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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)

**CONNECTED TRANSACTION
GRANT OF NEW SHARES TO A CONNECTED PERSON
UNDER THE SHARE AWARD PLAN**

On 24 May 2019, the Board has resolved to recommend to the Independent Shareholders to grant the Award Shares to the Connected Participant under the Share Award Plan, being 3,080,000 new Shares by way of issue and allotment of new Shares pursuant to the Specific Mandate.

The Award Shares to be issued and allotted by the Company to the Connected Participant represent approximately 0.288% of the Company's issued share capital as at the date of this announcement and approximately 0.287% of the Company's enlarged issued share capital after the allotment.

The Connected Participant is a Director and accordingly a connected person to the Company and the grant of the Award Shares to the Connected Participant under the Share Award Plan shall constitute a non-exempt connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee has been established to advise the Independent Shareholders on whether the Award is on normal commercial terms and conducted in the Company's ordinary and usual course of business, and its terms are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and how to vote on the resolution regarding the Award. TC Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held on 14 June 2019 for the purpose of considering and, if thought fit, approving the Award and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Award, together with the notice of the EGM and proxy form, is expected to be despatched to the Shareholders on 29 May 2019.

GRANT OF NEW SHARES IN FAVOUR OF A CONNECTED PERSON UNDER THE SHARE AWARD PLAN

Background of the Share Award Plan and the proposed grant of the Award Shares

The Share Award Plan was adopted by the Company on 25 March 2011 (as supplemented and amended) to provide a means for the Company to (i) recognise and reward certain eligible participants who have contributed to the growth and development of the Group and encourage them to give their continual support to the Group; and (ii) to attract and retain suitable personnel for the further development of the Group.

On 24 May 2019, the Remuneration Committee recommended to the Board, and the Board endorsed the recommendation of the Remuneration Committee and resolved to recommend to the Independent Shareholders to grant the Award Shares to the Connected Participant under the Share Award Plan by way of issue and allotment of 3,080,000 new Shares.

As the Connected Participant is a connected person of the Company, the issue and allotment of the Award Shares in favour of the Connected Participant will constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules, and shall be subject to the approval by the Independent Shareholders at the EGM.

Set out below are details of the Award Shares proposed to be granted in favour of the Connected Participant:

Name of Connected Participant	Number of Award Shares to be issued and allotted
Ms. Weng Peihe	3,080,000 new Shares

Save for being an executive Director and the chief executive officer of the Company, Ms. Weng does not have any other relationship (business or otherwise) with the Company's substantial or controlling Shareholders, Directors, chief executives or senior management. Ms. Weng had abstained from voting on the resolution of the Board so far as the approval of the Award and the transactions thereunder were concerned.

There shall be no vesting condition on the Award Shares, i.e. upon the allotment and issue of the Award Shares to the Trustee, the Award Shares shall vest immediately in the Connected Participant and the Trustee shall thereafter transfer the title in the Award Shares to the Connected Participant by following the normal procedures relating to the Shares transfer.

The Award Shares represent approximately 0.288% of the total number of Shares in issue as at the date of this announcement and approximately 0.287% of the total number of Shares in issue as enlarged by the issue and allotment of the Award Shares.

Based on the closing price of HK\$1.26 per Share as quoted on the Stock Exchange on the date of this announcement, the market value of the Awards Shares will be HK\$3,880,800. Based on the average closing price of the Shares for the five consecutive trading days immediately preceding 24 May 2019 as quoted on the Stock Exchange is HK\$1.308 per Share, the market value of the Awards Shares is HK\$4,028,640.

Neither the Trustee nor the Connected Participant can exercise any voting rights conferred by the Award Shares upon allotment and vesting, while the Award Shares, when issued and fully credited, shall rank *pari passu* among themselves and with those Shares in issue, with the right to receive all dividends and other distributions declared, made or paid on or after the date of allotment. After the allotment of the Award Shares, the Trustee will transfer the title in the Award Shares to the Connected Participant by following the normal procedures relating to the Shares transfer. Once the transfer of title in the Shares by the Trustee to the Connected Participant is completed, the Connected Participant would be entitled to exercise voting rights and other rights (including dividends and other distributions) conferred by the Shares under the articles of association of the Company.

The Company has not engaged in any fundraising exercises in the 12 months immediately preceding the date of the date of this announcement. No fund will be raised by the Company as a result of the issue and allotment of the Award Shares.

Conditions

The granting of the Award Shares shall be subject to the following conditions:

- 1) the approval by the Independent Shareholders at the EGM in respect of the issue and allotment of the Award Shares pursuant to the Specific Mandate; and
- 2) the granting of the listing and dealing approval by the Stock Exchange in respect of the Award Shares.

As at the date of this announcement, application has been made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the Award Shares.

After the satisfaction of the aforesaid conditions, the Award Shares shall be allotted and issued to the Trustee which will hold the same for the benefit of the Connected Participant.

Reasons for granting the Award Shares to the Connected Participant

The principal businesses of the Group are restaurant operations and food production.

The Share Award Plan forms a part of the Group's incentive schemes. The Board considers the Award to be a means of aligning the interests of the Connected Participant and of the Shareholders through ownership of Shares which can incentivize the Connected Participant to strive for higher returns to the Company effectively. The Board also considers the Award to be a recognition of the Connected Participant's industry expertise and her position as a key leader in the management of the Group's restaurant operations both historically and going forward. In this connection, the Connected Participant's commitment to the Group is regarded by the Board as highly valuable, and retaining her involvement is vital to the Group's future development.

Remuneration Policy

The Company's remuneration policy for executive Directors includes monthly director fee, basic salary and a discretionary management bonus to be determined by the Board. The Company also adopted the Share Award Plan on 25 March 2011 which allows the Company to reward and retain key members of senior management whose expertise and long-term commitment are considered important to the Company's business objectives and continued growth. The granting of share awards form parts of the remuneration package of senior management of the Group as part of performance-related discretionary bonus along with cash bonus. The Company considers that by granting of share awards to our employees, the interests of the employees can be aligned directly with the performance of the Group and the interests of Shareholders through the ownership of Shares.

As disclosed in the Company's announcement dated 15 April 2019, other senior management of the Group had also been granted the Shares earlier under the Share Award Plan earlier in the current financial year as part of their performance-related discretionary bonus.

In light of the Board's intention to maintain continuous and sustainable development for the Group that can be supported by the Connected Participant's unique values, and taking into account the Connected Participant's unique contribution to the Group, the Remuneration Committee considers the grant of the Award Shares under the Share Award Plan to be generally in line with the Company's remuneration policy, as the granting of Shares is aligned with the performance of the Connected Participant.

Contribution and unique values of Ms. Weng

Ms. Weng has substantially contributed to the ongoing development of the Group in the past. She procured the Group to introduce the 5S management system. The 5S management system requires the operation procedures and environment to have five essential principles, namely sort (good classification practice), systemize (efficient principle to store and retrieve), shine (clean and hygienic environment), standardise (standard procedures consented to maximize efficiency) and self-discipline (based on mechanism established from previous four principles, motivative staff to be self-disciplined take their own initiative to improve). All the above principles are essential and applicable to food and beverage industry in which a clean, hygienic and safe environment is vital to food safety and occupational health and safety. Since the introduction of the 5S management system, Ms. Weng, with her extensive experience and expertise in the food and beverage industry, has formed an 5S management system implementation unit in the Group, and has continued to monitor its smooth execution to enhance the operational efficiency while maintaining high standard of food and occupational health safety through established supervising mechanism and maintaining good relationship with the founders of ERS Institute through which the Group is able to obtain latest information about the 5S management system, which is crucial for the maintenance of a continuous and sustainable development for the Group as a whole. Over the years, Ms. Weng has been keen on establishing a good corporate culture and maintaining a stable core management team through the introduction and application of the essences in Chinese traditional culture in corporate management, which is important for the sustainable growth of the Group.

Her introduction of modern corporate management strategies coupled with her leadership in driving the execution of such strategies, her role in building and maintaining a core management team, her efforts in establishing a unique corporate culture and solidifying the organizational structure, all of which have been crucial to the sustainable growth of the Group, and are regarded to be significant drivers behind the Group's successful listing on the Stock Exchange on 11 April 2011 and the Group's continuous development after listing. The Group has also managed to achieve the recovery after the industry downturn in around 2013 and maintained steady operating performance over the last three financial years.

Since the listing, Ms. Weng continued to contribute to the growth of the Group through her leadership in the Group's operations in various regions in Greater China, where she undertook a key role in the networking within the industry. Ms. Weng has been maintaining good relationship with existing and potential landlords and actively participate in the negotiation of the leases to ensure the restaurants of the Group are strategically located in prime locations on terms and rental expenses acceptable to our Group. During the tenure of Ms. Weng as the chief executive officer of the Group, she built up an efficient mid-level management team by training up district general managers to oversee the operation in key outlet locations in Beijing, Shanghai, Shenzhen, and Chengdu etc. Ms. Weng, being responsible in formulating core strategies for the Group, has led the Group in diversifying its target customers by developing a variety of catering outlets brands of our Group, ranging from traditional Cantonese restaurant to Chinese fine dining.

The Board had also considered other means of remunerating for the Connected Participant, including increase of cash remuneration and the grant of Share Options. The grant of share options is a less effective incentive scheme in serving the Company's aim of rewarding and recognising the historical performance, contributions and long-term commitment of the Connected Participant as share options would be granted at an exercise price higher than the then market value of the shares, which would have no intrinsic value unless the share price rises and is higher than the exercise price of the share options, and the awardees are required to pay the exercise price upon exercise of the share options. In addition, the Award aligns the interests of the Connected Participant directly with the performance of the Company and the interests of Shareholders through the ownership of Shares. The Directors concluded, as compared with cash remuneration, that the Award is the preferred option because (i) it will not result in any actual cash outflow by the Group and (ii) other senior management had also been granted shares earlier in this financial year (as announced by the Company's announcement dated 15 April 2019). As the Board considered the Award serves as an incentive to the Connected Participant to achieve sustainable and satisfactory returns to the Company, it would result in increased value to the Shareholders as a whole, and effectively offset any dilution impact resulting from the Award.

Opinion of the Remuneration Committee

In conclusion, the Remuneration Committee is of the opinion that since (i) the Connected Participant's contributions have been very important and unique to the Company; (ii) there will not be any actual cash outflow by the Group as a result of the Award; and (iii) the grant of Award Shares is in line with the remuneration given to other senior management of the Company who has also received Shares under the Share Award Plan (as announced by the Company in its announcement dated 15 April 2019) and (iv) the Award is expected to serves as a key incentive to the Connected Participant to strive for higher returns to the Company, effectively offsetting the dilution effect of the newly issued Award Shares and (v) the remuneration package of the Connected Participant recognizes her skills and contributions which support the Group's business expansion and her long term support will continue to promote the Group's future development,

therefore the Award is considered to be on normal commercial terms and conducted in the ordinary and usual course of business of the Group, and the terms and conditions of the Award are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Recommendation of the Board

Upon the recommendation of the Remuneration Committee and the factors that it has taken into consideration, the Board agrees with the Remuneration Committee's view that the Award is on normal commercial terms and conducted in the Company's ordinary and usual course of business, and its terms are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Listing Rules and Legal Implications

Pursuant to the Share Award Plan, the maximum number of Shares that can be awarded under the Share Award Plan in each financial year is limited to 10% of the total issued share capital of the Company as at the beginning of that financial year. The maximum number of Award Shares which may be granted under the Share Award Plan for the financial year ending 31 December 2019 is 106,861,750 Shares. Following the award of Shares by the Company under the Share Award Plan on 25 April 2019, there remains 104,696,750 Shares available under the Share Award Plan for further awards by the Company for the financial year ending 31 December 2019. The Connected Participant is a Director and accordingly a connected person to the Company and the grant of the Award Shares to the Connected Participant under the Share Award Plan shall constitute a non-exempt connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Weng, who is an executive Director and the chief executive officer of the Company holding 23,790,000 Shares, representing approximately 2.22% of the issued Shares as at the date of this announcement, is required to abstain from voting in respect of the proposed resolution approving the award of the Award Shares to her. To the best of the Directors' knowledge, information and belief, no other Shareholders has a material interest in the Award as at the date of this announcement and accordingly, other than Ms. Weng, no other Shareholder is required to abstain from voting at the EGM. Ms. Weng does not have any relationship (business or otherwise) with the Company's substantial or controlling Shareholders, Directors, chief executive or senior management, except for being an executive Director and the chief executive officer of the Company.

Ms. Weng had abstained from voting on the board resolution of the Board so far as the approval of the Award and the granting of the Award Shares to her were concerned.

Pursuant to the Listing Rules, the resolution to be proposed at the EGM will be taken by way of poll and an announcement will be made after the EGM on the results of the EGM.

GENERAL

The Independent Board Committee comprising Mr. Kwong Chi Keung, Mr. Kwong Ping Man and Mr. Cheung Kin Ting Alfred, all being the independent non-executive Directors, has been formed to advise the Shareholders as to (i) whether the Award is on normal commercial terms and conducted in the Company's ordinary and usual course of business, and its terms are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Award is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Award and the transactions contemplated thereunder at the EGM. TC Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held on 14 June 2019 for the purpose of considering and, if thought fit, approving the Award and the transactions contemplated thereunder. The Connected Participant, who is an executive Director and the chief executive officer of the Company, holding 23,790,000 Shares, representing approximately 2.22% of the issued Shares as at the date of this announcement, is required to abstain from voting in respect of the proposed resolution approving the Award.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, no other Shareholders has a material interest in the Award as at the date of this announcement and accordingly, other than Ms. Weng, no other Shareholder is required to abstain from voting at the EGM to approve the Award.

A circular containing, among other things, further details of the Award, together with the notice of the EGM and proxy form, is expected to be despatched to the Shareholders on 29 May 2019.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Award”	the proposed granting of the Award Shares to the Connected Participant
“Award Shares”	3,080,000 new Shares to be issued and allotted in favour of the Connected Participant under the Share Award Plan
“Board”	the board of Directors of Tang Palace (China) Holdings Limited

“Company”	Tang Palace (China) Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1181)
“Connected Participant” or “Ms. Weng”	Ms. Weng Peihe, an executive Director and the chief executive officer of the Company and accordingly a connected person of the Company
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve the Award
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the Award
“Independent Financial Adviser” or “TC Capital”	TC Capital International Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, and appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Award
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM to approve the Award
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is (are) independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders, of the Company, its subsidiaries or any of their respective associate(s)
“Listing Committee”	has the meaning ascribed to it under the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
“Share Award Plan”	the share award plan adopted on 25 March 2011 by the Company (as supplemented and amended)
“Shareholder(s)”	the holder(s) of the Shares
“Share Option Scheme”	the share option scheme of the Company adopted on 25 March 2011
“Specific Mandate”	a specific mandate to be sought from the Independent Shareholders at the EGM in respect of the issue and allotment of the Award Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trustee”	Best Service Limited, the trustee appointed by the Company for the purpose of the trust in connection with the Share Award Plan which is an Independent Third Party

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

Hong Kong, 24 May 2019

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*