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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)

**1) PROPOSED SHARE SUBDIVISION
2) CONNECTED TRANSACTION
GRANT OF NEW SHARES TO A CONNECTED PERSON
UNDER THE SHARE AWARD PLAN
AND
3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



TC CAPITAL

Capitalised terms used on this cover shall have the same meanings as those defined in this circular unless the context requires otherwise.

A notice convening the EGM of the Company to be held at 2/F, The L. Place, 139 Queen's Road Central, Central, Hong Kong on Monday, 4 June 2018 at 3:30 p.m. is set out on pages 36 to 38 of this circular. A form of proxy is enclosed with this circular. Whether or not you are able to attend the EGM in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish.

15 May 2018

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context specifies otherwise:

“AGM”	the annual general meeting of the Company to be convened and held at 2/F, The L. Place, 139 Queen’s Road Central, Central, Hong Kong on Monday, the 4 June 2018 at 4:00 p.m. to consider and, if appropriate, to approve the amongst other things, the resolutions relating to the Final Dividends as set out in the circular and the notice of annual general meeting both dated 23 April 2018
“Announcement”	the announcement of the Company dated 7 May 2018 in relation to, among others, the proposed Share Subdivision and the grant of Award Shares to a connected person, namely the Connected Participant, under the Share Award Plan
“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”	1,540,000 new Existing Shares (if the Share Subdivision is not effective as at the date of allotment of the Award Shares), or 3,080,000 new Subdivided Shares (if the Share Subdivision is effective as at the date of allotment of the Award 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
“Business Day(s)”	a day on which the Stock Exchange is open for the business of dealing in securities and there is no suspension in trading in the Shares of the Company on that day
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“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

DEFINITIONS

“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, among others, the proposed Share Subdivision and the Award
“Existing Shares(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company before the Share Subdivision becoming effective
“Final Dividends”	the payment recommended by the Board of a final dividend of HK23.00 cents per Existing Share, payable to Shareholders whose names appear on the register of members of the Company on 8 June 2018 subject to the approval of the Shareholders at the AGM and if the Share Subdivision becomes effective on 5 June 2018, the payment per each Subdivided Share will be HK11.50 cents
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“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 on whether the terms of the Award are fair and reasonable and in the interests of the Company and the Shareholders as a whole
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM to approve the Award

DEFINITIONS

“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)
“Latest Practicable Date”	8 May 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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)”	means the Existing Share(s) and/or the Subdivided Share(s), as the case may be
“Share Award Plan”	the share award plan adopted on 25 March 2011 by the Company (as supplemented and amended)
“Share Option Scheme”	the share option scheme of the Company adopted on 25 March 2011
“Share Subdivision”	the proposed subdivision of each issued and unissued Existing Share into two (2) Subdivided Shares
“Shareholder(s)”	the holder(s) of the Shares
“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
“Subdivided Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company upon the Share Subdivision becoming effective
“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

EXPECTED TIMETABLE

The expected timetable for the proposed Share Subdivision is set out below:

Events

Latest time for lodging transfers of shares to
qualify for attending and voting at the EGM 4:30 p.m. Monday, 28 May 2018

Closure of register of members for the purpose of
determining members who are entitled to attend and
vote at the EGM Tuesday, 29 May 2018 to
Monday, 4 June 2018
(both dates inclusive)

Latest time for lodging the form of proxy for
the EGM (not less than 48 hours prior to
the time of the EGM) 3:30 p.m. Saturday, 2 June 2018

Record date for attending and
voting at the EGM Monday, 4 June 2018

Expected date and time of the EGM to
approve the Share Subdivision
and the Award 3:30 p.m. Monday, 4 June 2018

Expected date of the publication of the
announcement of poll results of the EGM Monday, 4 June 2018

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Subdivision

Effective date of the Share Subdivision Tuesday, 5 June 2018

First day of free exchange of existing share
certificates (in red colour) for new share certificates
(in blue colour) for Subdivided Shares Tuesday, 5 June 2018

Dealing in Subdivided Shares commences 9:00 a.m., Tuesday, 5 June 2018

Original counter for trading in the Existing Shares
in board lots of 2,000 Existing Shares
temporarily closes 9:00 a.m., Tuesday, 5 June 2018

Temporary counter for trading in board lots of
4,000 Subdivided Shares (in the form of
existing share certificates
in red colour) opens. 9:00 a.m., Tuesday, 5 June 2018

Record date for the Final Dividends Friday, 8 June 2018

EXPECTED TIMETABLE

Original counter for trading in the
Subdivided Shares (in the form of new
share certificates in blue colour) in board
lots of 2,000 Subdivided Shares re-opens 9:00 a.m., Wednesday, 20 June 2018

Parallel trading in Existing Shares and
Subdivided Shares (in the form of existing
share certificates in red colour and
new share certificates in blue color)
commences 9:00 a.m., Wednesday, 20 June 2018

Temporary counter for trading in Subdivided
Shares in board lots of 4,000 Subdivided
Shares (in the form of existing share
certificates (in red colour)) closes 4:00 p.m., Wednesday, 11 July 2018

Parallel trading in Existing Shares and
Subdivided Shares (in the form of existing
share certificates in red colour and
new share certificates in blue color) ends 4:00 p.m., Wednesday, 11 July 2018

Last day for free exchange of existing shares certificates Friday, 13 July 2018

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above and elsewhere in this circular are indicative only and may be extended or varied by the Company. Any change to the expected timetable will be published or notified to the Shareholders as and when appropriate.



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)

Executive Directors:

Mr. YIP Shu Ming (*Chairman*)
Mr. CHAN Man Wai (*Vice-Chairman*)
Mr. KU Hok Chiu
Ms. WENG Peihe (*Chief Executive Officer*)

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Mr. KWONG Chi Keung
Mr. KWONG Ping Man
Mr. CHEUNG Kin Ting Alfred

**Head office and principal place of
business in Hong Kong:**

Unit 3, 10th Floor
Greenfield Tower, Concordia Plaza
No. 1 Science Museum Road
Kowloon
Hong Kong

15 May 2018

To the Shareholders

Dear Sir or Madam,

**1) PROPOSED SHARE SUBDIVISION
2) CONNECTED TRANSACTION
GRANT OF NEW SHARES TO A CONNECTED PERSON
UNDER THE SHARE AWARD PLAN
AND
3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement of the Company dated 7 May 2018 pursuant to which the Board announced:

- (1) the Board's proposal to subdivide every existing issued and unissued Existing Share of a par value of HK\$0.10 each into two (2) Subdivided Shares of a par value of HK\$0.05 each; and

LETTER FROM THE BOARD

- (2) 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 (i) 1,540,000 new Existing Shares (if the Share Subdivision is not effective as at the date of allotment of the Award Shares) or (ii) 3,080,000 new Subdivided Shares (if the Share Subdivision is effective as at the date of allotment of the Award Shares) by way of issue and allotment of new Shares pursuant to the Specific Mandate.

The purpose of this circular is to provide you with: (i) details of the proposed Share Subdivision; (ii) details of the Award; (iii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Award; (iv) a letter from TC Capital to the Independent Board Committee and the Independent Shareholders in respect of the Award and the transactions contemplated thereunder; (v) the notice of EGM, and (vi) other information as required under the Listing Rules.

The proposed Share Subdivision and the issue and allotment of Award Shares in favour of the Connected Participant under the Share Award Plan are not inter-conditional upon each other.

1) PROPOSED SHARE SUBDIVISION

The Board proposes to subdivide each issued and unissued Existing Share of HK\$0.10 in the share capital of the Company into two (2) Subdivided Shares of HK\$0.05 each.

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$200,000,000 divided into 2,000,000,000 Existing Shares of HK\$0.10 each, of which 532,768,750 Existing Shares had been issued and were fully paid or credited as fully paid. Upon the Share Subdivision becoming effective, the authorised share capital of the Company will be HK\$200,000,000 divided into 4,000,000,000 Subdivided Shares, of which 1,065,537,500 Subdivided Shares will be in issue, assuming that no further Shares will be issued or repurchased from the Latest Practicable Date and up to the date of the Share Subdivision becoming effective.

All Subdivided Shares will rank *pari passu* with each other in all respects and the Share Subdivision will not result in any change in the relative rights of the Shareholders. As at the Latest Practicable Date, no options have been granted under the Share Option Scheme and the Company does not have any other derivative option, warrant and conversion right or similar right which are convertible or exchangeable into Shares.

An application has been made to the Listing Committee of the Stock Exchange for the listing of and the permission to deal in the Subdivided Shares on the Stock Exchange.

BOARD LOT SIZE

The Shares are currently traded in the board lot size of 2,000 Existing Shares. No change will be made to the board lot size for trading and upon the Share Subdivision becoming effective, the Shares will be traded in board lots of 2,000 Subdivided Shares.

LETTER FROM THE BOARD

It is expected that the Share Subdivision will not result in any odd lots of the Existing Shares other than those already exist before the Share Subdivision becoming effective. Accordingly, no arrangement will be made by the Company for matching of sale and purchase of odd lots in connection with the Share Subdivision.

CONDITIONS OF THE SHARE SUBDIVISION

The Share Subdivision is conditional upon fulfilment of the following conditions:

- (i) the passing by the Shareholders at the EGM of an ordinary resolution approving the Share Subdivision;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subdivided Shares; and
- (iii) the obtaining of all necessary approvals from the regulatory authorities or otherwise that may be required in respect of the Share Subdivision, if necessary.

LISTING AND DEALINGS

Subject to the granting of the listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal in is being or is currently proposed to be sought on any other stock exchanges other than the Stock Exchange.

FREE EXCHANGE OF SHARE CERTIFICATES

The existing share certificates for the Existing Shares will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m. on Wednesday, 11 July 2018 and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of legal title to the Subdivided Shares on the basis of one (1) Existing Share for two (2) Subdivided Shares.

Subject to the Share Subdivision becoming effective, the Shareholders can submit their existing share certificates for the Existing Shares (which are red in colour) to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange for new share certificates for the Subdivided Shares (which will be blue in colour) free of charge between 9:00 a.m. and 4:30 p.m. on any Business Day from Tuesday, 5 June 2018 to Friday, 13 July

LETTER FROM THE BOARD

2018 (both dates inclusive). After the expiry of such period, existing share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate issued or each existing share certificate cancelled, whichever number of share certificates involved is higher. It is expected that the new share certificates for the Subdivided Shares will be available for collection on or after the 10th Business Day after the submission of the existing share certificates for the Existing Shares to Tricor Investor Services Limited for exchange.

TRADING ARRANGEMENT

Subject to the Share Subdivision becoming effective, dealings in the Subdivided Shares are expected to commence on 5 June 2018. Parallel trading in the Existing Shares and the Subdivided Shares (in the form of existing share certificates in red colour and new share certificates in blue colour) will be operated from Wednesday, 20 June 2018 to Wednesday, 11 July 2018 (both days inclusive). Further details of the expected timetable and trading arrangement of the Subdivided Shares are set out on pages 4 to 5 of this Circular.

REASON FOR THE SHARE SUBDIVISION

Upon the proposed Share Subdivision becoming effective, the nominal value of each Share will decrease and the total number of shares of the Company in issue will increase. The Share Subdivision is expected to bring a corresponding downward adjustment to the trading price of the Shares on the Stock Exchange. The Board is of the view that the Share Subdivision will reduce the trading spread and improve the liquidity in trading of the Subdivided Shares, thereby enabling the Company to attract more investors and broaden the Shareholders' base.

Other than the expenses to be incurred (including printing charges and professional fees) in relation to the Share Subdivision, the implementation thereof will not alter or affect the underlying assets, business operations, management or financial position of the Group or the shareholdings, rights and interests of the Shareholders. The Board considers that the Share Subdivision is in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE PROPOSED FINAL DIVIDEND AS A RESULT OF SHARE SUBDIVISION

Reference is made to the annual result announcement of the Company for the year ended 31 December 2017 dated 26 March 2018, and the circular of the Company and notice of the AGM both dated 23 April 2018 in relation to, among other things, the recommendation of the payment of the Final Dividend of HK23.00 cents per Existing Share. If the proposed Final Dividend is approved by the Shareholders at the AGM and the proposed Share Subdivision is approved by the Shareholders at the EGM, the payment of the Final Dividend per each Subdivided Share will be HK11.50 cents payable to Shareholders whose names appear on the register of members of the Company on 8 June 2018. Such Final Dividend is expected to be paid on 31 July 2018.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the proposed Share Subdivision is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

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

Background of the Share Award Plan and 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 7 May 2018, the Board resolved to recommend to the Independent Shareholders to grant the Award Shares to the Connected Participant under the Share Award Plan by way of the issue and allotment of 1,540,000 new Existing Shares (if the Share Subdivision is not effective as at the date of allotment of the Award Shares) or 3,080,000 new Subdivided Shares (if the Share Subdivision is effective as at the date of allotment of the Award 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 non-exempt 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 to be granted in favour of the Connected Participant:

Name of Connected Participant	Number of Award Shares to be issued and allotted	
	<i>(if the Share Subdivision is not effective as at the date of allotment)</i>	<i>(if the Share Subdivision is effective as at the date of allotment)</i>
Ms. Weng Peihe	1,540,000 new Existing Shares	3,080,000 new Subdivided 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.

LETTER FROM THE BOARD

The Award Shares will first be issued and allotted by the Company to the Trustee, and represents approximately 0.289% of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.288% 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\$3.97 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the aggregate market value of the Award Shares will be HK\$6,113,800. 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.

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.

Conditions

The Award 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.

All Award Shares shall vest immediately upon issue and allotment of the new Award Shares, subject to satisfaction of the conditions disclosed above.

General Information about the Award

The information in relation to the issue and allotment of the Award Shares to the Trustee is set out below:

Securities to be issued: 1,540,000 new Existing Shares (if the Share Subdivision is not effective as at the date of allotment) or 3,080,000 new Subdivided Shares (if the Share Subdivision is effective as at the date of allotment), to be issued and allotted to the Trustee

Funds to be raised: No fund will be raised by the Company as a result of the issue and allotment of the Award Shares

LETTER FROM THE BOARD

Reasons for the issue:	The Share Award Plan, forms a part of the incentive schemes of the Company which provide incentives to eligible participants and allow the Group to attract and retain talents to achieve the objective of increasing the value of the Company. The proposed grant of the Award Shares would align the interests of the Connected Participant directly with those of the Shareholders through the ownership of Shares. For further detail, please refer to the paragraph headed “Reasons for granting the Award Shares to the Connected Participant” below
Identity of the allottee(s):	The Trustee, which will hold the Award Shares in trust in favour of the Connected Participant
Market price of the Shares:	<p>The closing price of the Shares as at 7 May 2018 as quoted on the Stock Exchange is HK\$3.70 per Share.</p> <p>The average closing price of the Shares for the five consecutive trading days immediately preceding 7 May 2018 as quoted on the Stock Exchange is HK\$3.59 per Share.</p> <p>The closing price of the Shares as at the Latest Practicable Date as quoted on the Stock Exchange is HK\$3.97 per Share.</p>
Fund raising activities in the past 12 months:	The Company has not engaged in any fund raising exercises in the 12 months immediately preceding the date of the Latest Practicable Date.

LETTER FROM THE BOARD

Effect of the issue of the Award Shares on the shareholding structure of the Company

As at the Latest Practicable Date, the total number of Shares in issue was 532,768,750 Existing Shares. Set out below is the shareholding structure of the Company (i) immediately prior to the allotment and issue of the Award Shares; and (ii) immediately after the allotment and issue of the Award Shares but before the vesting of the Award Shares to the Connected Participant:

Shareholders	Immediately prior to the allotment and issue of the Award Shares		Immediately after the allotment and issue of the Award Shares <i>(without taking into account of the effect of the Share Subdivision)</i>		Immediately after the allotment and issue of the Award Shares <i>(taking into account of the effect of the Share Subdivision)</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Best Active Investments Limited	176,250,000	33.08	176,250,000	32.99	352,500,000	32.99
Mr. Chan Man Wai	3,770,000	0.71	3,770,000	0.71	7,540,000	0.71
Current Success Investments Limited	123,375,000	23.16	123,375,000	23.09	246,750,000	23.09
Bright Mind Investments	<u>52,925,000</u>	<u>9.93</u>	<u>52,925,000</u>	<u>9.90</u>	<u>105,850,000</u>	<u>9.90</u>
Controlling shareholders	<u>356,320,000</u>	<u>66.88</u>	<u>356,320,000</u>	<u>66.69</u>	<u>712,640,000</u>	<u>66.69</u>
Weng Peihe	10,355,000	1.94	10,355,000	1.94	20,710,000	1.94
Trustee	—	—	1,540,000	0.29	3,080,000	0.29
Public Shareholders	<u>166,093,750</u>	<u>31.18</u>	<u>166,093,750</u>	<u>31.08</u>	<u>332,187,500</u>	<u>31.08</u>
Total	<u>532,768,750</u>	<u>100.00</u>	<u>534,308,750</u>	<u>100.00</u>	<u>1,068,617,500</u>	<u>100.00</u>

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 the ownership of Shares, effectively incentivizing the Connected Participant to strive for higher returns to the Company. 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 part to the Group's future development.

Remuneration Policy

The Company's remuneration policy for executive Directors includes a monthly 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

LETTER FROM THE BOARD

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.

In light of the Board's intention to maintain continuous and sustainable development for the Company, and the Connected Participant's unique values which are supportive of such objectives, 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.

Consideration was also given by the Remuneration Committee to the Connected Participant's unique contributions to the Group, in particular, her introduction of modern corporate management strategies, her role in building a core management team, her efforts in establishing a unique corporate culture and organizational refinement, 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. Since the listing, Ms. Weng continued to contribute to the growth of the Group through her leadership in the Group's new operations in various districts in Greater China, where she undertook a key role in the local networking, building a suitable management team and formulating core strategies for the Group's new operations.

The Board had also considered other means of remuneration for the Connected Participant, including remuneration increase and the grant of Share Options, but concluded 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 4 April 2018). As the Board considered the Award serves to be an incentive to the Connected Participant to achieve higher 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 under the Award; and (iii) the grant of Award Shares is in line with the remuneration given to other senior management of the Company who also received Shares under the Share Award Plan (as announced by the Company in its announcement dated 4 April 2018) and (iv) the Award is expected to serve 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

LETTER FROM THE BOARD

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 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.

Information about Ms. Weng

Ms. WENG Peihe, aged 47, has been appointed as an executive director of the Company since 25 March 2011 and has been the chief executive officer of our Group since March 2000. She joined our Group in January 1997 and worked as senior manager to general manager from January 1997 to February 2000. Ms. Weng is primarily responsible for overseeing our Group's business development, market development, human resources, administration and logistics management. Ms. Weng has rich experience in the restaurant industry. Prior to joining the Group, she was engaged by Dragon Hotel, managed by New World Hotels International in 1988.

Ms. Weng was awarded Excellent Female Entrepreneur in China Hospitality Industry by the China Hotel Association and China Finance, Commerce, Light, Textile and Tobacco Trade Union jointly in 2004. She was elected as one of the 2009–2010 China Hotel Industry 100 Elites and awarded the Platinum Five-Star Medal by the China Hotel Industry Annual Conference Organizing Committee in March 2010. Ms. Weng was awarded as one of the Outstanding Entrepreneur in China Brand Development for 2010 jointly by China United Business News, Brand Magazine, China Wisdom Engineering Association, China Academy of Management Science, China International Brand Academy and National High Technology Industry Brand Academy in January 2011. Ms. Weng was also awarded as one of the Outstanding Female Entrepreneur in Shanghai Restaurant Industry, jointly by China Hotel Association and Shanghai Restaurant Association in December 2011. Ms. Weng was awarded 100 Outstanding Female Entrepreneur by China Outstanding Female Entrepreneur Association in 2012 and 2015. Ms. Weng completed the Certificate in Chinese Restaurant Management Course at the Hong Kong Institute of Vocational Education in 2002 and the International Business Management CEO course at the Center for Overseas Academic and Cultural Exchanges, Tsinghua University in November 2005.

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

LETTER FROM THE BOARD

the financial year ending 31 December 2018 is 53,168,625 Shares. Following the award of Shares by the Company under the Share Award Plan on 4 April 2018, there remains 52,086,125 Shares available under the Share Award Plan for further awards by the Company for the financial year ending 31 December 2018.

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 10,355,000 Shares, representing approximately 1.94% of the issued Shares as at the Latest Practicable Date, 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 Latest Practicable Date 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 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.

INDEPENDENT BOARD COMMITTEE

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 whether 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.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the award of the Award Shares to the Connected Participant is on normal commercial terms and conducted in the ordinary and usual course of business of the Group, and the terms of the Award are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution regarding the Award and the grant of Specific Mandate to be proposed at the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 19 to 20 of this circular, which contains its recommendation to the Independent Shareholders as to the award of the Award Shares to the Connected Participant; and (ii) the letter from the Independent Financial Adviser set out on pages 21 to 30 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Award and the reasons considered by it in arriving at its opinion.

EGM

The EGM will be convened and held at 2/F, The L. Place, 139 Queen's Road Central, Central, Hong Kong on Monday, 4 June 2018 at 3:30 p.m. for the purpose of considering and, if thought fit, approving the Share Subdivision, the Award and the transactions contemplated thereunder.

The ordinary resolutions proposed to be approved at the EGM will be taken by poll.

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 Latest Practicable Date and accordingly, other than Ms. Weng, no other Shareholder is required to abstain from voting at the EGM to approve the Award.

For the purpose of determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from 29 May 2018 to 4 June 2018 (both days inclusive), during which period no transfer of share(s) will be effected. In order to be eligible to attend and vote at the EGM, all transfers documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 28 May 2018. The proposed Final Dividend is subject to the passing of an ordinary resolution by the Shareholders at the AGM. For the purpose of determining the entitlement of the Shareholders to the Final Dividend for the year ended 31 December 2017 (if approved), the register of members of the Company will be closed on 8 June 2018, during which no transfer of share(s) will be effected. To be entitled to the final dividend for the year ended 31 December 2017 (if approved), all transfers documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch

LETTER FROM THE BOARD

share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 7 June 2018.

A notice convening the EGM is set out on pages 36 to 38 of this circular. A form of proxy is enclosed with this circular. Whether or not you are able to attend the EGM in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre 183 Queen's Road East Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish.

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



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)

15 May 2018

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 15 May 2018 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you regarding the proposed grant of the Award Shares to the Connected Participant under the Share Award Plan.

TC Capital has been appointed to advise us and the Independent Shareholders as to (i) whether the Award is on normal commercial terms and conducted in the Company, ordinary and usual course of business, whether its terms are fair and reasonable so far as the Independent Shareholders are concerned, (ii) whether such terms are in the interests of the Company and the Shareholders as a whole and (iii) how to vote on the resolution regarding the Award. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 21 to 30 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 18 of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Award and the advice of TC Capital, we are of the opinion that the Award is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Award, which is conducted in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Award.

Yours faithfully,
Independent Board Committee

Mr. Kwong Chi Keung
*Independent Non-executive
Director*

Mr. Kwong Ping Man
*Independent Non-executive
Director*

Mr. Cheung Kin Ting Alfred
*Independent Non-executive
Directors*

Set out below is the text of a letter received from TC Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Award, prepared for the purpose of inclusion in this circular.



15 May 2018

*The Independent Board Committee and the Independent Shareholders
Tang Palace (China) Holdings Limited*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the Award Shares to the Connected Participant under the Share Award Plan, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 15 May 2018 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

On 7 May 2018, the Board resolved to recommend to the Independent Shareholders to grant the Award Shares to the Connected Participant under the Share Award Plan by way of the issue and allotment of 1,540,000 new Existing Shares (if the Share Subdivision is not effective as at the date of allotment of the Award Shares) or 3,080,000 new Subdivided Shares (if the Share Subdivision is effective as at the date of allotment of the Award Shares).

The Connected Participant is a Director and accordingly a connected person to the Company. 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 the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have been appointed by the Company to advise (i) the Independent Board Committee and the Independent Shareholders as to whether the terms of the Award are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Award is conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Award at the EGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. We did not act as an independent financial adviser to the Company's other transactions in the last two years.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, among other things, (i) the Share Award Plan; (ii) the annual reports of the Company for the two years ended 31 December 2017 (the “**2016 Annual Report**” and the “**2017 Annual Report**”, respectively); (iii) the information and facts contained or referred to in the Circular; (iv) the relevant information, opinions and facts provided by the Group, the Directors and/or the management of the Group; and (v) the relevant public information.

We have assumed that all the information provided and representations and opinions expressed to us by the Group, the Directors and/or the management of the Group are true, accurate and complete in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Group, the Directors and/or the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Group, the Directors and/or the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date hereof.

We consider that we have reviewed sufficient information and documents which are currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Group, the Directors and/or the management of the Group, nor have we conducted any form of in-depth independent investigation into the business, affairs, operations, financial position or future prospects of the Company, its subsidiaries and associated companies.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Award, we have taken into consideration the following principal factors and reasons:

I. Background information of the Group

As stated in the Letter from the Board, the principal businesses of the Group are restaurant operations and food production.

The table below summarises the audited consolidated financial information of the Group for the three years ended 31 December 2017 as extracted from the 2016 Annual Report and the 2017 Annual Report:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,088,147	1,248,455	1,356,142
Profit for the year	48,589	102,273	133,186

As shown in the above table, the revenue of the Group increased by approximately 14.7% from approximately RMB1,088.1 million for the year ended 31 December 2015 to approximately RMB1,248.5 million for the year ended 31 December 2016. As stated in the 2016 Annual Report, such increase in revenue of the Group was attributable to a consistent development strategy over the years and a prudent manner in response to rapid changes in the market. The revenue of the Group further increased by approximately 8.6% to approximately RMB1,356.1 million for the year ended 31 December 2017. As stated in the 2017 Annual Report, the increase was primarily attributable to expansion of new outlets, contribution of growing outlets and same store growth of existing outlets.

The Group recorded a profit of approximately RMB102.3 million for the year ended 31 December 2016, representing an increase of approximately 110.5% as compared with the profit of the Group of approximately RMB48.6 million for the year ended 31 December 2015. The profit of the Group further increased by approximately 30.2% to approximately RMB133.2 million for the year ended 31 December 2017. As stated in the 2016 Annual Report and the 2017 Annual Report, the increase in the profit of the Group from 2015 to 2017 was driven by the sustainable uptrend of the business of the Group and the favourable result of the Group's effort in cost control.

II. Background of the Connected Participant

As stated in the Letter from the Board, Ms. Weng has been appointed as an executive Director since 25 March 2011 and has been the chief executive officer of the Group since March 2000. She joined the Group in January 1997 and worked as senior manager to general manager from January 1997 to February 2000. Ms. Weng is

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

primarily responsible for overseeing the Group's business development, market development, human resources, administration and logistics management. Ms. Weng has rich experience in the restaurant industry. For more details of the biography of Ms. Weng, please refer to the Letter from the Board.

Upon our enquiries with the Directors, we were advised that 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 (note: 5S includes sort, systemise, shine, standardise and self-discipline) in 2003, which is crucial for the maintenance of a continuous and sustainable development for the Group as a whole. During the years, Ms. Weng has been keen on establishing a good corporate culture and hence the Group has maintained a stable core management team, which is important for the corporate development of the Group. In addition, Ms. Weng was one of the key personnel introducing modern corporate management strategies, and under her leadership and with her expertise in the food and restaurant industry, the Company achieved the successful listing on the Main Board of the Stock Exchange in 2011. The Group has also managed to achieve the recovery after the industry downturn in around 2013 and the improvement in the Group's financial performance over the last three financial years as illustrated in the section headed "Background information of the Group" above.

III. Background of the Share Award Plan and the Award

The Share Award Plan was adopted on 25 March 2011 (as supplemented and amended) with the purpose to (i) recognise and reward the contribution of certain eligible participants to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group.

In determining the number of Award Shares, the Board has considered the unique contributions of the Connected Participant to the Group in the past and her potential contribution to the development of the Group. Her unique contributions to the Group in the past include but not limited to her introduction of modern corporate management strategies, her role in building a core management team, her efforts in establishing a unique corporate culture and organisational refinement, 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 in 2011. Since the listing, the Connected Participant continued to contribute to the growth of the Group through her leadership in the Group's new operations in various districts in Greater China, where she undertook a key role in the local networking, building a suitable management team and formulating core strategies for the Group's new operations.

During our discussion with the Directors, we understood that the Connected Participant has served the Group for over 20 years and is an eligible participant as defined in the Share Award Plan. The Connected Participant is an executive Director and the chief executive officer of the Company. She actively participates in the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

operation and development of the Group, which led to the Group's success. Therefore, the selection of awardees and the grant of the Award Shares are in line with the aforesaid purpose of the Share Award Plan.

IV. Reasons for and benefits of the Award

As set out in the Letter from the Board, 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 the ownership of Shares, effectively incentivising the Connected Participant to strive for higher returns to the Company. 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 part to the Group's future development.

As further advised by the Directors, we noted that the Connected Participant (i) has the expertise in the restaurant industry which are important to the Group as represented by the Directors; (ii) has served the Group for over 20 years; and (iii) has been playing a significant role in leading the Group for achieving a higher performance level, including the successful listing of the Company on the Main Board of the Stock Exchange in 2011 and the improvement in the financial performance of the Group during the previous three financial years as illustrated in the section headed "Background information of the Group" above. The Directors are of the view that the Award would encourage the further contributions and the long-term commitment of the Connected Participant for the Group's future development.

As at the Latest Practicable Date, the Connected Participant was interested in 10,355,000 Shares, representing approximately 1.94% of the issued Shares. The Award to the Connected Participant will further increase her equity interests in the Company. Considering that the Connected Participant has served the Group for over 20 years with substantial contributions, the Directors believe that the grant of the Award Shares to her can further stimulate her contributions to the Group. It would more align her interests as a key management member of the Group with the Shareholders, which is beneficial to the long-term development of the Group.

Furthermore, as advised by the Directors, they have considered different incentive schemes to the Connected Participant, including remuneration increment, grant of share options and the Award. As compared to remuneration increment, the Award will not incur any outflow of cash from the Group and will not impose pressure on the Group's cash flow position. 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 the Shareholders through the ownership of Shares. After considering various alternatives in a careful manner, the Directors considered the grant of the Award Shares to be appropriate as it enables the Company to recognise the historical performance, contributions and long-term commitment of the Connected Participant to the Group and provides incentives to the Connected Participant to strive for the growth of the Group consistently without any cash outflow by the Group.

Having considered the above, we are of the view that the Award may effectively help motivate and retain the Connected Participant to further contribute to the Group and therefore the Award is in the interests of the Company and the Shareholders as a whole.

V. Principal terms of the Award

The Award refers to the grant of the Award Shares to the Connected Participant under the Share Award Plan by way of the issue and allotment of 1,540,000 new Existing Shares (if the Share Subdivision is not effective as at the date of allotment of the Award Shares) or 3,080,000 new Subdivided Shares (if the Share Subdivision is effective as at the date of allotment of the Award Shares).

Based on the closing price of HK\$3.97 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the aggregate market value of the Award Shares will be HK\$6,113,800.

As stated in the Letter from the Board, the Award 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.

All Award Shares shall vest immediately upon issue and allotment of the new Award Shares, subject to satisfaction of the conditions disclosed above.

Further details in relation to the issue and allotment of the Award Shares are set out in the Letter from the Board.

In order to assess the vesting condition of the Award Shares, we have made reference to the recent grant of award shares as part of the incentive schemes by other listed companies in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have considered and identified 12 comparable companies which announced the grant of award shares to their respective employees and/or directors during the past three-month period immediately before the date of the Announcement (i.e. period from 8 February 2018 to 7 May 2018) with their terms set out in the table below. We consider that the length of the aforesaid period is a time span for our analysis which covers sufficient number of comparable companies to reflect the current practice in the market in respect of the grant of award shares.

Company (Stock code)	Date of announcement	Awardee(s)	Percentage of total number of award shares to total number of shares in issue on the date of announcement (Approx.)	Vesting date/period	Vesting period (no. of years) (Approx.)
Bosideng International Holdings Limited (3998)	5 March 2018	55 awardees including a director	0.75%	57,800,000 out of the 80,600,000 awarded shares: 40% on the last trading day of the 24-month period from the date of grant; 30% on the last trading day of the 36-month period from the date of grant; 30% on the last trading day of the 48-month period from the date of grant	2-4
				22,800,000 out of the 80,600,000 awarded shares: 50% on the last trading day of the 24-month period from the date of grant; 50% on the last trading day of the 36-month period from the date of grant	
Wuxi Biologics (Cayman) Inc. (2269)	20 March 2018	540 awardees who are independent third parties	0.16%	No available information	No available information
Kaisun Energy Group Limited (8203)	22 March 2018	2 awardees who are connected persons	0.72%	Vest immediately	0
IGG Inc (799)	23 March 2018	Awardees who are independent third parties	0.07%	25% on 23 March 2019 25% on 23 March 2020 25% on 23 March 2021 25% on 23 March 2022	1-4
Fosun International Limited (656)	28 March 2018	70 awardees, including 21 connected persons	0.07%	33% on 28 March 2019 33% on 28 March 2020 34% on 28 March 2021	1-3
The Company (1181)	4 April 2018	2 awardees who are independent third parties	0.20%	Vest immediately	0

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company (Stock code)	Date of announcement	Awardee(s)	Percentage of total number of award shares to total number of shares in issue on the date of announcement (Approx.)	Vesting date/period	Vesting period (no. of years) (Approx.)
Global Energy Resources International Group Limited (“Global Energy”) (8192)	13 April 2018	4 awardees, including 3 connected persons	24.25%	Vest upon satisfaction of several conditions relating to turnover, earnings before interest, taxes, depreciation and amortisation and market capitalisation (<i>Note 1</i>)	Up to 5
Hengdeli Holdings Limited (3389)	16 April 2018	4 awardees, including 2 connected persons	0.02%	20 April 2018	0
Shangri-La Asia Limited (69)	17 April 2018	5 awardees, including 2 connected persons	0.04%	Vest immediately	0
Pacific Basin Shipping Limited (2343)	19 April 2018	More than 6 awardees who are independent third parties	0.48%	No available information	No available information
NetDragon Websoft Holdings Limited (“NetDragon”) (777)	19 April 2018	8 awardees, including 1 connected person	0.48% (<i>Note 2</i>)	No available information	No available information
Samsonite International S.A. (“Samsonite”) (1910)	20 April 2018	12 awardees who are connected persons	Up to 0.34% (<i>Note 3</i>)	Performance-based: Three years after the grant date only upon achievement of pre-established cumulative performance goals Time-based: Vest pro rata over a three year period on each anniversary of the grant date	Performance-based: 3 Time-based: 1–3
The Company (1181)	7 May 2018	The Connected Participant	0.29%	Vest immediately	0

Source: the Company and the website of the Stock Exchange

Notes:

1. For the vesting condition of the share award scheme of Global Energy, please refer to the announcement of Global Energy dated 13 April 2018.
2. The calculation is based on the total number of awarded shares of 2,574,400 and the total number of shares of NetDragon in issue of 533,334,391 as at 19 April 2018.
3. The calculation is based on the total number of restricted share units of up to 4,909,369 and the total number of shares of Samsonite in issue of 1,424,692,795 as at 20 April 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted from the above table that the vesting periods of the award shares granted by the comparable companies ranged from immediate vesting to up to 5 years after grant, therefore the immediate vesting of the Award Shares is recognised as a normal market practice. We were also advised by the Directors that there is no difference on the vesting conditions of the Award Shares granted to the Connected Participant and the award shares granted to independent selected participants under the Share Award Plan as announced by the Company on 4 April 2018. As such, we are of the view that the terms of the Award are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

VI. Financial effects of the Award

Save for the administrative and professional expenses relating to the allotment and issue of the new Award Shares pursuant to the Share Award Plan, the Award will not have any impact on the Group's cash position and net current assets.

Under the accounting policies of the Company, the fair value of the new Award Shares will be allocated and charged as expense of the Group throughout the vesting period. As the Award Shares will vest immediately upon issue and allotment of the new Award Shares, the full amount is expected to be recognised during the financial year ending 31 December 2018.

Notwithstanding that the Award would decrease the Group's earnings, the Directors expected that the Award would retain and motivate the Connected Participant to provide contributions to the Group and the allocation of the fair value of the Award Shares is part of the Group's recurring wages and salaries expenses.

VII. Effect of the issue of the Award Shares on the shareholding structure of the Company

The Award Shares, which represent approximately 0.289% of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.288% of the total number of Shares in issue as enlarged by the issue and allotment of the Award Shares, will first be issued and allotted by the Company to the Trustee.

According to the Letter from the Board, immediately after the allotment and issue of the Award Shares, the shareholding of the existing public Shareholders will be diluted from approximately 31.18% to approximately 31.08%. Having considered (i) that such dilution effect on the shareholding of the existing public Shareholders is minimal; and (ii) the benefits of the Award in providing incentives to the Connected Participant as elaborated above, we consider such dilution effect on the shareholding of the existing public Shareholders to be acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the opinion that the terms of the Award are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Award, which is conducted in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Therefore, we advise (i) the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution to approve the Award at the EGM; and (ii) the Independent Shareholders to vote in favour of the relevant resolution to approve the Award at the EGM.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edward Wu **Stanley Chung**
Chairman *Managing Director*

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Wu and Mr. Chung have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be and were entered in the register required to be kept by the Company referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Long positions in the Shares or underlying Shares of the Directors as at the Latest Practicable Date:

Name of Director	Number of Shares			Percentage of the issued share capital of the Company
	Beneficial owners	Held by controlled corporation	Total	
Mr. Yip Shu Ming	—	123,375,000	123,375,000	23.16%
Mr. Chan Man Wai	3,770,000	176,250,000	180,020,000	33.79%
Mr. Ku Hok Chiu	—	52,925,000	52,925,000	9.93%
Ms. Weng Peihe	10,355,000	—	10,355,000	1.94%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including

interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be and were entered in the register required to be kept by the Company referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders who have an interest and/or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and chief executive of the Company, the following persons (other than Directors and chief executives of the Company) had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial Shareholders	Capacity	Long position ^(Note 1)	
		Number of Shares interested ^(Note 1)	Approximate percentage of issued Shares
Current Success Investments Limited	Beneficial owner	123,375,000	23.20%
Ms. Wong Sau Mui	Interest of spouse	123,375,000	23.20%
Best Active Investments Limited	Beneficial owner	176,250,000	33.14%
Ms. Au Yim Bing ^(Note 2)	Interest of spouse	179,770,000	33.81%
Bright Mind Investments Limited	Beneficial owner	52,925,000	9.95%
Ms. Ku Wai Man	Interest of spouse	52,925,000	9.95%
Orchid Asia IV, L.P. ^(Note 3)	Beneficial owner	33,082,000	7.97%
OAIV Holdings, L.P. ^(Note 3)	Interest of a controlled corporation	33,082,000	7.97%
Orchid Asia IV Group Management, Limited ^(Note 3)	Interest of a controlled corporation	33,082,000	7.97%
Orchid Asia IV Group, Limited ^(Note 3)	Interest of a controlled corporation	33,082,000	7.97%
Orchid Asia IV Investment, Limited ^(Note 3)	Interest of a controlled corporation	33,082,000	7.97%
YM Investment Limited ^(Note 3)	Interest of a controlled corporation	33,646,000	8.11%
Ms. LAM Lai Ming ^(Note 3)	Founder of a discretionary trust	33,646,000	8.11%
Mr. LI Gabriel ^(Note 3)	Founder of a discretionary trust	33,646,000	8.11%
ManageCorp Limited ^(Note 3)	Trustee	33,646,000	8.11%

Notes:

1. All of these positions are as disclosed in the Company's annual report for the year ended 31 December 2017. Pursuant to the Company's announcement dated 4 April 2018, the Company had on 16 April 2018 issued and allotted 1,082,500 new shares pursuant to the general mandate granted by the Shareholders at the Company's annual general meeting held on 2 June 2017 and granted such said shares to certain selected participants under the Share Award Plan (as defined in the said announcement) adopted by the Company on 25 March 2011 (as amended or supplemented).
2. On 2 January 2018, Chan Man Wai, spouse of Au Yim Bing, acquired a total of 250,000 Shares. As a result, Au Ying Bing is interested in a total of 180,020,000 shares, representing approximately 33.79% of the Company's total issued Shares as at the Latest Practicable Date.
3. As of 31 December 2017, these shares were beneficially owned as to 33,082,000 shares by Orchid Asia IV, L.P. and as to 564,000 shares by Orchid Asia IV Co-investment, Limited. Orchid Asia IV, L.P. was wholly controlled by OAIV Holdings, L.P., which was in turn wholly controlled by Orchid Asia IV Group Management, Limited, which was in turn wholly controlled by Orchid Asia IV Group, Limited, which was in turn wholly controlled by Orchid Asia IV Investment, Limited, which was approximately 92.61% controlled by YM Investment Limited. Orchid Asia IV Co-investment, Limited was wholly controlled by YM Investment Limited. Under the Securities and Future Ordinance, OAIV Holdings, L.P., Orchid Asia IV Group Management, Limited, Orchid Asia IV Group, Limited, Orchid Asia IV Investment, Limited and YM Investment Limited were taken to be interested in the shares beneficially owned by Orchid Asia IV, L.P., and YM Investment Limited was taken to be interested in the shares beneficially owned by Orchid Asia IV Co-investment, Limited. Ms. LAM Lai Ming and Mr. LI Gabriel were also interested in YM Investment Limited through ManageCorp Limited as Trustee and were taken to be interested in the shares in which YM Investment Limited was interested. So far as the directors are aware of, the above positions do not take into account the shares issued under the bonus issue of the Company on 10 October 2017.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. DIRECTORS' INTERESTS

(a) Interests in contract or arrangement

Save as disclosed in the director's report contained in the annual report ("2017 Annual Report") of the Company despatched to the Shareholders on 23 April 2018, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(b) Interests in assets

Save as disclosed in the directors's report contained in the 2017 Annual Report, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in competing business

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder).

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not expiring or determinable by the Company or any of its subsidiaries within one year without payment (other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

6. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualification of the expert who has provided its opinion or advice, which is contained in this circular.

Name	Qualification
TC Capital International Limited	A licensed corporation to carry out Type 1 and Type 6 regulated activities under the Securities and Futures Ordinance

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its statements and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to, or was proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up).

The letter from the Independent Financial Adviser is given by TC Capital as at the date of this circular for incorporation herein.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on a business day in Hong Kong at the head office and principal place of business of the Company in Hong Kong at Unit 3, 10th Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong, from the date of this circular up to and including 4 June 2018, being the date of the EGM:

- (a) the Share Award Plan;
- (b) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (d) the written consent referred to in the paragraph headed “Expert’s qualification and consent” in this appendix; and
- (e) this circular.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Tang Palace (China) Holdings Limited (the “**Company**”) will be held at 2/F, The L. Place, 139 Queen’s Road Central, Central, Hong Kong on Monday, 4 June 2018 at 3:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subdivided Shares (as defined below), the Share Subdivision (as defined below) be approved, confirmed and ratified, in the following manner:
 - (a) each of the existing issued and unissued ordinary shares of HK\$0.10 each in the share capital of the Company (the “**Existing Shares**”) be and is hereby subdivided into two (2) ordinary shares of HK\$0.05 each (the “**Subdivided Shares**”), with effect from the next business day immediately following the day on which this resolution is passed (the “**Share Subdivision**”); and
 - (b) any one director of the Company be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to any of the foregoing as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Share Subdivision and any transactions contemplated thereunder.”

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

2. “THAT

- (a) the grant of specific mandate to the directors of the Company (the “**Directors**”) to exercise all the powers of the Company to allot and issue an aggregate of 1,540,000 new Existing Shares (as defined below) (if the Share Subdivision (as defined below) is not effective at the date of allotment), or 3,080,000 new Subdivided Shares (as defined below) (if the Share Subdivision is effective at the date of allotment) (the “**Award Shares**”), credited as fully paid, to Best Service Limited (the “**Trustee**”) to hold on trust for Ms. Weng Peihe, in accordance with the terms of the Share Award Plan adopted on 25 March 2011 by the Company (as amended and supplemented) (the “**Share Award Plan**”) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the grant of the Award Shares pursuant to the Share Award Plan to Ms. Weng Peihe (the “**Award**”), who is a Director and accordingly a connected person (as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”)) to the Company, is hereby approved, confirmed and ratified;
- (c) any one or more of the Director(s) be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Award and the transactions contemplated thereunder, including but not limited to the issue and allotment of the new Award Shares pursuant to the Share Award Plan.”

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

Hong Kong, 15 May 2018

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the above meeting (or any adjournment thereof) is entitled to appoint in written form one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, whether in person or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
3. To be valid, a proxy form and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at Tricor Investor Services Limited, the branch share registrar and transfer office (the “**Hong Kong Share Registrar**”) of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time of the meeting or any adjournment thereof.
4. To ascertain shareholders’ eligibility to attend and vote at the meeting, the register of members of the Company will be closed from Tuesday, 29 May, 2018 to Monday, 4 June, 2018, both dates inclusive, during which no share transfers will be effected. In order to qualify to attend and vote at the meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar not later than 4:30 p.m. on Monday, 28 May 2018.
5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
7. As at the date of the Announcement, the executive Directors of the Company are Mr. YIP Shu Ming, Mr. CHAN Man Wai, Mr. KU Hok Chiu and Ms. WENG Peihe; and the independent non-executive Directors of the Company are Mr. KWONG Chi Keung, Mr. KWONG Ping Man and Mr. CHEUNG Kin Ting Alfred.