24)                   |
| Loss on disposal of a subsidiary and a business                                     | <b>3,368</b>                  | –                      |
| Directors' remuneration   | <b>4,428</b>                  | 5,824                  |
| Employee benefit expense (excluding directors' and chief executive's remuneration): |                               |                        |
| Wages and salaries  | <b>304,044</b>                | 271,995                |
| Equity-settled share award plan expense   | <b>2,523</b>                  | 2,968                  |
| Pension scheme contributions (defined contribution scheme)^                         | <b>26,496</b>                 | 21,668                 |
|   | <b>333,063</b>                | 296,631                |
| Foreign exchange differences, net   | <b>3,963</b>                  | 115                    |

\* Contingent rents under operating leases are included in "Rental and related expenses" in the consolidated statement of profit or loss.

\*\* Gain on partial disposal of joint ventures are included in "Share of losses of joint ventures" in the consolidated statement of profit or loss.

\*\*\* The impairment of intangible assets are included in "Other expenses" in the consolidated statement of profit or loss.

^ At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2015: Nil).

## 7. INCOME TAX

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

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The Company's subsidiaries in Mainland China are subject to income tax at the rate of 25% (2015: 25%).

|  | 2016<br><i>RMB'000</i> | 2015<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Current – PRC                          |                        |                        |
| Charge for the year                    | 37,928                 | 18,506                 |
| Under/(over) provision in prior years  | (186)                  | 176                    |
| Current – Hong Kong                    | 593                    | 128                    |
| PRC withholding tax on dividend income | 2,890                  | –                      |
| Deferred                               | 1,772                  | (2,815)                |
|  | <u>42,997</u>          | <u>15,995</u>          |
| Total tax charge for the year          | <u>42,997</u>          | <u>15,995</u>          |

## 8. DIVIDENDS

|  | 2016<br><i>RMB'000</i> | 2015<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Interim special dividend – HK6.00 cents (2015: Nil) per ordinary share           | 21,371                 | –                      |
| Proposed final dividend – HK21.00 cents (2015: HK10.90 cents) per ordinary share | 80,391                 | 38,823                 |
|  | <u>101,762</u>         | <u>38,823</u>          |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 423,881,295 (2015: 421,248,342) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

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

|  | 2016<br><i>RMB'000</i>  | 2015<br><i>RMB'000</i> |
|--|-------------------------|------------------------|
| <b>Earnings</b>  |                         |                        |
| Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation      | <u>100,992</u>          | <u>48,589</u>          |
|  | <b>Number of shares</b> |                        |
|  | 2016                    | 2015                   |
| <b>Shares</b>  |                         |                        |
| Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation | <u>423,881,295</u>      | <u>421,248,342</u>     |

## 10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

|  | 2016<br><i>RMB'000</i> | 2015<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Trade receivables                                  | 16,069                 | 12,667                 |
| Prepayments  | 17,841                 | 17,183                 |
| Deposits and other receivables                     | 38,428                 | 32,848                 |
|  | <u>72,338</u>          | <u>62,698</u>          |
| Less: Deposits classified as<br>non-current assets | (26,239)               | (28,451)               |
|  | <u>46,099</u>          | <u>34,247</u>          |

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

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

|                | 2016<br><i>RMB'000</i> | 2015<br><i>RMB'000</i> |
|----------------|------------------------|------------------------|
| Within 30 days | 14,695                 | 8,960                  |
| 31 to 60 days  | 402                    | 2,398                  |
| 61 to 90 days  | 327                    | 450                    |
| Over 90 days   | 645                    | 859                    |
|                | <u>16,069</u>          | <u>12,667</u>          |

## 11. TRADE AND OTHER PAYABLES

|                             | 2016<br><i>RMB'000</i> | 2015<br><i>RMB'000</i> |
|-----------------------------|------------------------|------------------------|
| Trade payables              | 63,638                 | 59,775                 |
| Other payables and accruals | 31,014                 | 41,315                 |
| Dividends payable           | 15,227                 | –                      |
| Salary and welfare payables | 34,449                 | 34,041                 |
| Receipts in advance         | 96,223                 | 67,026                 |
|                             | <u>240,551</u>         | <u>202,157</u>         |

## 11. TRADE AND OTHER PAYABLES (Continued)

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

|                | <b>2016</b><br><i>RMB'000</i> | 2015<br><i>RMB'000</i> |
|----------------|-------------------------------|------------------------|
| Within 30 days | <b>52,218</b>                 | 44,459                 |
| 31 to 60 days  | <b>4,281</b>                  | 7,233                  |
| 61 to 90 days  | <b>1,423</b>                  | 2,970                  |
| 91 to 180 days | <b>976</b>                    | 1,377                  |
| Over 180 days  | <b>4,740</b>                  | 3,736                  |
|                | <b><u>63,638</u></b>          | <u>59,775</u>          |

The trade and other payables are non-interest-bearing and are normally settled on terms of 30 days to 90 days.

## 12. ISSUED CAPITAL

|   | <b>2016</b><br><i>(equivalent to)</i> |                      | 2015<br><i>(equivalent to)</i> |                |
|---|---------------------------------------|----------------------|--------------------------------|----------------|
|   | <i>HK\$'000</i>                       | <i>RMB'000</i>       | <i>HK\$'000</i>                | <i>RMB'000</i> |
| Authorised:   |                                       |                      |                                |                |
| 2,000,000,000 (2015: 2,000,000,000) ordinary shares of HK\$0.10 (2015: HK\$0.10) each | <b><u>200,000</u></b>                 |                      | <u>200,000</u>                 |                |
| Issued and fully paid:  |                                       |                      |                                |                |
| 424,019,000 (2015: 421,919,000) ordinary shares of HK\$0.1 (2015: HK\$0.10) each      | <b><u>42,402</u></b>                  | <b><u>35,586</u></b> | <u>42,192</u>                  | <u>35,409</u>  |

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

|  | <b>Number of<br/>shares in issue</b> | <b>Issued<br/>capital</b><br><i>HK\$'000</i> | <b>Issued<br/>capital</b><br><i>(equivalent to)</i><br><i>RMB'000</i> |
|--|--------------------------------------|--|---|
| Issued and fully paid:                 |                                      |  |   |
| At 1 January 2015                      | 419,569,000                          | 41,957                                       | 35,221  |
| Issue of shares under share award plan | <u>2,350,000</u>                     | <u>235</u>                                   | <u>188</u>  |
| At 31 December 2015 and 1 January 2016 | 421,919,000                          | 42,192                                       | 35,409  |
| Issue of shares under share award plan | <u>2,100,000</u>                     | <u>210</u>                                   | <u>177</u>  |
| At 31 December 2016                    | <b><u>424,019,000</u></b>            | <b><u>42,402</u></b>                         | <b><u>35,586</u></b>  |

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY OVERVIEW**

Despite fluctuations in the global economy in 2016, the economy of China remained relatively stable. According to the statistics as of 31 December 2016 published by the National Bureau of Statistics of China, gross domestic product grew by 6.7% over the corresponding period last year. As set out in “Commentary on 2016 Statistical Bulletin” published by the National Bureau of Statistics, amid a stable economy in general, the source of economic growth have been changing from capital input oriented growth in the past, to the current increase in end-user consumption with a contribution rate of over 64%.

The growth of national income of food and beverage sector also reflects the close relationship between this sector and the economic conditions. The national income of food and beverage sector for 2016 experienced a solid year-on-year growth of 10.8%. In prior years, plagued by economic uncertainties, the sector has been responsive to changes in a challenging environment. While the entire structure and business model of the market have been revamped, we have been active in making adjustments and transformations in the past two years. As the growth momentum recovers, the sector has entered a stage of stable development.

### **BUSINESS REVIEW**

The Group achieved satisfactory results in a challenging market environment. For the year ended 31 December 2016, revenue of the Group amounted to RMB1,248 million, representing an increase of 14.7% when compared to the year ended 31 December 2015. Profit for the year attributable to owners of the Company recorded a breakthrough of topping RMB100 million.

The increase of overall revenue was attributable to a consistent development strategy over the years and a prudent manner in response to rapid changes in the market. Its development goals had always adhered to market changes to capture opportunities for expansion in a timely manner. While the bleak economic outlook in 2015 led to a cautious market, the Group was decisive enough to seize the opportunity of rental downturn and open five Chinese restaurants and two casual dining restaurants in the second half of 2015, which were in good operation conditions and started to generate profits for the Group in 2016. After several years of operation, the casual dining business has been recording decent growth, among which, the development of “Social Place” has been particularly satisfactory. The brand was first introduced to Mainland China in 2015 and three additional outlets were established in 2016. Their operation conditions were in line with the Group’s expectation.

The membership card has been popular ever since its introduction at the end of 2012 and experienced stable growth in the number of cards sold, which were more than double in 2016 when compared to last year. The membership card allowed for extensive promotions in regions complemented by new dishes, seasonal foods, festive celebrations and local exclusive offerings, thereby attracting new customers and fortifying the existing customer base for the Group.

As the Group's business expansion cannot solely rely on boosting the turnover of restaurants, the Group also seeks to expand its income stream, as an important strategy of the Group. Given the rapid development of the internet in the past two years, the food and beverage sector expanded its business through a brand-new channel and the surge of online retail shall not be overlooked. According to the statistics published by the National Bureau of Statistics, online retail in 2016 grew by over 26% when compared to 2015 and the growth of food products exceeded 28%, highlighting the potential of online sales development of the sector. The Group believes that active online expansion is going to be crucial and has established cooperation with leading e-commerce operators in different regions, such as "Dianping.com" (大眾點評), "Waimai.baidu.com" (百度外賣), "Daojia.com.cn" (到家美食) and "Ele.me" (餓了麼), with a view to diversifying income source and boosting business growth. The Group saw a promising market in banquet years ago, and actively expanded into the market, with the flagship banquet venue in Shenzhen being a prime example. The business had maintained stable growth since its launch in 2014. Following the shift of consumption pattern in recent years, mini banquets, including birthday parties and graduation parties, are creating additional room for development. The Group is keen on developing the business through cooperation with event planning companies and its own active promotions in different regions.

In addition to its relentless effort on business expansion, the Group also attaches great importance to refined management, continuous efficiency boost, enhancement of product safety standard and effective cost control, which are the cornerstones of sustainable and healthy corporate development. During the year, the Group assessed the operation condition of each outlet and closed those with sub-par performance to boost overall efficiency.

Food ingredients are the most significant cost component for the Group. The central procurement strategy remains a centrepiece to cost control since its introduction a few years ago. The procurement team closely monitors the price and supply of food ingredients and continuously strives to negotiate a price freeze for a limited period with suppliers with long-lasting relationship to offset the risk of price fluctuation. Moreover, bulk procurement offers us better access to seasonal ingredients so that we can launch promotions at a more favourable price when opportunity arises. The Group has also introduced the concept of regional subordinate central kitchen, which is responsible for providing regional outlets with fast-selling dim sum, semi-finished products with complicated process and seasoning sauces. Such measure aims to boost dish delivery efficiency, relieve the pressure of outlet's kitchen and streamline staffing in the long run. Furthermore, the rollout of value added tax reforms in Mainland China in May 2016 was also beneficial to the Group. Due to the above events, overall gross profit margin increased from 60.0% as at 31 December 2015 to 62.9% as at 31 December 2016, with growth in overall efficiency.

## Chinese Restaurant Business

The Group is delighted to report that its Chinese restaurant business in all regions has recorded growth with a general boost in both consumption per capita and customer flow, resulting in an overall average same store revenue growth of 9%. Turnover growth recorded in all regions was attributable to a wide range of promotions and business expansion strategies, including employee incentive scheme to encourage restaurants to achieve sales target, continuous marketing of membership card, proactive promotion and development of mini banquets. On the other hand, by strengthening the cooperation with e-commerce platforms, the Group noticed the rapid growth in online takeaway business, and gradually increased online delivery sales in each region from end of 2015 to 2016, resulting in a significant and continuous growth of sales.

While Northern China region saw a significant growth with adjusted marketing strategy, streamlined cost control and internal efficiency enhancement in earlier years. Considering the unique spending pattern in the northern region, “Tang Palace” emphasized on lunch and banquet promotion, while “Tang Cuisine” pinpointed the per customer spending by adjusting product mix. A new restaurant that opened in 2015 started to contribute to the region, resulting the revenue of Northern China region amounted to RMB293.3 million for the year ended 31 December 2016, representing an increase of approximately 22% over the corresponding period last year.

During the year ended 31 December 2016, turnover in Eastern China region recorded RMB543.3 million, mainly because the branch restaurants opened in 2015 started to generate profit during the year. Moreover, through management of key operational data, we increased the occupancy rate for vip rooms and formulated effective sales strategies. The Group also strengthened the cooperation with online take-away operators in Eastern China region in the second half of 2016 by expanding from one partner company to many other platforms like “Meituan.com” (美團外賣), “Waimai.baidu.com” (百度外賣), “Ele.me” (餓了麼) progressively with enhanced advertising placements. Excluding the closure of one outlet in February 2016 due to expiry of tenancy during the year, the overall turnover recorded a growth of nearly 17%.

Despite the transfer of two outlets to a third party in Hong Kong and Macau during the year, turnover of outlets in Southern China region maintained a steady growth. Adjustments in the sale of set meals and product portfolios drove up consumption per capita in the entire region. The Group carried out renovation and brand upgrading as well as readjustments in menu mix for one restaurant in Shenzhen by phases during the year and recorded a nearly 30% growth in the fourth quarter as compared to the same period last year after it reopened at the end of September.

Chengdu, in Western China region, was a new region the Group first tapped into in October 2015. With the efforts of the Group for more than one year, the Group has successfully established its profile through close cooperation with local media by marketing promotion to broaden customer base, and secured a steady growth in turnover during the year.

## Casual Dining Business

### *Self-developed Brand*

“Social Place” has been in operation for less than three years since its establishment and has established a good reputation in Hong Kong and China. As a popular restaurant, its revenue continued to increase. For the year ended 31 December 2016, the Group has a total of 5 restaurants in Hong Kong, Shenzhen and Chengdu, one was opened in 2015 in Chengdu, and two of which were new restaurants opened in Shenzhen in 2016. They are widely accepted by local customers. The first outlet in Hong Kong has been in operation for more than two years with a satisfactory result revenue increased by over 20% in 2016 compared to last year. The Group considered that the brand was mature in Hong Kong, and took the opportunity to open another outlet in Hong Kong in December 2016. Innovative special products were introduced to create another popular trend, boosting the customer turnover.

More than a year since its debut in Shanghai, Canton Tea Room maintains stable customer flow and the Group intends to set up more branches in 2017 to fulfill its enormous development potential.

Utilising its market acumen and management strengths, the Group develops a diversified brand portfolio. The success of casual dining proves the business captures the consumption pattern of younger generations and it fills the Group with optimism and confidence.

### *Joint Venture Brand*

Immediately after additional equity investment in 2015, the Group’s Malaysian partner of “PappaRich” brand started to play an integral role in the business operation management in Mainland China and the assessment of the brand’s current market position and the operating condition of each outlet with new development plans laid out. In 2016, one outlet with sub-par performance was closed and three outlets in Shanghai have already been renovated so as to adhere to the latest original Malaysian style and the menu has been updated. Meanwhile, the success of expanding its presence to Taiwan was followed by one new restaurant opened in Hong Kong and Shenzhen, respectively during the year. As of 31 December 2016, there are in total seven “PappaRich” restaurants in China, Hong Kong and Taiwan.

### *Franchised Brand*

Considering the current and future development strategy of casual dining business, a long-term assessment and multiple evaluation of Pepper Lunch’s operation in various regions, the Group is of the view that it is more appropriate to close down outlets with disappointing operation performance in Shanghai and returning the region’s franchise right to its owner, together with outlets with good operation conditions. In addition, certain outlets with sub-par performance were closed after an assessment of operation conditions in the Beijing region so as to concentrate management resources on outlets with good operation, thereby boosting efficiency and increasing profit margin.

## Strategic Cooperation and Investment

During the year, the Group has become more active in arrangement for the development of cooperation with external parties. On 18 May 2016, the Group invested in C.Y. Food Trading (HK) Company Limited (“C.Y.”), a quality food-related company, to work closer with upstream suppliers so as to control and enhance the sourcing network, an aspect of utmost importance to the Group. The Group expects the extensive sourcing network and well-established food processing system of this company will (i) provide the Group with a reliable source of high-quality, stable and traceable food ingredient supply; and (ii) strengthen the Group’s control on the costs of food procurement. The holding company of C.Y., Goal Forward Holdings Limited, was also listed on the GEM Board of the stock exchange on 13 October 2016, and a fair value change of RMB12.3 million was recognised during the year.

Meanwhile, as at 30 June 2016, the Group entered into a sale and purchase agreement with Dragon King Holdings Limited (龍皇控股有限公司) and its subsidiaries (collectively, the “**DK Group**”), and entered into a supplemental agreement to the sale and purchase agreement and a subscription agreement on 26 September 2016, the Group has transferred to DK Group two Chinese restaurants located in Hong Kong and Macau together with a cash consideration of HK\$7 million, to procure 22% equity of the DK Group. The Group believes that the disposal mentioned above and the strategic cooperation with the DK Group will enable both parties to strive their comparative advantages, and it will be beneficial to the Group’s development.

## FINANCIAL REVIEW

As at 31 December 2016, the Group was operating 49 restaurants and 7 other restaurants under joint venture. 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:

| Brand           | No. of restaurants as at 31 December |      | Average spending per customer as at 31 December |             | Percentage of revenue contributed to the Group as at 31 December |       |
|-----------------|--------------------------------------|------|---|-------------|--|-------|
|                 | 2016                                 | 2015 | 2016<br>RMB                                     | 2015<br>RMB | 2016   | 2015  |
| Tang’s Cuisine  | 4                                    | 6    | 283.1   | 294.8       | 11.7%  | 12.7% |
| Tang Palace*    | 25                                   | 26   | 153.4   | 138.6       | 75.4%  | 76.1% |
| Social Place    | 5                                    | 2    | 113.7   | 161.2       | 5.5%   | 2.2%  |
| Canton Tea Room | 1                                    | 1    | 86.0  | 79.8        | 1.8%   | 0.9%  |
| Pepper Lunch    | 13                                   | 20   | 48.0  | 45.4        | 5.1%   | 7.5%  |

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

As mentioned above, the Group's overall revenue for the year increased by 14.7% to RMB1,248 million and the overall gross profit margin has increased by 2.9%. With our persistence in carrying on various measures to manage cost through the volatile market in the past few years, operating expenses remained controllable as compared with the prior year, whereas percentage of revenue on staff costs was 27.0% (2015: 27.8%), depreciation of items of property, plant and equipment was 4.4% (2015: 5.3%), rental and related expenses is 9.0% (2015: 10.8%), and other expenses was 7.4% (2015: 7.0%). Effective tax rate reached 29.6% (2015: 24.8%) because tax credit has not been provided for certain business with losses recognised during the year. Despite of this, as driven by the strong uptrend of our business as well as favorable result of our effort in management cost, the Group's profit attributable to owners of the Company for the year increased by 107.8% from RMB48.6 million to RMB101.0 million.

### **Cash flow**

Cash and cash equivalents increased by RMB102.5 million from RMB297.9 million as at 31 December 2015 to RMB400.4 million as at 31 December 2016.

Net cash of RMB195.1 million was generated from operating activities during the year. Net cash used in investing activities amounted to RMB20.2 million during the year, of which RMB41.3 million was related to the purchase of property, plant and equipment and was partially offset by RMB25.0 million withdrawal of a pledged time deposit. Net cash used in financing activities amounted to RMB71.6 million for the year, of which RMB27.0 million was related to repayment of bank loan and RMB45.0 million was related to dividend payment.

### **Liquidity and Financial Resources**

The Group's funding and treasury activities were managed and controlled by the senior management. The Group maintained cash and cash equivalents and time deposit, in aggregate, of RMB472.5 million as at 31 December 2016 (31 December 2015: RMB402.8 million). As at 31 December 2016, the Group's total assets, net current assets and net assets were RMB773.5 million (31 December 2015: RMB699.4 million), RMB262.9 million (31 December 2015: RMB202.9 million) and RMB479.3 million (31 December 2015: RMB421.7 million), respectively.

As at 31 December 2016, the Group had bank borrowings of RMB41.0 million (31 December 2015: RMB65.3 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 8.6% as at 31 December 2016 (31 December 2015: 15.5%).

As at 31 December 2016, the current ratio (calculated as current assets divided by current liabilities) was 1.9 (31 December 2015: 1.7).

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

As at 31 December 2016, the directors considered the Group's foreign exchange risk to be insignificant. During the year, the Group did not use any financial instruments for hedging purposes.

## **PROSPECT AND OUTLOOK**

In reviewing the year of 2016, we noted the overall revenue growth of the Group were attributable to a number of factors including: newly opened restaurants showing progressive improvement in operation efficiency, various promotional campaigns and business development strategies such as staff incentive programme, sales and top up value of membership cards, the mini banquet promotion initiative, more extensive collaboration with e-commerce platforms etc.; coupled with our tireless effort in enhancing cost effectiveness and the benefit from the PRC's value added tax reform. All of these factors contributed to the satisfactory improvement in our overall gross profit.

Having embarked on a series of internal governance rationalization and enhancement in the past few years, the Group consider 2017 is an opportune time to step up development for the various restaurant brands run by the Group. Plans have already been laid out for the openings of new restaurants in various regions under the self-owned brands of "Tang Palace", "Social Place" and "Canton Tea Room" in the current year. Our franchised brand "Pepper Lunch" has already opened 2 new restaurants in January and February 2017, while our joint venture brand "PappaRich" also added new stores in Hong Kong and Taiwan respectively in January 2017.

It is crucial for the Group to provide training for the middle and senior management staff and the management team of its restaurants in 2017 so as to keep them abreast its rapid expansion of its overall operation. Apart from enhancing the Group's internal and regular trainings, the Group will arrange for exchanges with players from the industry and external learning to its agenda this year. The Group's culture is its foundation and a distinguish culture serves as the core value of the Group's sustainable development. Looking ahead in 2017, the Group will continue its efforts in promoting the learning of traditional Chinese culture on a full scale, with a view to improving employees' psychological strength. So they may fully dedicated to their lives, their work and their services with an optimistic, positive and progressive attitude. As a result, the Group may improve the service quality of its employee, satisfactory level of its customers and affinity of its brands effectively.

In 2017, the Group will endeavor to promote its e-commerce business, provide a wider variety of online products, including quality imported foods, special ingredients and fresh vegetables and fruits. It will also cooperate with different quality food enterprises, and customize as well as develop various high-quality products to satisfy different customers' demands.

The year of 2017 will mark the 25th anniversary of the Group which will also embark on various promotional activities that provide special offers for customers. For customers from different regions, the Group, has formulated various different discount scheme throughout the year, which will be implemented monthly as appropriate thereafter. This serves as a means to express our gratitude to customers for their attention and support, it also opens up an opportunity to maintain a close relationship with our customers, and helps them develop their consumption habits, thereby increasing Tang Palace's exposure to the public and its influence.

Ever since the Group's business commenced in 1992, to our listing on the main board of The Stock Exchange of Hong Kong Limited in 2011 and to the present time, the Group has always been genuinely dedicated to our vision in catering business and remained committed to serving our customers and focusing on our initial business undertaking. It has never stopped from self-reflection and self-improvement, and we have been striving to provide whole-hearted services for our customers. While the Group take pride in its perseverance and steadfastness and the highly visible accomplishment over the past quarter of century, we hope and envision to bear greater harvest and achieve greater goals together with its shareholders and stakeholders in countless coming years.

## **OTHER INFORMATION**

### **Number and Remuneration of Employees**

As at 31 December 2016, the Group had around 4,500 employees in Hong Kong, and the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for expansion of new restaurants. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis, which is in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes, share options, share awards and performance related bonus.

### **Capital Commitment**

The Group's capital commitment was approximately RMB0.3 million and RMB3.3 million as at 31 December 2016 and 31 December 2015, respectively.

### **Charge on Group's Assets**

As at 31 December 2016, the Group had pledged time deposits of RMB43.0 million (31 December 2015: RMB68.0 million) for banking facilities amounting to RMB41.0 million (31 December 2015: RMB65.3 million).

### **Contingent Liabilities**

As at 31 December 2016, the Group did not have any material contingent liabilities.

## **Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures**

During the year, there was no material acquisition or disposal of subsidiaries, associates and joint ventures of the Company.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2016.

## **Corporate Governance Code**

The Board is committed to maintaining a high standard of corporate governance practices to safeguard the interests of Company and its shareholders and to enhance corporate value and accountability. 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 (“**Listing Rules**”) throughout the year.

## **Model Code For The Securities Transactions by Directors of Listed Issuers (the “Model Code”)**

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

## **Audit Committee**

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference (amended on 1 January 2016) in compliance with the Corporate Governance Code. The Audit Committee comprises all the three independent non-executive directors, namely Mr. KWONG Ping Man, Mr. KWONG Chi Keung and Mr. CHEUNG Kin Ting Alfred.

The Audit Committee has reviewed the Company's consolidated financial statements for the year ended 31 December 2016.

## **ANNUAL GENERAL MEETING**

It is proposed that the annual general meeting will be held on 2 June 2017 (the “**AGM**”). A formal notice of the AGM will be published and dispatched to shareholders of the Company (the “**Shareholders**”) as required by the Listing Rules in due course.

## **DIVIDEND**

The Board recommended the payment of a final dividend of HK21.00 cents per ordinary share (2015: HK10.90 cents), payable to Shareholders whose names appear on the register of members of the Company on 8 June 2017. Including the interim special dividend of HK6.00 cents per ordinary share (2015: nil) declared, the total dividend for the year ended 31 December 2016 will amount to HK27.00 cents per ordinary share (2015:HK10.90 cents), representing 100.8% as payout ratio (2015: 80.0%).

The remarkable payout ratio has already taken in to account of the Group's sufficiency in resources for its working capital and business development requirements, the Group would like to share the satisfactory result achieved in 2016 with the Shareholders.

Subject to the approval of the approval by the Shareholders the forth coming AGM to be held on 2 June 2017, the final dividend is expected to be paid on 31 July 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from 29 May 2017 to 2 June 2017 (both days inclusive), during which period no transfer of share(s) will be effected. In order to be eligible to attend and vote at the AGM, all transfers documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 26 May 2017.

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the AGM. For the purpose of determining the entitlement of the Shareholders to the final dividend for the year ended 31 December 2016 (if approved), the register of members of the Company will be closed on 8 June 2017, during which no transfer of share(s) will be effected. To be entitled to the final dividend for the year ended 31 December 2016 (if approved), all transfers documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 7 June 2017.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement is published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.tanggong.cn](http://www.tanggong.cn)).

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

## **APPRECIATION**

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

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

Hong Kong, 29 March 2017

*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*