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 2017

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 2017, together with comparative figures for the year ended 31 December 2016 as follows:

HIGHLIGHTS

	For the year ended 31 December **2017**	2016	Increase in %
Revenue (excluding restaurants effected by business rearrangement in prior year) (1) *(RMB'000)*	**1,356,142**	1,210,550	12.0%
Revenue *(RMB'000)*	**1,356,142**	1,248,455	8.6%
Gross profit *(RMB'000)* (2)	**874,030**	784,875	11.4%
Gross profit margin	**64.4%**	62.9%	1.5%
Profit for the year attributable to owners of the Company *(RMB'000)*	**131,329**	100,992	30.0%
Net profit margin (3)	**9.8%**	8.2%	
		(Restated)	
Basic earnings per share *(RMB cents)*	**24.71**	19.06	29.6%
Dividend per ordinary share			
— Interim special dividend *(HK cents)*	**8.50**	6.00	
— Proposed final dividend *(HK cents)*	**23.00**	21.00	
Number of restaurants (self-owned)	**56**	49	
Number of restaurants (joint ventures)	**6**	7	

(1) Closed restaurants due to business rearrangement.

(2) Gross profit is calculated by deducting revenue from cost of inventories consumed.

(3) Net profit margin represents the percentage of profit on the Group's revenue for the year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	3	**1,356,142**	1,248,455
Other income	3	**36,734**	33,716
Cost of inventories consumed		**(482,112)**	(463,580)
Staff costs		**(383,611)**	(337,491)
Depreciation of items of property, plant and equipment		**(51,095)**	(55,306)
Utilities and consumables		**(71,347)**	(66,780)
Rental and related expenses		**(122,078)**	(112,815)
Other expenses		**(82,756)**	(92,990)
Finance costs	5	**(1,038)**	(978)
Share of losses of joint ventures		**(4,304)**	(6,961)
PROFIT BEFORE TAX	6	**194,535**	145,270
Income tax expense	7	**(61,349)**	(42,997)
PROFIT FOR THE YEAR		**133,186**	102,273
Attributable to:			
Owners of the Company		**131,329**	100,992
Non-controlling interests		**1,857**	1,281
		133,186	102,273
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		(Restated)
Basic and diluted *(RMB cents)*		**24.71**	19.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	2017 *RMB'000*	2016 *RMB'000*
PROFIT FOR THE YEAR	**133,186**	102,273
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**28,088**	12,292
Exchange differences on translation of foreign operations	**3,167**	453
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**31,255**	12,745
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**164,441**	115,018
Attributable to:		
Owners of the Company	**162,584**	113,737
Non-controlling interests	**1,857**	1,281
	164,441	115,018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**133,463**	129,191
Intangible assets		**4,841**	6,504
Investments in joint ventures		**5,767**	6,158
Available-for-sale investments		**66,154**	42,326
Prepayments and deposits	*10*	**60,242**	26,239
Deferred tax assets		**5,985**	5,990
Total non-current assets		**276,452**	216,408
CURRENT ASSETS			
Inventories		**44,420**	35,531
Trade and other receivables and prepayments	*10*	**52,731**	46,099
Due from joint ventures		**2,252**	2,914
Pledged time deposits		**80,000**	43,000
Time deposits		**4,000**	29,122
Cash and cash equivalents		**429,804**	400,390
Total current assets		**613,207**	557,056
CURRENT LIABILITIES			
Trade and other payables	*11*	**263,653**	240,551
Due to related companies		**171**	179
Interest-bearing bank borrowings		**70,550**	41,040
Tax payable		**12,312**	12,387
Total current liabilities		**346,686**	294,157
NET CURRENT ASSETS		**266,521**	262,899
TOTAL ASSETS LESS CURRENT LIABILITIES		**542,973**	479,307
NON-CURRENT LIABILITY			
Deferred tax liabilities		**8,899**	—
Net assets		**534,074**	479,307
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**45,276**	35,586
Reserves		**485,360**	442,140
		530,636	477,726
Non-controlling interests		**3,438**	1,581
Total equity		**534,074**	479,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

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, 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 investments are 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 Group for the year ended 31 December 2017. 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.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation ***(Continued)***

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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no 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 other income is as follows:

	2017	2016
	RMB'000	*RMB'000*
Other income		
Bank interest income	**4,532**	3,838
Commission income#	**24,224**	22,140
Others	**7,978**	7,738
	36,734	33,716

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 follows:

(i) the Southern China region;

(ii) the Eastern China region;

(iii) the Northern China region; and

(iv) the Western China region

Management monitors the results of its operating segments separately for the purpose of making decisions about resource 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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

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

Segment information about the business is presented below:

	Northern China		Eastern China		Southern China		Western China		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:										
Sales to external customers	**382,291**	352,923	**602,361**	570,005	**321,554**	286,795	**49,936**	38,732	**1,356,142**	1,248,455
Inter-segment sales	**—**	—	**55,146**	42,838	**—**	—	**—**	—	**55,146**	42,838
	382,291	352,923	**657,507**	612,843	**321,554**	286,795	**49,936**	38,732	**1,411,288**	1,291,293
Reconciliation:										
Elimination of inter-segment sales									**(55,146)**	(42,838)
Revenue									**1,356,142**	1,248,455
Segment results	**72,675**	60,334	**98,900**	95,035	**54,317**	33,183	**12,576**	6,062	**238,468**	194,614
Reconciliation:										
Interest income									**595**	758
Share of losses of joint ventures									**(4,304)**	(6,961)
Unallocated expenses									**(39,186)**	(42,163)
Finance costs									**(1,038)**	(978)
Profit before tax									**194,535**	145,270
Other segment information:										
Depreciation of items of property, plant and equipment	**8,486**	12,725	**21,168**	25,789	**19,304**	14,742	**2,137**	2,050	**51,095**	55,306
Amortisation of intangible assets	**384**	291	**500**	512	**—**	—	**—**	—	**884**	803
Impairment of intangible assets	**—**	—	**—**	—	**—**	3,333	**—**	—	**—**	3,333
Capital expenditure*	**12,778**	143	**23,640**	8,732	**23,584**	27,610	**202**	4,775	**60,204**	41,260

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

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 arises from restaurant operations and food productions.

Geographical information

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

5. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans	**1,038**	978

6. PROFIT BEFORE TAX

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

	2017 *RMB'000*	2016 *RMB'000*
Depreciation of items of property, plant and equipment	**51,095**	55,306
Amortisation of intangible assets	**1,529**	2,338
Minimum lease payments under operating leases	**98,626**	93,768
Contingent rents under operating leases*	**4,197**	5,258
Auditor's remuneration	**1,122**	1,143
Loss on disposal of items of property, plant and equipment	**51**	1,852
Write off of intangible assets**	**—**	1,043
Impairment of amounts due from joint ventures**	**2,396**	—
Impairment of intangible assets**	**—**	3,333
Loss on disposal of a subsidiary and a business	**—**	3,368
Directors' remuneration	**11,746**	4,428
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	**338,452**	304,044
Equity-settled share award plan expense	**3,256**	2,523
Pension scheme contributions (defined contribution schemes)^	**30,157**	26,496
	371,865	333,063
Foreign exchange differences, net	**(884)**	3,963

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

** The write off of intangible assets, the impairment of intangible assets and the impairment of amounts due from joint ventures are included in "Other expenses" in the consolidated statement of profit or loss.

^ At 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2016: Nil).

7. INCOME TAX

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% (2016: 25%).

	2017	2016
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**46,354**	37,928
Overprovision in prior years	**(1,262)**	(186)
Current — Hong Kong	**774**	593
PRC withholding tax on dividend income	**6,579**	2,890
Deferred	**8,904**	1,772
Total tax charge for the year	**61,349**	42,997

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Interim special dividend — HK8.50 cents (2016: HK6.00 cents) per ordinary share	**32,539**	21,371
Proposed final dividend — HK23.00 cents (2016: HK21.00 cents) per ordinary share	**98,790**	80,391
	131,329	101,762

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 531,572,380 (2016: 529,851,618 (restated)) in issue during the year, as adjusted retrospectively to reflect the bonus issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

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

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**131,329**	100,992

	Number of shares	
	2017	2016
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**531,572,380**	529,851,618

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**14,263**	16,069
Prepayments	**39,317**	17,841
Deposits and other receivables	**59,393**	38,428
	112,973	72,338
Less: Prepayment and deposits classified as non-current assets	**(60,242)**	(26,239)
	52,731	46,099

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.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

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:

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**13,058**	14,695
31 to 60 days	**254**	402
61 to 90 days	**336**	327
Over 90 days	**615**	645
	14,263	16,069

11. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**77,027**	63,638
Other payables and accruals	**28,853**	31,014
Dividends payable	**—**	15,227
Salary and welfare payables	**33,050**	34,449
Receipts in advance	**124,723**	96,223
	263,653	240,551

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

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**58,596**	52,218
31 to 60 days	**8,873**	4,281
61 to 90 days	**4,932**	1,423
91 to 180 days	**2,485**	976
Over 180 days	**2,141**	4,740
	77,027	63,638

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

12. ISSUED CAPITAL

	2017	2017 (equivalent to)	2016	2016 (equivalent to)
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*
Authorised:				
2,000,000,000 (2016: 2,000,000,000) ordinary shares of HK$0.10 (2016: HK$0.10) each	**200,000**		200,000	
Issued and fully paid:				
531,686,250 (2016: 424,019,000) ordinary shares of HK$0.10 (2016: HK$0.10) each	**53,169**	**45,276**	42,402	35,586

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

	Number of shares in issue	**Issued capital**	**Issued capital** (equivalent to)
		HK$'000	*RMB'000*
Issued and fully paid:			
At 1 January 2016	421,919,000	42,192	35,409
Issue of shares under share award plan	2,100,000	210	177
At 31 December 2016 and 1 January 2017	424,019,000	42,402	35,586
Issue of shares under share award plan	1,330,000	133	120
Bonus issue	106,337,250	10,634	9,570
At 31 December 2017	531,686,250	53,169	45,276

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2017, the gross domestic product in Mainland China increased by 6.9% as compared to 2016, a year-on-year increase comparable to that of last year, demonstrating the steady growth of Chinese economy in 2017. Revenue from the food and beverage sector in the PRC recorded a growth of 10.7%, a year-on-year increase approximating that of last year, which was in line with the growth of Chinese economy. According to the publication of the National Bureau of Statistics of China, based on the analysis of industry structure, the PRC has transformed from an industry-driven economy to one that is driven by both the industry and service sectors. During 2017, the service sector contributed 58.8% of the economic growth, indicating that the service sector has become the major driving force of economic growth. Furthermore, with the booming development of internet in recent years, online retail sales in the PRC exceeded RMB7 trillion in 2017, representing a year-on-year growth of 32.2%, and recorded an increase of 6.0% in growth rate as compared to 2016. Among this, online retail sales of non-physical commodities amounted to nearly RMB1.7 trillion, representing an growth of 48.1%. Continuous growth in online retail sales signified that the food and beverage sector has to respond promptly and continue to adjust business models in order to maintain competitiveness.

BUSINESS REVIEW

During the year ended 31 December 2017, revenue of the Group increased by RMB145.6 million or 12.0%, to RMB1,356.1 million as compared to the revenue from restaurants not affected by business rearrangement in the corresponding period of 2016. The Group has started a comprehensive review of the operating conditions of all outlets under our brands with the aim of enhancing efficiency and consolidating businesses through closure of businesses with sub-par operating efficiency. Taking into account the effect of business rearrangement, overall revenue of the Group increased by 8.6% for the current year. The increase in revenue was primarily attributable to expansion of new outlets, contribution of growing outlets and same store growth of existing outlets. Profit attributable to owners of the Company for the year amounted to RMB131.3 million, representing an increase of 30.0% from the corresponding period of 2016.

The Group boosts in-depth understanding of the market and aligns its development strategy with the environment in a timely manner. Its steady growth of performance enables the establishment of outlets under different brands at an optimal timing to cater for regional traits. During the year, the Group opened 2 Chinese restaurants and 5 self-developed casual dining restaurants in Shanghai, Shenzhen and Hong Kong, in addition, 2 restaurants under joint venture in Shanghai and 2 franchised fast-food restaurants in Beijing were opened. As of 31 December 2017, the Group operated in total 42 self-operated restaurants, 14 franchised restaurants and 6 restaurants under joint venture. The new outlets established by the Group this year and growing outlets boosted the overall revenue of the year by RMB106.0 million. In combination with business expansion, same store revenue of the Group also enhanced by 5.8% through various strategies like sales of the membership card and takeaway sales during the year.

The introduction of casual dining a few years ago represented the Group's strategy to achieve diversified development objectives. As the self-developed brand "Social Place" continues to mature with 7 outlets in total in Hong Kong and China, it has established regional reputation and is expected to strengthen the loyalty of younger customers to the Group, thereby reaching the goal of expanding overall customer base. With growing confidence in respect of the success of "Social Place", the Group stepped up its development with 2 outlets in Hong Kong and China in 2017, as well as additional 3 outlets for another self-developed brand, "Canton Tea Room" in Shanghai, in the year. "Pepper Lunch" commenced business rearrangement and resource redeployment in 2016 to concentrate on the Beijing and Tianjin regions, and set up 2 new outlets in Beijing in 2017.

In 2017, the Group's core Chinese restaurant business added 3 outlets and there were in total 30 outlets as at 31 December 2017. During the year, with "customer base strengthening and expansion", "takeaway platform development", "banquet diversification" and "customer experience enhancement" as its key strategies, the Group actively looked for ways to intensify the robust interaction with customers while expanding its business presence. In recent years, sales of membership card have been successful in capturing new customers and fortifying existing customer base for the Group as a means of advertising and promotion. During the year, the sales and top-up value of membership card amounted to RMB277.5 million while the spending amount through the membership cards amounted to RMB244.5 million during the year, demonstrating that the sales of membership card could generate consistent and stable revenue for the Group and is an effective strategy to consolidate customer royalty.

Online sales has become the mainstream shopping channel in Mainland China, not only facilitating the Group to expand its income streams, but also enabling us to access clients from the internet and encourage offline consumption at physical stores. During the year, the Group continued to enhance its cooperation with major prestigious e-commerce operators, such as "waimai.baidu.com" (百度外賣), "daojia.com.cn" (到家美食), "ele.me" (餓了麼) and "meituan.com" (美團網) in various districts with a view to enhance our profile and boost sales. Online sales revenue of the Group increased by almost two times during the year as compared to 2016. Another key project of the Group during the year was promoting various kinds of banquets with focus on small scale gatherings and banquets currently in trend, and actively developing a wide range of banquets, such as graduation dinner, birthday party, baby shower party and hundred days feast. We also enhanced our efforts in marketing campaigns for banquets. Such measures contributed to revenue growth of our restaurants, resulting in an overall increase of over 20% in total sales of banquets during the year as compared to 2016. As mentioned above, the Group also focused on "customer experience enhancement" during the year. In addition to full implementation of electronic order system and payment system, the Group also gradually introduced electronic invoicing in some restaurants. The Group intended to realize integration of the customer's self-service order, self-checkout, self-service electronic invoicing processes.

In respect of cost and efficiency, the Group has formulated a series of efficiency enhancement initiatives, both internally and externally, and fully commenced the preparation work during the year. In response to the increasing burden from staff costs, the Group has been relentlessly pursuing lean management measures to stabilize the workforce and control costs. Various kinds of professional training were introduced to boost internal efficiency in 2016. In 2017, the Group looked to further enhance staff efficiency with various strategies, including formulation of integrated talent training program to maximize staff efficiency, optimization of staff structure and composition to speed up information dissemination and decision-making. Meanwhile, a more precise and refined analysis is conducted in respect of different regional characteristics, customer groups and periods to boost sales, with a view to improving overall operating capability. In view of the importance of the purchasing system to the Group, we continued to strengthen and broaden the scale of bulk purchase. The portion of bulk purchase to total purchase increased year-on-year, accounting for more than a half of total purchase during the year, and is expected to continue to improve the Group's efficiency in the future. In the meantime, benefitting from the implementation of value added tax reform in Mainland China in May 2016, combined with the above-mentioned cost control measures adopted, the overall gross profit margin of the Group for the year reached 64.4%, marking an improvement of 1.5% as compared to the corresponding period in 2016. In addition, with the closure of outlets with relatively low operating efficiency in 2016, the Group witnessed a significant improvement in overall efficiency during the year. Through various efficiency enhancement policies, profit attributable to owners of the Company increased by RMB30.3 million from RMB101.0 million at 31 December 2016 to RMB131.3 million at 31 December 2017, representing net profit margin increase from 8.2% to 9.8%.

Chinese Restaurant Business

The Group's Chinese restaurant business posted satisfactory revenue growth in all regions. Apart from timely business expansion when opportunity arises, the Group prioritized the promotion of online takeaway sales among all the major development projects for same store growth in 2017 by focusing on selecting suitable outstanding online takeaway platforms and stepping up promotional activities with such platforms. On the other hand, the Group reviewed and improved different aspects of the current service such as delivery time, takeaway packaging for brand-building in order to boost the revenue of online takeaway. Compared to 2016, revenue of takeaway in all regions demonstrated significant growth for the year with some regions recording multiplied or even higher growth. While Northern China region was the first region that the Group started the online takeaway platform business, it saw a revenue growth of over 50% in takeaway business with enhanced analysis of the takeaway management team and continuous optimization of operation procedures during the year. For Eastern China region, the Group kept abreast with the change and trend of the takeaway market and set specific monthly target based on data analysis of different takeaway platforms. In respect of Western China region, the Group focused on strengthening the communication with takeaway customers and delivery staff in order to boost customers' satisfaction. These key regional initiatives contributed to a threefold increase in revenue of takeaway in these two regions. The sales of online takeaway of Southern China region commenced in 2016 and further promoted in 2017, resulting in a revenue surge of more than ten times in online takeaway in that region. The Group believed that, in line with the existing convenience-oriented market consumption pattern and complemented with quality products and services, this business has a plenty of room for development and the Group will continue to expand.

Moreover, diversified banquet promotion was also one of our major projects. The Group noted that the consumption habit of Chinese customers became sophisticated with the increasing living standard in China, reflecting that banquets no longer limit to large wedding banquets and small scale banquets would better suit the consumers' needs. The Group strategically pre-marketed a wide range of banquets to cater for different celebrations ranging from graduation dinner to company dinner, conference, wedding banquet, baby shower, social gathering and birthday party etc., and we even self-organized various banquet shows to enhance promotion. This helped generate encouraging results in all regions with a majority of them achieving a double-digit growth, in particular, Southern China region recorded a growth of over 50%.

Casual Dining Business

Casual dining restaurants are trending in China and demonstrate enormous development potential as well as increasingly fierce competition. Nevertheless, with its profound knowledge of food and beverage, the Group pioneered the emergence of casual dining with the establishment of self-developed brands and the development of casual dining business had been satisfactory as a whole. As of 31 December 2017, there were 7 "Social Place" outlets, all of which recorded stable business growth. Mature outlets with two years of operation or more maintained satisfactory increase, especially the Chengdu outlet which posted a revenue increase of over 20%. It highlighted that the modern casual dining model was well-received by our customers. Another self-developed brand "Canton Tea Room" was also popular among customers in Shanghai and the Group was increasingly confident about its self-developed casual dining and was committed to boost the development with 3 additional outlets for "Canton Tea Room" in Shanghai in the first half of 2017.

Franchised And Joint Venture Brands

The franchised brand "Pepper Lunch" underwent internal resource consolidation. In addition to enhanced operating efficiency of each outlet, two outlets were added in the Beijing region in the first half of 2017, with same-store growth reaching 6.9%. After assessment of market positioning and operating condition of individual restaurants with our partners in Malaysia for the brand "PappaRich" business, the Group carried out business adjustment. As at 31 December 2017, "PappaRich" operated 4 outlets in total in Shanghai, Shenzhen and Taiwan. During the year, the Group facilitated cooperation with a renowned catering group from Korea and opened 2 Korean restaurants in Shanghai by the end of the year.

Strategic Cooperation and Investment

The Group invested in Goal Forward Holdings Limited ("**GF Holdings**") and Dragon King Group Holdings Limited ("**Dragon King Holdings**") in 2016 and 2017 respectively. A fair value gain of RMB3.0 million and RMB25.1 million were recognised for these two investments respectively during the year. As of 31 December 2017, the Group held 11.25% equity of GF Holdings and 22.0% equity of Dragon King Holdings.

FINANCIAL REVIEW

As at 31 December 2017, the Group was operating 56 restaurants and 6 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	
	2017	2016	**2017**	2016	**2017**	2016
			RMB	*RMB*		
Tang's Cuisine	**2**	4	**293.9**	283.1	**8.1%**	11.7%
Tang Palace*	**28**	25	**162.5**	153.4	**73.6%**	75.4%
Social Place	**7**	5	**123.9**	113.7	**8.9%**	5.5%
Canton Tea Room	**4**	1	**84.7**	86.0	**4.1%**	1.8%
Pepper Lunch	**14**	13	**49.7**	48.0	**4.9%**	5.1%

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

As mentioned above, the Group's overall revenue for the year increased by 8.6% to RMB1,356.1 million and the overall gross profit margin has also increased by 1.5%. With our persistence in carrying out various measures to control cost amid volatile market over the past few years, operating expenses remained controllable as compared to last year. During the year, the Group's share award plan expense calculated at market price amounted to RMB9.3 million (2016: RMB2.5 million). By excluding this expense item, the Group's percentage of staff costs on revenue is 27.6% (2016: 26.8%). An overall increase in staff costs were due to the rise in the level of minimum wage in a number of provinces and cities in China successively, the Group has adjusted its employee wages in compliance with relevant regulations, and the increment is controlled within a slight level of 0.8% through continuous optimisation of lean management measures. Despite the slight increment in percentage of staff costs on revenue, the remaining percentage of other expenses on revenue have decreased during the year. In which, percentage of depreciation of items of property, plant and equipment, rental and related expenses and other expenses on revenue is 3.8% (2016: 4.4%), 9.0% (2016: 9.0%) and 6.1% (2016: 7.4%) respectively. The business rearrangement in prior year effectively reduced the sub-par businesses' impacts to the Group's results, which reduced cost effectively. During the year, effective tax rate was 31.5% (2016: 29.6%), which included withholding tax on dividend income of RMB15.5 million. After deducting the PRC withholding tax derived from dividend income, actual tax rate for the year was 23.6%. As driven by the sustainable uptrend of our business as well as favorable result of our effort in cost control, the profit attributable to owners of the Company for the year increased by 30.0% from RMB101.0 million to RMB131.3 million. Also, the net profit margin increased by 1.6% from 8.2% to 9.8% and the Group's overall efficiency has been significantly enhanced.

Cash flow

Cash and cash equivalents increased by RMB29.4 million from RMB400.4 million as at 31 December 2016 to RMB429.8 million as at 31 December 2017.

Net cash of RMB188.0 million was generated from operating activities during the year. Net cash used in investing activities amounted to RMB64.2 million during the year, of which RMB60.4 million was related to the purchase of property, plant and equipment. Net cash used in financing activities amounted to RMB92.7 million for the year, of which RMB41.0 million was related to repayment of bank loan, RMB128.2 million was related to dividend payment and a new bank loan of RMB76.5 million.

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 deposits, in aggregate, of RMB513.8 million as at 31 December 2017 (31 December 2016: RMB472.5 million). As at 31 December 2017, the Group's total assets, net current assets and net assets were RMB889.7 million (31 December 2016: RMB773.5 million), RMB266.5 million (31 December 2016: RMB262.9 million) and RMB534.1 million (31 December 2016: RMB479.3 million), respectively.

As at 31 December 2017, the Group had bank borrowings of RMB70.6 million (31 December 2016: RMB41.0 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 13.2% as at 31 December 2017 (31 December 2016: 8.6%).

As at 31 December 2017, the current ratio (calculated as current assets divided by current liabilities) was 1.8 (31 December 2016: 1.9).

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

Foreign Currency Exposure

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses 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 2017, 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.

Outlook and Prospect

Thanks to its sharp market acumen and flexible adjustment strategies, the Group continues to improve and innovate in response to the dynamics of the food and beverage market. It sails smoothly despite uncertainties, and actively explores and pursues development opportunities in a positive environment. In 2017, taking advantage of its thorough market knowledge, the Group underwent aggressive expansion, setting up new outlets for the two self-developed casual dining brands and the Chinese restaurant business in various cities. In 2018, the Group will keep a close eye on market conditions to execute business expansion.

The food and beverage market in China has undergone enormous and rapid changes and the overwhelming growth of e-commerce has transformed the consumption pattern of the society. There remains huge room of development for the Group's online sales operation and two major objectives have been set for e-commerce in 2018, namely "takeaway platform service improvement" and "comprehensive promotion for self-owned online shopping platform". Takeaway sales are one of the crucial elements of the current business expansion. At the same time, the Group considers it equally important to explore other online sales channels. Thus, in combination with refinement of production portfolio and service process for existing takeaway sales, the development of the online shopping platform "WeiMall" (微商城), launched by the end of 2016, will be crucial to the Group. In 2017, trial runs were carried out with the aim of establishing a suitable sales model and logistics arrangement for the online shopping platform. During the year, the product portfolio was gradually expanding with the additions of many items, such as seasonal fruit, souvenirs, ready-made meals, frozen food, etc. The variety of goods will be further increased in the future and a dedicated team will be formed to manage sales and after-sales services in order to achieve a higher turnover. In line with our business expansion, preparation works in respect of efficiency enhancement initiatives formulated during the year have fully commenced, with a view to further refinement and extensive implementation in the coming year. In the future, workforce planning will continue to be revised to maximise efficiency in response to the inevitable increase of staff costs.

The Group has been seeking diversification for years and kept refining its core Chinese restaurant business. On top of that, the promising prospects of casual dining have convinced the Group to carry out standardisation and foreign expansion. In early 2018, "Social Place" has been introduced to the Greater China region for the first time and will keep looking for quality partners in the catering business as well as investment projects with potentials so as to broaden its presence.

In 2018, the Group will continue to optimise the overall operation of the existing businesses and actively prepare for business expansion. It will also keep up the efforts to boost overall efficiency. The Group believes that its thorough understanding of the industry and determination to implement refined management will enable the Group to maintain healthy and sustainable development.

OTHER INFORMATION

Number and Remuneration of Employees

As at 31 December 2017, 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 RMB10.0 million and RMB0.3 million as at 31 December 2017 and 31 December 2016, respectively.

Charge on Group's Assets

As at 31 December 2017, the Group had pledged time deposits of RMB80.0 million (31 December 2016: RMB43.0 million) for banking facilities amounting to RMB70.6 million (31 December 2016: RMB41.0 million).

Contingent Liabilities

As at 31 December 2017, 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

During the year, the trustee of the share award plan adopted on 25 March 2011 by the Company and amended in 2013, pursuant to the terms of the trust deed of the aforesaid plan, purchased on the Stock Exchange a total of 2,382,000 shares of the Company at a total consideration of approximately RMB6.0 million. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance Code

The Board is 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 2017.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting will be held on 4 June 2018 (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 HK23.00 cents per ordinary share (2016: HK21.00 cents), payable to Shareholders whose names appear on the register of members of the Company on 8 June 2018. Including the interim special dividend of HK8.50 cents per ordinary share (2016: HK6.00 cents) declared, the total dividend payout ratio for the year ended 31 December 2017 will be 100.0% (2016: 100.8%).

The above payout ratio has already taken into account of the Group's sufficiency in resources for its working capital and business development requirements, the Group maintains the high payout ratio in order to keep rewarding the Shareholders, given satisfactory result in 2017.

Subject to the approval of the Shareholders at the forthcoming AGM to be held on 4 June 2018, the final dividend is expected to be paid on 31 July 2018.

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 2018 to 4 June 2018 (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 28 May 2018.

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 2017 (if approved), the register of members of the Company will be closed on 8 June 2018, during which no transfer of share(s) will be effected. To be entitled to the final dividend for the year ended 31 December 2017 (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 2018.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (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, 26 March 2018

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*