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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Board**") of Tang Palace (China) Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018, together with comparative figures for the year ended 31 December 2017 as follows:

HIGHLIGHTS

	For the year ended 31 December 2018	2017	Change in %
Revenue *(RMB'000)*	**1,492,128**	1,356,142	10.0%
Gross profit *(RMB'000)* (1)	**941,019**	874,030	7.7%
Gross profit margin	**63.1%**	64.4%	(1.3%)
Profit for the year attributable to owners of the Company *(RMB'000)*	**115,173**	131,329	(12.3%)
Net profit margin (2)	**7.8%**	9.8%	
		(Restated)	
Basic earnings per share *(RMB cents)*	**10.80**	12.35	(12.6%)
Dividend per ordinary share			
— Interim special dividend *(HK cents)*	**3.40**	8.50(3)	
— Proposed final dividend *(HK cents)*	**9.20**	23.00(4)	
Number of restaurants (self-owned)	**59**	56	
Number of restaurants (joint ventures)	**8**	6	

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

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

(3) The interim special dividend in 2017, HK8.50 cents per ordinary share was before the effects of bonus issue in the prior year and Share Subdivision in the current year.

(4) The proposed final dividend in 2017, HK23.00 cents per ordinary share was before the effects of Share Subdivision in the current year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	3	**1,492,128**	1,356,142
Other income	3	**38,221**	36,734
Cost of inventories consumed		**(551,109)**	(482,112)
Staff costs		**(448,071)**	(383,611)
Depreciation of items of property, plant and equipment		**(50,420)**	(51,095)
Utilities and consumables		**(77,498)**	(71,347)
Rental and related expenses		**(139,875)**	(122,078)
Other expenses		**(89,722)**	(82,756)
Finance costs	5	**(1,870)**	(1,038)
Share of losses of joint ventures		**(3,803)**	(4,304)
PROFIT BEFORE TAX	6	**167,981**	194,535
Income tax expense	7	**(50,975)**	(61,349)
PROFIT FOR THE YEAR		**117,006**	133,186
Attributable to:			
Owners of the Company		**115,173**	131,329
Non-controlling interests		**1,833**	1,857
		117,006	133,186
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
			(Restated)
Basic and diluted *(RMB cents)*		**10.80**	12.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**117,006**	133,186
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**—**	28,088
Exchange differences on translation of foreign operations	**(3,029)**	3,167
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(3,029)**	31,255
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	**(20,700)**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(23,729)**	31,255
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**93,277**	164,441
Attributable to:		
Owners of the Company	**91,444**	162,584
Non-controlling interests	**1,833**	1,857
	93,277	164,441

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**139,731**	133,463
Intangible assets		**3,680**	4,841
Investments in joint ventures		**5,589**	5,767
Financial assets at fair value through other comprehensive income		**38,209**	—
Available-for-sale investments		**—**	66,154
Prepayments and deposits	*10*	**45,173**	60,242
Deferred tax assets		**4,408**	5,985
Total non-current assets		**236,790**	276,452
CURRENT ASSETS			
Inventories		**47,075**	44,420
Trade and other receivables and prepayments	*10*	**62,148**	52,731
Due from joint ventures		**2,696**	2,252
Pledged time deposits		**80,000**	80,000
Time deposits		**64,000**	4,000
Cash and cash equivalents		**400,354**	429,804
Total current assets		**656,273**	613,207
CURRENT LIABILITIES			
Trade and other payables	*11*	**289,926**	263,653
Due to related companies		**353**	171
Interest-bearing bank borrowings		**79,200**	70,550
Tax payable		**14,171**	12,312
Total current liabilities		**383,650**	346,686
NET CURRENT ASSETS		**272,623**	266,521
TOTAL ASSETS LESS CURRENT LIABILITIES		**509,413**	542,973
NON-CURRENT LIABILITY			
Deferred tax liabilities		**6,780**	8,899
Net assets		**502,633**	534,074
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**45,496**	45,276
Reserves		**450,950**	485,360
		496,446	530,636
Non-controlling interests		**6,187**	3,438
Total equity		**502,633**	534,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

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

During the year, the Group was principally engaged in restaurant operations and food productions.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) *HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
	Note	**Category**	**Amount** *RMB'000*	**Re-classification** *RMB'000*	**Amount** *RMB'000*	**Category**
Financial assets						
Financial assets at fair value through other comprehensive income		N/A	—	41,413	41,413	FVOCI[1] (equity)
From: Available-for-sale investments	(i)			41,413		
Financial assets at fair value through profit or loss		N/A	—	24,741	24,741	FVPL[2] (equity)
From: Available-for-sale investments	(ii)			24,741		
Available-for-sale investments		AFS[3]	66,154	(66,154)	—	N/A
To: Financial assets at fair value through other comprehensive income	(i)			(41,413)		
To: Financial assets at fair value through profit or loss	(ii)			(24,741)		
Trade receivables		L&R[4]	14,263	—	14,263	AC[5]
Deposits and other receivables		L&R	59,393	—	59,393	AC
Due from joint ventures		L&R	2,252	—	2,252	AC
Pledged time deposits		L&R	80,000	—	80,000	AC
Time deposits		L&R	4,000	—	4,000	AC
Cash and cash equivalents		L&R	429,804	—	429,804	AC
			655,866	—	655,866	
Financial liabilities						
Trade payables		AC	77,027	—	77,027	AC
Other payables and accruals		AC	28,853	—	28,853	AC
Due to related companies		AC	171	—	171	AC
Interest-bearing bank borrowings		AC	70,550	—	70,550	AC
			176,601	—	176,601	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

Classification and measurement (Continued)

[1] FVOCI: Financial assets at fair value through other comprehensive income
[2] FVPL: Financial assets at fair value through profit or loss
[3] AFS: Available-for-sale investments
[4] L&R: Loans and receivables
[5] AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as financial assets at fair value through other comprehensive income.

(ii) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as financial assets at fair value through profit or loss.

Impairment

At 1 January 2018, the Group assessed the impact of ECL allowance under the adoption of the HKFRS 9 to be insignificant.

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits *RMB'000*
Retained profits	
Balance as at 31 December 2017 under HKAS 39	333,783
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	15,273
Balance as at 1 January 2018 under HKFRS 9	349,056

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 3 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has assessed the impact of HKFRS 15 on its revenue stream and the application of HKFRS 15 has had no significant impact on the financial position and/or financial performance of the Group apart from providing more extensive disclosures on the Group's revenue transactions.

(c) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB124,723,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB153,779,000 was classified as contract liabilities in relation to the consideration received from customers in advance for the restaurant operations.

3. REVENUE AND OTHER INCOME

An analysis of the Group's revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Restaurant operations	**1,492,128**	1,356,142

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	RMB'000
Type of goods or services	
Revenue from restaurant operations and total revenue from contracts with customers	1,492,128
Geographical markets	
Northern China	400,331
Eastern China	595,751
Southern China	390,943
Western China	105,103
Total revenue from contracts with customers	1,492,128
Timing of revenue recognition	
At a point in time	1,492,128

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2018

	RMB'000
Revenue from contracts with customers	
External customers	1,492,128
Intersegment sales	60,872
	1,553,000
Intersegment adjustments and eliminations	(60,872)
Total revenue from contracts with customers	1,492,128

3. REVENUE AND OTHER INCOME *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Restaurant operations	124,723

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Restaurant operations

The performance obligation is satisfied when the catering services have been provided to customers. The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally less than one month.

	2018	2017
	RMB'000	*RMB'000*
Other income		
Bank interest income	**5,567**	4,532
Commission income#	**23,765**	24,224
Gain on disposal of financial assets at fair value through profit or loss	**3,992**	—
Others	**4,897**	7,978
	38,221	36,734

Commission income represents commission received or receivable in respect of sales of tea related products.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on geographical areas and has four reportable operating segments as follows:

(i) the Southern China region;

(ii) the Eastern China region;

(iii) the Northern China region; and

(iv) the Western China region

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

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

Segment information about the business is presented below:

	Northern China		Eastern China		Southern China		Western China		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:										
Sales to external customers	**400,331**	382,291	**595,751**	602,361	**390,943**	321,554	**105,103**	49,936	**1,492,128**	1,356,142
Inter-segment sales	**—**	—	**60,872**	55,146	**—**	—	**—**	—	**60,872**	55,146
	400,331	382,291	**656,623**	657,507	**390,943**	321,554	**105,103**	49,936	**1,553,000**	1,411,288
Reconciliation:										
Elimination of inter-segment sales									**(60,872)**	(55,146)
Revenue									**1,492,128**	1,356,142
Segment results	**61,695**	72,675	**69,619**	98,900	**55,028**	54,317	**22,089**	12,576	**208,431**	238,468
Reconciliation:										
Interest income									**1,251**	595
Share of losses of joint ventures									**(3,803)**	(4,304)
Unallocated expenses									**(36,028)**	(39,186)
Finance costs									**(1,870)**	(1,038)
Profit before tax									**167,981**	194,535
Other segment information:										
Depreciation of items of property, plant and equipment	**7,566**	8,486	**20,151**	21,168	**17,722**	19,304	**4,981**	2,137	**50,420**	51,095
Amortisation of intangible assets	**124**	384	**500**	500	**—**	—	**—**	—	**624**	884
Capital expenditure*	**4,265**	12,778	**18,269**	23,640	**14,599**	23,584	**19,890**	202	**57,023**	60,204

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

The Group's revenue arises from restaurant operations and food productions.

Geographical information

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

5. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**1,870**	1,038

6. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**50,420**	51,095
Amortisation of intangible assets	**1,226**	1,529
Minimum lease payments under operating leases	**108,829**	98,626
Contingent rents under operating leases*	**7,278**	4,197
Auditor's remuneration	**1,224**	1,122
Loss on disposal of items of property, plant and equipment	**603**	51
Impairment of a loan to a joint venture and an amount due from a joint venture**	**2,366**	2,396
Directors' remuneration	**10,664**	11,746
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**391,375**	338,452
Equity-settled share award plan expense	**3,328**	3,256
Pension scheme contributions (defined contribution schemes)^	**42,704**	30,157
	437,407	371,865
Foreign exchange differences, net	**(2,748)**	(884)

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

** The impairment of a loan to a joint venture and an amount due from a joint venture are included in "Other expenses" in the consolidated statement of profit or loss.

^ At 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2017: Nil).

7. INCOME TAX

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

	2018	2017
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**44,488**	46,354
Under/(over) provision in prior years	**452**	(1,262)
Current — Hong Kong	**2,130**	774
PRC withholding tax on dividend income	**4,447**	6,579
Deferred	**(542)**	8,904
Total tax charge for the year	**50,975**	61,349

8. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Interim special dividend — HK3.40 cents (2017: HK8.50 cents[(i)]) per ordinary share	**30,520**	32,539
Proposed final dividend — HK9.20 cents (2017: HK23.00 cents[(ii)]) per ordinary share	**84,653**	98,790
	115,173	131,329

(i) The interim special dividend in 2017, HK$8.50 cents per ordinary shares was before the effects of bonus issue in prior year and Share Subdivision in current year.

(ii) The proposed final dividend in 2017, HK$23.00 cents per ordinary shares was before the effects of Share Subdivision in current year.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,066,669,870 (2017: 1,063,144,760 (restated)) in issue during the year, as adjusted retrospectively to reflect the Share Subdivision and bonus issue during the year and the prior year, respectively.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

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

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**115,173**	131,329

	Number of shares	
	2018	2017
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**1,066,669,870**	1,063,144,760

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**13,760**	14,263
Prepayments	**28,673**	39,317
Deposits and other receivables	**64,888**	59,393
	107,321	112,973
Less: Prepayment and deposits classified as non-current assets	**(45,173)**	(60,242)
	62,148	52,731

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

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

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**12,786**	13,058
31 to 60 days	**254**	254
61 to 90 days	**417**	336
Over 90 days	**303**	615
	13,760	14,263

11. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**73,210**	77,027
Other payables and accruals	**29,695**	28,853
Salary and welfare payables	**33,242**	33,050
Contract liabilities	**153,779**	—
Receipts in advance	**—**	124,723
	289,926	263,653

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

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**59,478**	58,596
31 to 60 days	**7,688**	8,873
61 to 90 days	**2,401**	4,932
91 to 180 days	**2,047**	2,485
Over 180 days	**1,596**	2,141
	73,210	77,027

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

12. ISSUED CAPITAL

	2018		2017	
		(equivalent to)		(equivalent to)
	HK$'000	***RMB'000***	*HK$'000*	*RMB'000*
Authorised:				
4,000,000,000 [(a)] (2017: 2,000,000,000) ordinary shares of HK$0.05 (2017: HK$0.10) each	**200,000**		200,000	
Issued and fully paid:				
1,068,617,500 [(b)] (2017: 531,686,250) ordinary shares of HK$0.05 (2017: HK$0.10) each	**53,431**	**45,496**	53,169	45,276

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

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

12. ISSUED CAPITAL *(Continued)*

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

	Number of shares	Capital	
		HK$'000	*RMB'000 equivalent*
Authorised:			
At 1 January 2017, 31 December 2017 and 1 January 2018	2,000,000,000	200,000	
Effect of the Share Subdivision	2,000,000,000	—	
At 31 December 2018	4,000,000,000	200,000	
Issued and fully paid:			
At 1 January 2017	424,019,000	42,402	35,586
Issue of shares under share award plan	1,330,000	133	120
Bonus issue	106,337,250	10,634	9,570
At 31 December 2017 and 1 January 2018	531,686,250	53,169	45,276
Issue of shares under shares award plan — before Share Subdivision	1,082,500	108	91
Immediately before the Share Subdivision	532,768,750	53,277	45,367
Effect of the Shares subdivision	532,768,750	—	—
Immediately after the Share Subdivision	1,065,537,500	53,277	45,367
Issue of shares under shares award plan — after Share Subdivision	3,080,000	154	129
At 31 December 2018	1,068,617,500	53,431	45,496

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2018, the macro-economic policies of China conformed to our expectations. According to the data from the National Bureau of Statistics, the national gross domestic product growth in 2018 is 6.6%, the national disposable income per capita, after deducting price factors, recorded an increase of 6.5%, which is similar to the growth in gross domestic product. Meanwhile, the national consumption expenditure per capita recorded an actual increase of 6.2%, representing a slight increase of 0.8% when compared to the previous year. Still, it indicates the stability of China's consumability. In addition, the final consumption contributed 76.2% of the economic growth as announced by the PRC, representing an increase of 18.6% when compared to the previous year, indicating that the overall economic growth in China was driven by internal demands. Food and beverage revenue increased by 9.5% over the previous year, representing a slight slowdown when compared to an increase of 10.7% in 2017. In addition, it should be noted that even though online retail experienced a slowdown with an increase of 23.9% as compared to the increase of over 30% in 2017, it still indicates the huge demand for online consumption market. As for online retail sales of physical commodities, food products reached an increase of 33.8%, which is higher than that of clothing products and supplies, indicating that the online retail of catering has more competition.

Business Review

The Group's revenue reached RMB1,492.1 million for the year ended 31 December 2018, representing an increase of RMB136.0 million or 10.0% as compared to the corresponding period in 2017. Growth in revenue in 2018 was mainly due to the contribution of growing stores with less than two years of operation in 2017 and the expansion of new stores in 2018. The Group rapidly adjusted its development strategy under a relatively slowdown macro-economy atmosphere. With strengthening existing businesses as the main target of the year, the Group strategically increased customer loyalty and strengthened customers' adherence to our brand. Therefore, same store revenue recorded a slight increase. Apart from the operation of existing outlets, the outlets established in 2017 also brought contribution as planned, which is due to the Group's previous insightful placement of resources in cities and commercial areas possessing consumption potential to expand our business, enabling the Group to speed up development in those districts. For example, the Group's first Chinese restaurant and self-developed casual dining restaurants in Chengdu, a new first-tier city, which has been in operation for over two years, recorded a turnover increase of 4.9% and 15.2% respectively. In addition, two restaurant outlets newly established in 2018 had already recorded profits within three months after the commencement of operation. The growing stores and new stores which commenced operation during 2017 and 2018, including 4 Chinese restaurants, 6 self-developed casual dining restaurants and 4 franchised restaurants, contributed to the Group an aggregate of revenue of RMB240.4 million for the year, representing 16.1% of the Group's total revenue.

As mentioned above, the Group highly emphasizes the consolidation of the revenue of existing businesses, strengthening customer loyalty and stabilizing customer flow through sales of membership cards. As the reliance of the mass consumer group on electronic consumption grows day by day, the traditional membership system may not suffice to meet the needs of development. Therefore, the Group completed the launch of electronic membership during the second half and fourth quarter of 2018, converted existing customers to electronic members and prepared for the personalized member experience, hoping to conduct more thorough customer analysis and make our marketing and promotion become more diversified and precisive. A few months after the launch, more than 150,000 existing customers have been targeted, reaching a top-up value of RMB306.0 million. Conforming to the new electronic membership system converted from traditional membership systems, the Group received stable consumption income from membership cards accordingly, reaching a membership consumption amount of RMB279.3 million for the year. On the other hand, the online food and beverage takeaway platform sales market remains enormous and highly competitive. According to the analysis in the results announcement as at 11 March 2019 of the largest food and beverage takeaway service provider in the world, namely Meituan, the transaction amount of food and beverage takeaway reached RMB282.8 billion in 2018, representing year-on-year increase of over 65%, while the number of food and beverage takeaway transactions has also increased by 56%. Hence, not only can the development of takeaway business consolidate our existing business, but it can also increase our brand popularity, preserve our brand image and expand our customer source coverage. As such, continuous optimization is very important. However, the competition is also very fierce. Therefore, we need to continue to optimize our market strategies and service experience for our takeaway products. Bearing this in mind, the Group made specific adjustments in 2018, shifting our strategies from cooperating with multiple takeaway platforms to cooperating with high-quality takeaway platforms. Focusing our resources on promotion activities on separate platforms while optimizing the overall structure of our menus, platform layout design, packaging, delivery procedures and customer experience with specially-assigned individuals, we significantly increased our sales volume. During the year, the Group's overall takeaway revenue increased by more than 50% over that in the same period in 2017, and its proportion in the overall revenue increased from 4.0% in 2017 to 5.9% in 2018.

Currently, the self-developed casual dining brands of the Group consist of "Social Place" and "Canton Tea Room", with a total of 12 restaurants in Hong Kong, Shanghai, Shenzhen and Chengdu. The overall turnover for the year ended 31 December 2018 reached RMB246.4 million, representing an increase of 39.9% as compared to the same period in the previous year, indicating a satisfactory development progress. The business of Pepper Lunch remained stable, as 1 outlet was opened in Beijing during the year. As at 31 December 2018, Pepper Lunch had 15 restaurants in Beijing and Tianjin. Joint venture business may make way for the Group's long-term development and development in the greater China or even foreign countries. The progress of business expansion remains steady. Therefore, a "Social Place" and "PappaRich" were opened in Taiwan during the year; meanwhile, the Group also introduced renown Sichuan food "Ma Wang Zi (馬旺子)" for the first time operating under joint venture and the operation commenced in Shenzhen at the end of 2018. As at 31 December 2018, the Group had a total of 8 joint venture restaurants in the Greater China region.

Regarding cost and efficiency, the increasing trend in the cost of minimum wage and social security plans in Mainland China as well as improvement of relevant employee benefits have imposed certain pressure on the Group in respect of labour cost during the year. However, since the Group has started to put forth effort in enhancing cost-effectiveness since the beginning of the year, primary effects were made during the year, and the level of increase narrowed down from 18.5% for the six months ended 30 June 2018 to 16.8% for the twelve months ended 31 December 2018. In view of the general rising trend in labour cost, the Group considered it important to provide in-house training for efficiency enhancement and necessary to optimize shift arrangement and staff structure for improving staff cost control, so as to fully upgrade our management system. In 2018, the Group planned and prepared for the long-term plan of reducing the pressure caused by the increase of labour cost. During the year, gross profit margin decreased 1.3% from last year, mainly due to continuous downward adjustment of value-added tax rate in Mainland China in the past two years resulting in a decrease in deductibles and affecting purchase costs. Meanwhile, global economic conditions also caused fluctuations in purchase costs, the effect of which was partly offset by fixing price for bulk purchase.

FINANCIAL REVIEW

As at 31 December 2018, the Group was operating 59 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:

Brand	**No. of restaurants as at 31 December**		**Average spending per customer as at 31 December**		**Percentage of revenue contributed to the Group as at 31 December**	
	2018	2017	**2018**	2017	**2018**	2017
			RMB	*RMB*		
Tang's Cuisine	**1**	2	**339.4**	293.9	**1.8%**	8.1%
Tang Palace*	**30**	28	**181.7**	162.5	**76.7%**	73.6%
Social Place	**8**	7	**126.3**	123.9	**11.8%**	8.9%
Canton Tea Room	**4**	4	**81.3**	84.7	**4.7%**	4.1%
Pepper Lunch	**15**	14	**51.2**	49.7	**4.5%**	4.9%

* including Tang Palace Seafood Restaurant and Tang Palace.

As mentioned above, the Group's overall revenue for the year increased by 10.0% to RMB1,492.1 million and the overall gross profit margin has decreased by 1.3%. During the year, the Group's share award plan expense calculated at market price amounted to RMB8.1 million (2017: RMB9.3 million). After exclusion of this expense item, the Group's percentage of staff costs on revenue is 29.5% (2017: 27.6%). An overall increase in staff costs were due to the rise in the level of minimum wage in a number of provinces and cities in China successively, the Group has adjusted its employee wages in compliance with relevant regulations resulting in an increment of 1.7% in staff cost. Despite the relatively large increasement in staff costs on revenue, the remaining percentage of other expenses on revenue have fluctuated within a narrow range during the year. In which, depreciation percentage of items under property, plant and equipment, rental and related expenses and other expenses on revenue are 3.4% (2017: 3.8%), 9.4% (2017: 9.0%) and 6.0% (2017: 6.1%) respectively. During the year, the effective tax rate was 30.3% (2017: 31.5%), which included withholding tax of RMB4.4 million on dividend income and deferred tax of RMB0.5 million. After deducting the PRC withholding tax derived from dividend income and deferred tax credit, the actual tax rate for the year was 28.0%. The profit attributable to owners of the Company for the year decreased by 12.3% from RMB131.3 million to RMB115.2 million. However, due to the implementation of a series of efficiency improvement strategies in the second half of the year, the decline was significantly narrowed down to 9.3% as compared with the year-on-year decline of 15.7% in the first half of 2018. The Group's net profit margin increased from 7.2% in the first half of 2018 to 8.5% in the second half of the year, representing a profit margin of 7.8% for the whole year.

OUTLOOK

The food and beverage market is rapidly changing and full off challenges. However, leveraging on the Group's extensive market experience, deep and solid foundation of our brand and reflexible, swift and timely adjustment of its strategy in response to market conditions, the Group has experienced steady growth during the year. A number of annual key projects that the Group has put together at the beginning of the year have been launched according to plan. For example, in terms of marketing, we have sufficiently increased our sales through concentrating in collaboration with takeaway platforms and optimization of our menus, packaging and procedures, etc. The upgraded electronic membership system has laid a solid foundation for the boosting of customers loyalty and the provision of extra-attentive services. The long-term control of labor costs is an important objective of the Group. During the year, system upgrades have been carried out in order to optimize shift arrangement and staff structure.

In 2019, the Group will enhance efforts in the planning and implementation of the retail business, moderately explore takeaway food to expand online and offline sales business with a view to increasing brand penetration under the concept of "take home with the brand" and continue to optimize its takeaway sales operation. To facilitate long-term developments, the Group will introduce a series of applications of artificial intelligence to achieve intellectualization and data-orientation so as to provide our management team with accurate and timely information to cope with market changes as well as to reduce manual operations and reduce labour costs. The project is expected to launch in the second half of 2019.

In terms of expansion, we have already been preparing for the opening of new restaurants with our own brands in Mainland China and Hong Kong in 2019. In response to the business potential of casual dining, the Group has improved the standardization of the management of casual dining and is well positioned to launch its self-developed brands to overseas market. Meanwhile, the Group will continue to introduce new and quality brands, and to collaborate with partners to explore diversified catering businesses leveraging on our extensive experience and resources.

In 2019, the Group will continue to raise its efficiency level while seeking to expand its business at a steady pace. And, more importantly, we will formulate sustainable development plans to realize long-term objectives, so that the Company may continue to maintain healthy and continue its expansion and strive to gain higher profits for our shareholders at the same time.

Cash flow

Cash and cash equivalents decreased by RMB29.4 million from RMB429.8 million as at 31 December 2017 to RMB400.4 million as at 31 December 2018.

Net cash of RMB186.9 million was generated from operating activities during the year. Net cash used in investing activities amounted to RMB86.2 million during the year, of which RMB57.0 million was related to the purchase of property, plant and equipment. Net cash used in financing activities amounted to RMB124.2 million for the year, of which RMB70.6 million was related to repayment of bank loan, RMB134.1 million was related to dividend payment and a new bank loan of RMB79.2 million.

Liquidity and Financial Resources

The Group's funding and treasury activities were managed and controlled by the senior management. The Group maintained cash and cash equivalents and time deposits, in aggregate, of RMB544.4 million as at 31 December 2018 (31 December 2017: RMB513.8 million). As at 31 December 2018, the Group's total assets, net current assets and net assets were RMB893.1 million (31 December 2017: RMB889.7 million), RMB272.6 million (31 December 2017: RMB266.5 million) and RMB502.6 million (31 December 2017: RMB534.1 million), respectively.

As at 31 December 2018, the Group had bank borrowings of RMB79.2 million (31 December 2017: RMB70.6 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 15.8% as at 31 December 2018 (31 December 2017: 13.2%).

As at 31 December 2018, the current ratio (calculated as current assets divided by current liabilities) was 1.7 (31 December 2017: 1.8).

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

Foreign Currency Exposure

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

As at 31 December 2018, the directors considered the Group's foreign exchange risk to be insignificant. During the year, the Group did not use any financial instruments for hedging purposes.

OTHER INFORMATION

Number and Remuneration of Employees

As at 31 December 2018, the Group had around 4,500 employees in Hong Kong and the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for expansion of new restaurants. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis, which is in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes, share options, share awards and performance related bonus.

Capital Commitment

The Group's capital commitment was approximately RMB11.1 million and RMB10.0 million as at 31 December 2018 and 31 December 2017, respectively.

Charge on Group's Assets

As at 31 December 2018, the Group had pledged time deposits of RMB80.0 million (31 December 2017: RMB80.0 million) for banking facilities amounting to RMB79.2 million (31 December 2017: RMB70.6 million).

Contingent Liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the year, there was no material acquisition or disposal of subsidiaries, associates and joint ventures of the Company.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2018.

Corporate Governance Code

The Board is committed to maintaining a high standard of corporate governance practices to safeguard the interests of Company and its shareholders and to enhance corporate value and accountability. The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") throughout the year. Besides, the Board has resolved to adopt the relevant code provisions amendment in the Listing Rules during the year, which has been in force from 1 January 2019.

Model Code For The Securities Transactions by Directors of Listed Issuers (the "Model Code")

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

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference (amended on 1 January 2016 and 1 January 2019) in compliance with the Corporate Governance Code. The Audit Committee comprises all the three independent non-executive directors, namely Mr. KWONG Ping Man, Mr. KWONG Chi Keung and Mr. CHEUNG Kin Ting Alfred.

The Audit Committee has reviewed the Company's consolidated financial statements for the year ended 31 December 2018.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting will be held on 14 June 2019 (the "**AGM**"). A formal notice of the AGM will be published and dispatched to shareholders of the Company(the "**Shareholders**") as required by the Listing Rules in due course.

DIVIDEND

The Board recommended the payment of a final dividend of HK9.20 cents per ordinary share (2017: HK23.00 cents), payable to Shareholders whose names appear on the register of members of the Company on 20 June 2019. Including the interim special dividend of HK3.40 cents per ordinary share (2017: HK8.50 cents) declared, the total dividend payout ratio for the year ended 31 December 2018 will be 100.0% (2017: 100.0%).

The above payout ratio has already taken into account of the Group's sufficiency in resources for its working capital and business development requirements, the Group maintains the stable payout ratio in order to endeavour a stable dividend policy so as to provide sustainable return to Shareholders.

Subject to the approval of the Shareholders at the forthcoming AGM to be held on 14 June 2019, the final dividend is expected to be paid on 31 July 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from 10 June 2019 to 14 June 2019 (both days inclusive), during which period no transfer of share(s) will be effected. In order to be eligible to attend and vote at the AGM, all transfers documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 6 June 2019.

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 2018 (if approved), the register of members of the Company will be closed on 20 June 2019, during which no transfer of share(s) will be effected. To be entitled to the final dividend for the year ended 31 December 2018 (if approved), all transfers documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 19 June 2019.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

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

APPRECIATION

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

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

Hong Kong, 25 March 2019

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

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