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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "**Board**") of Tang Palace (China) Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2018 (the "**Period**"), together with comparative figures for the six months ended 30 June 2017 as follows:

HIGHLIGHTS

	For the six months ended 30 June		Change in
	2018	2017	%
Revenue *(RMB'000)*	**740,187**	659,789	12.2%
Gross profit *(RMB'000)* [1]	**466,936**	427,034	9.3%
Gross profit margin	**63.1%**	64.7%	(1.6%)
Profit for the Period attributable to owners of the Company *(RMB'000)*	**52,219**	61,951	(15.7%)
Net profit margin [2]	**7.1%**	9.4%	(2.3%)
		(Restated)	
Basic earnings per share *(RMB cents)*	**4.90**	5.83	(16.0%)
Interim special dividend per share (HK cents) [3]	**3.40**	8.50	
Number of restaurants (self-owned)	**58**	54	
Number of restaurants (joint ventures)	**6**	8	

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

(2) Net profit margin represents the percentage of profit attributable to owners of the Company on the Group's revenue for the Period.

(3) The interim special dividend in 2017, HK8.50 cents per ordinary share was before the effects of Bonus Issue and Share Subdivision.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June **2018** ***RMB'000*** **(unaudited)**	 2017 *RMB'000* (unaudited)
Revenue	*3*	**740,187**	659,789
Other income	*3*	**19,323**	17,304
Cost of inventories consumed		**(273,251)**	(232,755)
Staff costs		**(227,522)**	(191,980)
Depreciation of items of property, plant and equipment		**(23,714)**	(24,966)
Utilities and consumables		**(38,581)**	(32,252)
Rental and related expenses		**(70,276)**	(60,425)
Other expenses		**(45,631)**	(40,532)
Finance costs		**(835)**	(337)
Share of losses of joint ventures		**(1,128)**	(1,967)
PROFIT BEFORE TAX	*5*	**78,572**	91,879
Income tax expense	*6*	**(25,417)**	(29,621)
PROFIT FOR THE PERIOD		**53,155**	62,258
Attributable to:			
Owners of the Company		**52,219**	61,951
Non-controlling interests		**936**	307
		53,155	62,258
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		(Restated)
Basic and diluted (RMB cents)		**4.90**	5.83

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	**53,155**	62,258
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**(12,925)**	3,759
Exchange differences on translation of foreign operations	**(7,656)**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(20,581)**	3,759
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**32,574**	66,017
Attributable to:		
Owners of the Company	**31,638**	65,710
Non-controlling interests	**936**	307
	32,574	66,017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**144,154**	133,463
Intangible assets		**4,185**	4,841
Investments in joint ventures		**6,765**	5,767
Available-for-sale investments		**26,991**	66,154
Prepayments and deposits	*9*	**41,640**	60,242
Deferred tax assets		**4,822**	5,985
Total non-current assets		**228,557**	276,452
CURRENT ASSETS			
Inventories		**43,745**	44,420
Trade and other receivables and prepayments	*9*	**65,973**	52,731
Due from joint ventures		**2,191**	2,252
Pledged time deposits		**80,000**	80,000
Time deposits		**54,000**	4,000
Cash and cash equivalents		**452,798**	429,804
Total current assets		**698,707**	613,207
CURRENT LIABILITIES			
Trade and other payables	*10*	**362,697**	263,653
Due to related companies		**222**	171
Interest-bearing bank borrowings		**68,000**	70,550
Tax payable		**10,467**	12,312
Total current liabilities		**441,386**	346,686

	Notes	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
NET CURRENT ASSETS		**257,321**	266,521
TOTAL ASSETS LESS CURRENT LIABILITIES		**485,878**	542,973
NON-CURRENT LIABILITY			
Deferred tax liabilities		**8,899**	8,899
Net assets		**476,979**	534,074
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*11*	**45,485**	45,276
Reserves		**426,204**	485,360
		471,689	530,636
Non-controlling interests		**5,290**	3,438
Total equity		**476,979**	534,074

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018

1. CORPORATE INFORMATION

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

During the Period, the Company and its subsidiaries (collectively, the "**Group**") were principally engaged in restaurant operations and food productions.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial information are consistent with those of the Group as set out in the Group's annual financial statements for the year ended 31 December 2017, except for the following new and revised Hong Kong Financial Reporting Standards (the "**HKFRSs**") that have been adopted by the Group for the first time in 2018 for the current period's interim financial information.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2018:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to HKFRSs 2014–2016 Cycle	*Amendments to the following two HKFRSs:* — *HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards* — *HKAS 28 Investments in Associates and Joint Ventures*

HKFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities, and derecognition of financial instruments, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has reviewed its classification of financial assets and liabilities and has not identified any significant impact from the adoption of the new standard on 1 January 2018.

The Group has adopted HKFRS 15 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated. The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 Revenue ("**HKAS 18**") that relate to the recognition, classification and measurement of revenue and costs. The Group has assessed its performance obligations and timing of revenue recognition under HKFRS 15 and has concluded that there is no significant impact of HKFRS 15 on revenue recognition as at 1 January 2018.

The adoption of the above HKFRSs, except for HKFRS 9 and HKFRS 15, did not have any significant financial impacts on the unaudited condensed consolidated financial statements.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements to 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 No mandatory effective date yet determined but available for adoption
3 Effective for annual periods beginning on or after 1 January 2021

The Group will apply the above HKFRSs when they become effective. The Group is in the process of assessing the impact of the above HKFRSs.

3. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue:		
Gross revenue	**740,964**	660,373
Less: sales related tax	**(777)**	(584)
	740,187	659,789
Other income:		
Bank interest income	**1,573**	1,434
Commission income#	**12,442**	12,344
Others	**5,308**	3,526
	19,323	17,304

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 in Northern, Eastern, Southern and Western regions of China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted operating profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that head office and corporate income and expenses are excluded from such measurement.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information about major customers

During the Period, there was no revenue from customers individually contributing over 10% to the total revenue of the Group.

Segment information about the business is presented below:

	Northern region		Eastern region		Southern region		Western region		Total	
					Six months ended 30 June					
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue:										
Sales to external customers	**199,239**	187,467	**302,393**	295,822	**192,913**	153,157	**45,642**	23,343	**740,187**	659,789
Inter-segment sales	**—**	—	**26,655**	23,021	**—**	—	**—**	—	**26,655**	23,021
	199,239	187,467	**329,048**	318,843	**192,913**	153,157	**45,642**	23,343	**766,842**	682,810
Reconciliation:										
Elimination of inter-segment sales									**(26,655)**	(23,021)
Revenue									**740,187**	659,789
Segment results	**30,298**	35,956	**33,126**	51,566	**27,609**	26,993	**8,543**	5,705	**99,576**	120,220
Reconciliation:										
Interest income									**603**	77
Share of losses of joint ventures									**(1,128)**	(1,967)
Unallocated expenses									**(19,644)**	(26,114)
Finance costs									**(835)**	(337)
Profit before tax									**78,572**	91,879

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

The Group's revenue is generated from restaurants operations and food productions.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

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

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Directors' emoluments*	**7,963**	9,259
Other staff costs*	**203,808**	168,813
Pension scheme contributions	**15,751**	13,908
Total staff costs	**227,522**	191,980
Depreciation of items of property, plant and equipment	**23,714**	24,966
Amortisation of intangible assets	**896**	895

* Including share award plan expenses in total of RMB7,728,000 (2017: RMB9,257,000).

6. INCOME TAX

Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The Company's subsidiaries in Mainland China are subject to income tax at the rate of 25% (six months ended 30 June 2017: 25%).

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current — PRC		
Charge for the period	**20,490**	22,844
Over provision in prior periods	**(518)**	(175)
Current — Hong Kong	**838**	—
PRC withholding tax on dividend income	**3,444**	6,579
Deferred	**1,163**	373
	25,417	29,621

7. DIVIDEND

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interim special dividend — HK3.40 cents (six months ended 30 June 2017: HK8.50 cents, before the effects of Bonus Issue and Share Subdivision) per ordinary share	**31,685**	30,976

On 27 August 2018, the Board declared an interim special dividend for the Period of HK3.40 cents per ordinary share. The Board has already taken into account the sufficiency of resources for the Group's working capital and business development requirement.

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

The calculation of the basic and diluted earnings per share is based on the following data, the effects of Bonus Issue[a] and Share Subdivision have been retrospectively adjusted:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the Company	**52,219**	61,951
	Number of shares	
		(Restated)
Shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic and diluted earnings per share	**1,064,689,959**	1,062,913,246

[a] Pursuant to an ordinary resolution passed by the shareholders of the Company of the extraordinary general meeting of the Company held on 26 September 2017, the shareholders of the Company approved a bonus issue (the "**Bonus Issue**") of the shares on the basis of one bonus share for every four shares held by qualifying shareholders whose name appear on the register of members of the Company on 4 October 2017, being the date of determining the entitlement to the Bonus Issue. The Bonus Issue was completed on 10 October 2017.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group's trading terms with its customers are mainly on credit with credit period generally 30 days. Each customer has a maximum credit limit.

	As at 30 June 2018 ***RMB'000*** **(unaudited)**	As at 31 December 2017 *RMB'000* (audited)
Trade receivables	**16,621**	14,263
Prepayments	**31,481**	39,317
Deposits and other receivables	**59,511**	59,393
	107,613	112,973
Less: Prepayments and deposits classified as non-current assets	**(41,640)**	(60,242)
	65,973	52,731

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

	As at 30 June 2018 ***RMB'000*** **(unaudited)**	As at 31 December 2017 *RMB'000* (audited)
Trade receivables:		
Within 30 days	**14,098**	13,058
31 to 60 days	**1,912**	254
61 to 90 days	**255**	336
Over 90 days	**356**	615
	16,621	14,263

10. TRADE AND OTHER PAYABLES

	As at 30 June 2018 *RMB'000* (unaudited)	As at 31 December 2017 *RMB'000* (audited)
Trade payables	**68,874**	77,027
Other payables and accruals	**27,571**	28,853
Dividend payable	**98,313**	—
Salary and welfare payables	**31,275**	33,050
Receipts in advance	**136,664**	124,723
	362,697	263,653

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

	As at 30 June 2018 *RMB'000* (unaudited)	As at 31 December 2017 *RMB'000* (audited)
Trade payables:		
Within 30 days	**58,142**	58,596
31 to 60 days	**5,297**	8,873
61 to 90 days	**1,342**	4,932
91 to 180 days	**1,238**	2,485
Over 180 days	**2,855**	2,141
	68,874	77,027

11. ISSUED CAPITAL

	As at 30 June 2018		As at 31 December 2017	
	HK$'000 (unaudited)	*RMB'000 equivalent* (unaudited)	*HK$'000* (audited)	*RMB'000 equivalent* (audited)
Authorised:				
4,000,000,000 [a] (2017: 2,000,000,000) ordinary shares of HK$0.05 (2017: HK$0.10) each	**200,000**		200,000	
Issued and fully paid:				
1,068,617,500 [b] (2017: 531,686,250) ordinary shares of HK$0.05 (2017: HK$0.10) each	**53,431**	**45,485**	53,169	45,276

11. ISSUED CAPITAL *(Continued)*

(a) The nominal value of the ordinary shares of the Company was initially at HK$0.1 per share. With effect from 5 June 2018, each of the then existing issued and unissued share of the Company was subdivided into two subdivided shares of HK$0.05 each, after a resolution was passed at the extraordinary general meeting of the Company held on 4 June 2018 and with an approval obtained from the Stock Exchange (the "**Share Subdivision**"). Upon the Share Subdivision became effective, the authorised share capital of the Company became HK$200,000,000, divided into 4,000,000,000 shares of HK$0.05 each. The other rights and terms of the shares remained unchanged as at 30 June 2018 (31 December 2017: 2,000,000,000 shares at HK$0.1 per share, which are the numbers before the effect of the Share Subdivision).

(b) As at 30 June 2018, the total number of issued ordinary shares of the Company was 1,068,617,500 shares after the effect of the Share Subdivision (31 December 2017: 531,686,250 shares before the effect of the Share Subdivision). These shares were all fully paid up, and included the shares issued under Share Award Plan.

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

	Number of shares	Capital	
		HK$'000	*RMB'000 equivalent*
Authorised:			
At 1 January 2018	2,000,000,000	200,000	
Effect of the Share Subdivision	2,000,000,000	—	
At 30 June 2018	4,000,000,000	200,000	
Issued and fully paid:			
At 1 January 2018	531,686,250	53,169	45,276
Issue of shares under Shares Award Plan — before Share Subdivision	1,082,500	108	86
Immediately before the Share Subdivision	532,768,750	53,277	45,362
Effect of the Shares subdivision	532,768,750	—	—
Immediately after the Share Subdivision	1,065,537,500	53,277	45,362
Issue of shares under Shares Award Plan — after Share Subdivision	3,080,000	154	123
At 30 June 2018	1,068,617,500	53,431	45,485

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2018, gross domestic product of the PRC increased by 6.8%, a year-on-year increase similar to that of 2017, demonstrating a steady growth of Chinese economy. Domestic income from food and beverage recorded a year-on-year growth of 9.9% in the first half of 2018. According to the publication of the National Bureau of Statistics of China, the consumption structure of the PRC has been characterized by a higher growth speed in the service sector. Accordingly, there is still room for development for the food and beverage sector as it is a part of the service industry. Blooming development of O2O was also proved by the growth of online retail sales. In the first half of 2018, online retail sales increased by over 30% compared with the corresponding period of last year, demonstrating that there remained ample room for development. Catering enterprises have taken active part in developing online business to expand income sources.

BUSINESS REVIEW

During the first half of 2018, revenue of the Group increased by RMB80.4 million or 12.2%, to RMB740.2 million as compared to the same period in 2017. Maintaining its pace of development, the Group extended its Chinese restaurant business while proactively expanding its casual dining business. Of which 4 Chinese restaurants, 7 self-developed casual dining restaurants and 3 franchised restaurants are growing stores with less than two years of operation and new stores, which accounted for 17.8% of the revenue of the Group for the Period in total. Always with a keen sense and grasp of current circumstances, the Group was highly forward-looking in the development of mainland market and was confident about the prospects of Chengdu and Hangzhou, two rapidly developing new first-tier cities. The Group's first Chinese restaurant in Chengdu has been in operation for over two years and still recorded revenue growth of more than 10% for the Period, while turnover of the second Chinese restaurant established in January 2018 also increased continuously, already making profit contribution in the third month after the commencement of operation. The first Chinese restaurant opened in Hangzhou early on has been operating healthily and has benefitted from blooming development of the city in recent years. Therefore, the Group decided to expand its business and opened a new outlet during the Period. In addition, "Pepper Lunch" has maintained sound operation after undergoing business rearrangement and setting up two outlets in 2017, and an additional outlet was established in the first half of 2018. As of 30 June 2018, the Group is operating a total of 43 self-owned restaurants, 15 franchised restaurants and 6 joint venture restaurants.

The Group considered it crucial to strengthen the existing business. In response to the transformation of consumption patterns found in recent years, the Group was particularly concerned about the rapid growth of online retail sales. Since 2017, the Group has been actively boosting sales of takeaway platforms and enhancing promotional and marketing campaigns. The Group also formulated sales activities in different operating periods and product mix in respect of different regional characteristics so as to boost income from online takeaway. During the Period, the Group focused on expanding turnover of online takeaway, implementing takeaway platform in more outlets, and recorded multiplied growth in revenue from takeaway of all regions in general, representing an overall increase of over 160% as compared to that of the corresponding period ended 30 June 2017. The ideal increase in takeaway sales undoubtedly set up significant new channels for the Group's business development and also inspired it to further develop its online sales plan, including selling self-developed quality products online. Furthermore, another strategy of the Group for existing outlets was retaining customers. Over the years, sales of membership cards have made great contribution to strengthening customer loyalty for the Group. Revenue from sales of membership cards and top-up value for the Period amounted to RMB156.9 million. In view of the development of online sales and for more precise promotion to customers, the Group has upgraded the membership card system in the middle of this year. We actively enhanced diversified banquet promotions since 2017, and it continued to contribute to the stable revenue for the Group. As mentioned above, following the Group's rapid growth in recent years, it strives for strengthening the existing business during the Period, through increasing revenue from online takeaway platform, multiple offline promotions, and continuous promotion of membership card sales, making its same store sales growth to reach 1.6%.

Our self-developed casual dining brands have seen excellent development. Overall turnover amounted to RMB118.3 million for the six months ended 30 June 2018, increased by 64.7% as compared to the same period of 2017. The Group currently operates 11 outlets in Hong Kong, Shanghai, Shenzhen and Chengdu under two brands, namely "Social Palace" and "Canton Tea Room". These casual dining brands are widely welcomed by our customers. In particular, the turnover of the outlet in Chengdu, which has been operating for over two years has increased by over 30% in the Period, the result was encouraging. As such, there is enormous room for expansion for self-developed casual dining, and the Group will continue to explore business opportunities.

Regarding cost and efficiency, the increasing trend in the cost of minimum wage and social security plans in Mainland China as well as improvement of relevant employee benefits have imposed certain pressure on the Group in respect of labour cost. During the six months ended 30 June 2018, labour cost increased 18.5%. In view of the general rising trend in labour cost, the Group considered it was imperative to provide in-house training for efficiency enhancement and to optimize staff structure for improving staff cost control. The Group conducted an in-depth analysis and planning during the

Period, and will formulate a micro-adjustment plan during the year. During the Period, gross profit margin was 63.1%, the decrease was mainly due to the decline of the value-added tax rate in Mainland China during the period. Besides, intensified promotions for expanding businesses rolled out during the period.

During the Period, the Group has disposed all its ordinary shares in Goal Forward Holdings Limited and a gain of RMB3.8 million was recognised in profit for the Period.

FINANCIAL REVIEW

As at 30 June 2018, the Group was operating 58 restaurants and 6 other restaurants under joint ventures. The table below illustrates the number of restaurants by major brands, together with the average spending per customer and percentage of revenue to the Group:

	No. of restaurants as at 30 June		**Average spending per customer as at 30 June**		**Percentage of revenue contributed to the Group as at 30 June**	
Brand	**2018**	2017	**2018**	2017	**2018**	2017
			RMB	*RMB*		
Tang's Cuisine	**1**	4	**333.5**	312.7	**1.8%**	8.7%
Tang Palace*	**30**	25	**180.0**	165.4	**77.3%**	75.0%
Social Place	**7**	5	**130.7**	124.7	**11.1%**	8.3%
Canton Tea Room	**4**	4	**80.0**	84.4	**4.9%**	2.5%
Pepper Lunch	**15**	15	**50.4**	49.7	**4.5%**	4.9%

* *including Tang Palace Seafood Restaurant and Tang Palace*

As mentioned above, the Group's overall revenue for the Period increased by 12.2% to RMB740.2 million and the overall gross profit margin has decreased by 1.6%. During the Period, the Group's share award plan calculated at market price expense contributes RMB7.7 million (2017: RMB9.3 million). By excluding this expense item, the Group's percentage of revenue on staff costs is 29.7% (2017: 27.7%). Overall increased 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 resulting the increment in percentage of revenue on staff cost of 2.0%. Despite the relatively significant increment in staff costs, the remaining percentage of revenue on other expenses have slight fluctuation during the Period. Including percentage of revenue on depreciation of items of property, plant and equipment is 3.2% (2017: 3.8%), rental and related expenses is 9.5% (2017: 9.2%), and other expenses is 6.2% (2017: 6.1%). During the Period, effective tax rate was 32.3% (2017: 32.2%), which included withholding tax on dividend income of RMB3.4 million and deferred tax expense of RMB1.2 million. After deducting the PRC withholding tax derived from dividend income, actual tax rate for the Period was 26.5%. The profit attributable to owners of the Company for the Period decreased by 15.7% from RMB62.0 million to RMB52.2 million. Also, the net profit margin decreased by 2.3% from 9.4% to 7.1%.

Cash flow

Cash and cash equivalents increased by RMB23.0 million from RMB429.8 million as at 31 December 2017 to RMB452.8 million as at 30 June 2018.

Net cash of RMB76.2 million was generated from operating activities during the period. Net cash used in investing activities amounted to RMB53.4 million during the period, of which RMB32.8 million was related to the purchase of property, plant and equipment. Net cash generated from financing activities amounted to RMB0.9 million for the period.

Liquidity and Financial Resources

The Group's funding and treasury activities are managed and controlled by the senior management. The Group maintained cash and cash equivalents and time deposit, in aggregate, of RMB586.8 million as at 30 June 2018 (31 December 2017: RMB513.8 million). As at 30 June 2018, the Group's total assets, net current assets and net assets were RMB927.3 million (31 December 2017: RMB889.7 million), RMB257.3 million (31 December 2017: RMB266.5 million) and RMB477.0 million (31 December 2017: RMB534.1 million), respectively.

As at 30 June 2018, the Group had bank borrowings of RMB68.0 million (31 December 2017: RMB70.6 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 14.3% as at 30 June 2018 (31 December 2017: 13.2%).

As at 30 June 2018, the current ratio (calculated as current assets divided by current liabilities) was 1.6 (31 December 2017: 1.8).

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

As at 30 June 2018, the directors considered the Group's foreign exchange risk to be insignificant. During the Period, the Group did not use any financial instruments for hedging purposes.

OUTLOOK AND PROSPECT

The Group is set to better equip itself in the long term in view of the problem and requirement of the food and beverage market, including the large scale transformation in the first place several years ago, the rapid development of e-Consumer market, the consolidation of online promotion and the creation of an environment with interconnected online and offline consumption. For this purpose, the Group has planned a series of external and internal optimization strategies. First, in respect of online promotion, the Group recognized, through the accumulated analysis since the launch of takeaway platforms, that it can highlight promotion to be implemented for best result with different time slots in each outlet. Making good use of such will help maximize resources utilization and increase revenue. Besides, the Group is deeply confident in the development of online shop given the wide acceptancy of customers. During the Period, online store "WeiMall" has launched a series of self-developed convenient dishes products for households in the third quarter of this year. It will continue to enrich its products and relevant marketing strategies in response to the market conditions. In addition to stabilizing customer flow, our membership card system, combining with the mobile application of electronic membership card system, is designed to achieve a detailed analysis and provide multi-dimensional or more personalized sales experience.

To meet the needs of its long-term development, the Group will continue to actively explore and introduce the application of artificial intelligence (AI) with a view to achieving intelligent and digitalized operation, which will not only provide the management team with more accurate and timely information to cope with market changes, but also reduce various labour costs with minimal manual operation. The Group will continue to promote the management principle of "cool kitchen" with a view to boosting management and operation efficiency of outlets and minimizing energy consumption. At the same time, the Group will also fully implement the management principle of data analysis in each outlet and continue to optimize product structure and improve outlet efficiency and overall profitability. Labour cost continued to be a challenge faced by all enterprises. The Group will enhance efficiency by intelligent management, in the meantime, making flexible shift arrangement, and developing policies such as human resources sharing, cross-outlet or cross-position support, in an attempt to making arrangement for long-term labour cost control.

In 2018, the Group will focus on stepping up efforts in efficiency management, and fully prepare itself for long-term development, meanwhile paying close attention to overseas markets and carrying out research and study on the development opportunities, so as to capture opportunities and scale new heights.

OTHER INFORMATION

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2018, the Group had over 4,600 employees. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for expansion of new restaurants. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes, share options, share awards and performance related bonus.

CAPITAL COMMITMENT

The Group's capital commitment was approximately RMB6.6 million and RMB10.0 million as at 30 June 2018 and 31 December 2017, respectively.

CHARGES ON GROUP'S ASSETS

As at 30 June 2018, the Group had pledged time deposit of RMB80.0 million (31 December 2017: RMB80.0 million) for a banking facility accounting to RMB68.0 million (31 December 2017: RMB70.6 million).

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, there was no material acquisition or disposal of subsidiaries or associated companies of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

AUDIT COMMITTEE

The audit committee of the Company, comprising Mr. Kwong Ping Man as chairman as well as Mr. Kwong Chi Keung and Mr. Cheung Kin Ting Alfred, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited condensed consolidated interim results and interim report of the Group for the Period.

INTERIM SPECIAL DIVIDEND

The Board has resolved to declare an interim special dividend of HK3.40 cents (2017: HK8.50 cents, before the effects of Bonus Issue and Share Subdivision) per ordinary share for the Period to shareholders whose names appear on the register of members of the Company on 12 September 2018. The interim special dividend will be paid on 16 November 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim special dividend, the register of members of the Company will be closed on Wednesday, 12 September 2018 during which no transfer of shares will be effected.

In order to qualify for the interim special dividend, all properly completed transfer forms 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 Tuesday, 11 September 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement has been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tanggong.cn).

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

APPRECIATION

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

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

Hong Kong, 27 August 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*