Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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, the "**Group**") for the six months ended 30 June 2017 (the "**Period**"), together with the comparative figures for the six months ended 30 June 2016 as follows:

HIGHLIGHTS

	Six months ended 30 June 2017	2016	Increase in %
Revenue (excluding closed restaurants in prior year due to business rearrangement) *(RMB'000)*	**659,789**	591,783	11.5%
Revenue *(RMB'000)*	**659,789**	629,689	4.8%
Gross profit *(RMB'000)* (1)	**427,034**	388,814	9.8%
Gross profit margin	**64.7%**	61.7%	3.0%
Profit for the period attributable to owners of the Company *(RMB'000)*	**61,951**	41,008	51.1%
Net profit margin (2)	**9.4%**	6.6%	2.8%
Basic earnings per share *(RMB cents)*	**14.57**	9.67	50.7%
Interim special dividend per share *(HK cents)*	**8.50**	6.00	
Number of restaurants (self-owned)	**54**	49	
Number of restaurants (joint ventures)	**8**	7	

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**659,789**	629,689
Other income	*3*	**17,304**	17,048
Cost of inventories consumed		**(232,755)**	(240,875)
Staff costs		**(191,980)**	(174,304)
Depreciation of items of property, plant and equipment		**(24,966)**	(28,530)
Utilities and consumables		**(32,252)**	(33,444)
Rental and related expenses		**(60,425)**	(63,076)
Other expenses		**(40,532)**	(42,772)
Finance costs		**(337)**	(518)
Share of losses of joint ventures		**(1,967)**	(2,939)
PROFIT BEFORE TAX	*5*	**91,879**	60,279
Income tax expense	*6*	**(29,621)**	(18,432)
PROFIT FOR THE PERIOD		**62,258**	41,847
Attributable to:			
Owners of the Company		**61,951**	41,008
Non-controlling interests		**307**	839
		62,258	41,847
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted *(RMB cents)*		**14.57**	9.67

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	**62,258**	41,847
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**3,759**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**3,759**	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**66,017**	41,847
Attributable to:		
Owners of the Company	**65,710**	41,008
Non-controlling interests	**307**	839
	66,017	41,847

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**115,239**	129,191
Intangible assets		**5,608**	6,504
Investments in joint ventures		**4,191**	6,158
Available-for-sale investment		**46,085**	42,326
Deposits	*9*	**42,956**	26,239
Deferred tax assets		**5,617**	5,990
Total non-current assets		**219,696**	216,408
CURRENT ASSETS			
Inventories		**33,422**	35,531
Trade and other receivables and prepayments	*9*	**46,206**	46,099
Due from joint ventures		**3,300**	2,914
Pledged time deposits		**43,000**	43,000
Time deposits		**3,000**	29,122
Cash and cash equivalents		**477,021**	400,390
Total current assets		**605,949**	557,056
CURRENT LIABILITIES			
Trade and other payables	*10*	**307,559**	240,551
Due to related companies		**439**	179
Interest-bearing bank borrowings		**41,040**	41,040
Tax payable		**8,418**	12,387
Total current liabilities		**357,456**	294,157
NET CURRENT ASSETS		**248,493**	262,899
Net assets		**468,189**	479,307
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*11*	**35,706**	35,586
Reserves		**430,595**	442,140
		466,301	477,726
Non-controlling interests		**1,888**	1,581
Total equity		**468,189**	479,307

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017

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 2016.

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 2016, 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 2017 for the current Period's interim financial information.

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 2014–2016 Cycle*	*Disclosure of Interests in Other Entities*

The adoption of the new and revised HKFRSs has had no significant financial effect on the interim financial information.

3. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue:		
Gross revenue	**660,373**	653,979
Less: sales related tax	**(584)**	(24,290)
	659,789	629,689
Other income:		
Bank interest income	**1,434**	1,228
Commission income#	**12,344**	11,151
Others	**3,526**	4,669
	17,304	17,048

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	
	For the six months ended 30 June									
	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*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue:										
Sales to external customers	**187,467**	167,925	**295,822**	289,779	**153,157**	154,481	**23,343**	17,504	**659,789**	629,689
Inter-segment sales	**—**	—	**23,021**	18,000	**—**	—	**—**	—	**23,021**	18,000
	187,467	167,925	**318,843**	307,779	**153,157**	154,481	**23,343**	17,504	**682,810**	647,689
Reconciliation:										
Elimination of inter-segment sales									**(23,021)**	(18,000)
Revenue									**659,789**	629,689
Segment results	**35,956**	22,356	**51,566**	43,780	**26,993**	15,178	**5,705**	1,450	**120,220**	82,764
Reconciliation:										
Interest income									**77**	442
Share of losses of joint ventures									**(1,967)**	(2,939)
Unallocated expenses									**(26,114)**	(19,470)
Finance costs									**(337)**	(518)
Profit before tax									**91,879**	60,279

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.

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	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Directors' emoluments*	**9,259**	2,339
Other staff costs*	**168,813**	160,753
Pension scheme contributions	**13,908**	11,212
Total staff costs	**191,980**	174,304
Depreciation of items of property, plant and equipment	**24,966**	28,530
Amortisation of intangible assets	**895**	1,284

* Including share award plan expenses in total of RMB9,257,000 (2016: RMB2,523,000).

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 2016: 25%).

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current — PRC		
Charge for the period	**22,844**	16,906
Under/(over) provision in prior periods	**(175)**	316
PRC withholding tax on dividend income	**6,579**	—
Deferred	**373**	1,210
	29,621	18,432

7. DIVIDEND

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interim special dividend — HK8.50 cents per ordinary share (six months ended 30 June 2016: HK6.00 cents)	**30,976**	21,371

On 28 August 2017, the Board declared an interim special dividend for the Period of HK8.50 cents per ordinary share.

A resolution on a bonus share issue of 1 bonus share for every 4 existing shares will be proposed by the Board at the forcoming extraordinary general meeting on 26 September 2017. For further details, please refer to the separate announcement of the Company related to the bonus issue dated 28 August 2017.

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:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the Company	**61,951**	41,008
	Number of shares	
Shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic and diluted earnings per share	**425,165,298**	423,938,231

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 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**14,780**	16,069
Prepayments	**21,392**	17,841
Deposits and other receivables	**52,990**	38,428
	89,162	72,338
Less: Deposits classified as non-current assets	**(42,956)**	(26,239)
	46,206	46,099

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 2017 *RMB'000* (unaudited)	As at 31 December 2016 *RMB'000* (audited)
Trade receivables:		
Within 30 days	**12,723**	14,695
31 to 60 days	**704**	402
61 to 90 days	**447**	327
Over 90 days	**906**	645
	14,780	16,069

10. TRADE AND OTHER PAYABLES

	As at 30 June 2017 *RMB'000* (unaudited)	As at 31 December 2016 *RMB'000* (audited)
Trade payables	**60,960**	63,638
Other payables and accruals	**28,345**	31,014
Salary and welfare payables	**33,889**	34,449
Receipts in advance	**103,974**	96,223
Dividend payable	**80,391**	15,227
	307,559	240,551

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 2017 *RMB'000* (unaudited)	As at 31 December 2016 *RMB'000* (audited)
Trade payables:		
Within 30 days	**46,965**	52,218
31 to 60 days	**5,790**	4,281
61 to 90 days	**1,844**	1,423
91 to 180 days	**1,521**	976
Over 180 days	**4,840**	4,740
	60,960	63,638

11. ISSUED CAPITAL

	As at 30 June 2017		As at 31 December 2016	
		RMB'000		*RMB'000*
	HK$'000	***equivalent***	*HK$'000*	*equivalent*
	(unaudited)	**(unaudited)**	(audited)	(audited)
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:				
425,349,000 (2016: 424,019,000) ordinary shares of HK$0.10 (2016: HK$0.10) each	**42,535**	**35,706**	42,402	35,586

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

	Number of shares in issue	Issued capital	Issued capital
Issued and fully paid:		*HK$'000*	*RMB'000 equivalent*
At 1 January 2017	424,019,000	42,402	35,586
Issue of shares under a share award plan	1,330,000	133	120
At 30 June 2017	425,349,000	42,535	35,706

INTERIM SPECIAL DIVIDEND

The Board has resolved to declare an interim special dividend of HK8.50 cents per ordinary share (2016: HK6.00 cents) for the Period to shareholders whose names appear on the register of members of the Company on 12 September 2017. The interim special dividend is expected to be paid on 31 October 2017.

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 Tuesday, 12 September 2017 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 Monday, 11 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to the publication of the National Bureau of Statistics of China, gross domestic product of China increased by 6.9% in the first half of 2017 when compared to the first half of 2016, while domestic income from food and beverage recorded a year-on-year increase of 11.2%. It was noteworthy that the increase was similar to that in 2016, suggesting that the food and beverage industry was growing steadily. At the same time, the invention of online retail amid rapid development of the Internet had brought about a drastic change and, in turn, influenced the consumption pattern of the food and beverage industry. In the first half of 2017, online sales of physical goods grew by 28.6% when compared to the corresponding period last year, underlying that there remained ample room of development.

BUSINESS REVIEW

During the first half of 2017, revenue of the Group increased by RMB68.0 million or 11.5%, to RMB659.8 million as compared to the same period excluding closed restaurants due to business rearrangement in 2016. The increase in revenue was primarily attributable to expansion of new outlets and same store growth of existing outlets. The Group has started a comprehensive review of the operation condition of all businesses under our brands with the aim of enhancing the efficiency through closure of businesses with sub-par operating efficiency. Taking into account the revenue from outlets closed due to business rearrangement for the same period of last year, overall revenue of the Group increased by 4.8% for the current Period.

As a food and beverage specialist with 25-year experience, we kept abreast of the market trend to adjust our development strategy in a cautious manner. Despite a rough patch for the food and beverage industry and a widespread structural transformation of industry landscape in prior years, the Group maintained a steady stride and strategically expanded its operation presence in stages and with proven track records. One of the prime examples was the introduction of casual dining concept which had helped the Group achieve the objective of diversification. The successful experience of introducing the self-developed casual dining brand, "Social Place" in China in 2015, had led the Group to seize the opportunity to open two outlets in the second half of 2016, which rendered a successful establishment of brand awareness. With growing confidence in respect of the casual dining business, the Group stepped up its development with additional three outlets for another self-developed brand, "Canton Tea Room", in the first half of 2017. "Pepper Lunch" underwent business rearrangement and resource redeployment in 2016 to concentrate on the Beijing and Tianjin regions, and set up two outlets in Beijing in 2017. The new outlets established by the Group this year and the growth from stores with less than two years of operation boosted the overall revenue of the Period to a growth of RMB44.7 million.

Besides business expansion, the Group also attached great importance to the turnover of its core Chinese restaurant business. In recent years, online sales witnessed accelerating growth as the domestic online sales increased by over 33% over last year, according to the statistics published by the National Bureau of Statistics of China. The Group considered it a crucial trend and recognised that online sales may bring substantial benefits to our outlets on top of the traditional sales model. In view of that, the Group commenced cooperation with major 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 regions in 2016. As soon as it charting into the business line, the Group clearly saw its development potential and focused on exploiting it. In 2017, the Group doubled down the strategic moves to gradually expand its presence for sales boost. Moreover, the Group had always been an active player in the market of banquet promotion. While its development had focused on wedding banquets, the targeted customer group had been expanded to include small functions, such as graduation dinner, birthday party, baby shower party and hundred days feast. The Group also endeavoured to promote banquets to enhance the contribution of turnover of restaurants with total banquet sales for the Period increased by over 20% when compared to the first half of 2016. In addition, the Group continued to capture new customers and fortify existing customer base through the sales of membership card as a means of advertising and promotion. During the Period, the sales of membership card and the top-up value amounted to RMB131.6 million while the spending amount through the membership cards amounted to RMB122.1 million during the Period, demonstrating that the sales of membership card could generate consistent and stable revenue for the Group and consolidate customer royalty.

In respect of cost and efficiency, the Group continued to strengthen and broaden the scale of bulk purchase. The portion of bulk purchase to total purchase increased year-on-year and is expected to further improve the Group's efficiency. Meanwhile, owing to the benefits of the implementation of value added tax reform in Mainland China in May 2016, the overall gross profit margin during the Period reached 64.7%, marking an improvement of 3.0% as compared to the corresponding period in 2016. In addition, with the closure of businesses with sub-par operating efficiency in 2016, the Group witnessed a significant improvement in overall efficiency during the Period, which contributed to an increase of RMB21.0 million in profit attributable to owners of the Company from RMB41.0 million for the first half of 2016 to RMB62.0 million for the first half of 2017, with net profit margin increased from 6.6% to 9.4%.

Chinese Restaurant Business

As the core business of the Group, the Chinese restaurant business posted encouraging results with business growth across the board and geographical regions. The overall average same store growth over 7%. The strong performance was attributable to greater effort in target group promotions in various regions.

Since 2016, the Group had been eager to expand online takeaway sales, actively develop and promote various kinds of small banquets, and continuously facilitate the sales of membership card. In 2017, the Group focused on reinforcing the implementation of these strategies with measures such as extending the scope of cooperation with online takeaway platforms, introducing more partner platforms and brand-building through improvement of delivery time, takeaway packaging and heat preservation in order to boost the turnover of online takeaway. In eastern China, the Group specifically boosted the promotional and marketing activities with online takeaway platforms during the Period in order to focus on achieving higher click ratio and increasing exposure through various special offers, resulting in particularly impressive growth in online takeaway sales in that region. As the sales surged by more than four times year-on-year, it clearly demonstrated that there are enormous growth potential in online takeaway services within the region. The Group had adopted a number of advanced marketing skills in northern China during the Period, such as offering more "per head products", seafood products and tailor made menus for customers. Such consumption-stimulating measures helped driving up the per capita spending in that region, which grew by over 15% during the Period. On the other hand, the intensive promotion on banquets yielded particularly prominent effect in northern and eastern China, where the outlets recorded growth in banquet revenue of 31.3% and 26.6% respectively as compared to last year. Meanwhile, an outlet in Shenzhen, southern China, with only slightly more than six months into operation following its renovation and re-opening during the second half of 2016, managed to increase its turnover by almost 30% year-on-year. The first outlet in Chengdu, western China, a developing region for the Group, commenced operation less than 2 years ago and recorded a turnover growth of nearly 40% during the Period.

Casual Dining Business

The room of development for casual dining business in China is enormous, and our self-developed brand "Social Place" had achieved satisfactory overall growth. As of 30 June 2017, there were five "Social Place" outlets. Albeit nearly three years operation of the brand's first outlet, located in Central, Hong Kong, its recognition has been increasing, demonstrating that the modern light dining model was well-received by customers. With the growing popularity of the outlets in Chengdu, Shenzhen, Tsimshatsui, Hong Kong, which were established in 2015 and 2016 respectively, the business maintained a steady growth. In view of the success of "Social Place" and the wide popularity of another self-developed brand "Canton Tea Room", the Group was increasingly confident about its self-developed casual dining businesses and was committed to boost the development with three additional outlets for "Canton Tea Room" in Shanghai in the first half of 2017. 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. Moreover, the joint venture brand "PappaRich" reviewed the performance of an outlet in Shanghai during the Period. It considered its operating conditions to be more suited to another casual dining brand "Canton Tea Room" and renovated the outlet accordingly. More outlets were opened during the Period in Hong Kong and Taipei as well. As of 30 June 2017, there were eight outlets of "PappaRich" in Shanghai, Shenzhen, Hong Kong and Taiwan.

FINANCIAL REVIEW

As at 30 June 2017, the Group was operating 54 restaurants and 8 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	**2017**	2016	**2017**	2016	**2017**	2016
			RMB	*RMB*		
Tang's Cuisine	**4**	6	**312.7**	277.1	**8.7%**	14.1%
Tang Palace*	**25**	25	**165.4**	148.4	**75.0%**	73.7%
Social Place	**5**	3	**124.7**	113.5	**8.3%**	4.6%
Canton Tea Room	**4**	1	**84.4**	83.3	**2.5%**	1.8%
Pepper Lunch	**15**	13	**49.7**	46.5	**4.9%**	5.4%

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

As mentioned above, the Group's overall revenue for the Period increased by 4.8% to RMB659.8 million and the overall gross profit margin has increased by 3.0%. With our persistence in carrying out various measures to manage cost through the past few years of volatile market, operating expenses remained controllable as compared with the prior period. During the Period, the Group's share award plan calculated at market price expense contributes RMB9.3 million (2016: RMB2.5 million). By excluding this expense item, the Group's percentage of revenue on staff costs is 27.7% (2016: 27.3%). 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 control the increment to 0.4% through continuous optimisation of lean management measures. Despite the increment in percentage of revenue on staff costs of 0.4%, the remaining percentage of revenue on other expenses have decreased during the Period. Including percentage of revenue on depreciation of items of property, plant and equipment is 3.8% (2016: 4.5%), rental and related expenses is 9.2% (2016: 10.0%), and other expenses is 6.1% (2016: 6.8%). The business rearrangement in the last year effectively reduced the sub-par businesses' impacts to the Group's results, leading to an effective cost savings. During the Period, effective tax rate was 32.2% (2016: 30.6%), which included withholding tax on dividend income of RMB6.6 million. After deducting the PRC withholding tax derived from dividend income, actual tax rate for the Period was 25.1%. 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 Period increased by 51.1% from RMB41.0 million to RMB62.0 million. Also, the net profit margin increased by 2.8% from 6.6% to 9.4% and the Group's overall efficiency has been significantly enhanced.

Cash flow

Cash and cash equivalents increased by RMB76.6 million from RMB400.4 million as at 31 December 2016 to RMB477.0 million as at 30 June 2017.

Net cash of RMB60.1 million was generated from operating activities during the Period. Net cash generated from investing activities amounted to RMB16.5 million during the Period, of which RMB11.0 million was related to the purchase of property, plant and equipment and was partially offset by RMB26.1 million withdrawal of time deposit. There is no financing activities 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 RMB523.0 million as at 30 June 2017 (31 December 2016: RMB472.5 million). As at 30 June 2017, the Group's total assets, net current assets and net assets were RMB825.6 million (31 December 2016: RMB773.5 million), RMB248.5 million (31 December 2016: RMB262.9 million) and RMB468.2 million (31 December 2016: RMB479.3 million), respectively.

As at 30 June 2017, the Group had bank borrowings of RMB41.0 million (31 December 2016: RMB41.0 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 8.8% as at 30 June 2017 (31 December 2016: 8.6%).

As at 30 June 2017, the current ratio (calculated as current assets divided by current liabilities) was 1.7 (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 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 2017, 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

Thanks to its sharp market acumen and flexible adjustment strategies, the Group sails smoothly despite uncertainties, and actively explores and pursues development opportunities in a positive environment. In the first half of 2017, the Group strategically boosted the expansion of the casual dining business by opening in total five casual dining restaurants. Meanwhile, the Chinese restaurant business focused on increasing the sales of online takeaway and promoting various kinds of banquets in response to regional characteristics and restructuring the product offerings during the Period with the aim of adapting to the evolving market.

In recent years, the food and beverage market in China has undergone enormous changes and the emergence of the Internet has transformed the consumption pattern of the society. Structural changes in the food and beverage market expressly reveal that consumers are yearning for more outside traditional food and beverage services. Prime examples are the rapid development of online takeaway and rise of casual dining business.

Takeaway platform is 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 and launched the Group's online shopping platform by the end of 2016. During the Period, the product portfolio was gradually expanding with the additions of many items, such as seasonal fruit, short-term promotional products, etc. the variety of goods will be further increased this year in order to achieve a higher turnover.

In line with our business expansion, the Group has formulated a series of efficiency enhancement initiatives, both internally and externally, and has fully commenced the preparation work during the year. With respect to lifting customer experience and sales efficiency, the Group adhered to its principle of persistent improvement in service by carrying out further enhancement of system upgrade for better customer service with a basket of procedures covering from sales to payment, including electronic order system, realizing electronic membership card, enhancing electronic payment system, extension to electronic invoice, refined analysis of data from integrated sales system with takeaway platform, with a view to enhancing the dining experience of customers in a comprehensive and systematic way. On the other hand, the Group kept seeking measures for internal efficiency enhancement. In light of the importance of the procurement system, the Group will further optimize the software of the supply chain during the year, aiming to boost the efficiency by electronic stock order and purchase as well as inspection.

In response to the increasing burden from staff costs, the Group is relentlessly pursuing lean management measures to stabilize the workforce and control costs. Various kinds of professional training was introduced to boost internal efficiency in 2016 and they kept contributing to the overall efficiency of the Group during the Period. In the second half of 2017, staff efficiency will be further enhanced 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 will be conducted in respect of different regional characteristics, customer groups and periods to boost sales, with a view to improving overall operating capability.

The Group has been seeking diversification for years and expanded from its core Chinese restaurant business to Chinese casual dining. On top of that, the Group has enlarged its customer base with the introduction of many outstanding food and beverage brands. In the second half of 2017, the Group looks forward to cooperation with new partners in relation to other brand operation.

Given the rising popularity of general casual dining and white-hot competition among online retailers, the Group anticipates escalating competition in the second half of 2017. Nevertheless, the Group firmly believes that the Group will maintain steady development in evolving industry environment under the support of its business expansion strategies based on its thorough understanding of the industry and devotion to refined management.

OTHER INFORMATION

Number and Remuneration of Employees

As at 30 June 2017, the Group had over 4,500 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.

Contingent Liabilities

As at 30 June 2017, 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, 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 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 "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 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.

Publication of Interim Results and Interim Report

The interim results announcement is published on the website of the Stock Exchange (www.hkex.com.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 of the Company 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, 28 August 2017

As at the date of this announcement, the Board comprises the following directors:

Executive directors:	*Mr. YIP Shu Ming, Mr. CHAN Man Wai, Mr. KU Hok Chiu, Ms. WENG Peihe*
Independent non-executive directors:	*Mr. KWONG Chi Keung, Mr. KWONG Ping Man, Mr. CHEUNG Kin Ting Alfred*