
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Tang Palace (China) Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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

This document is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares of the Company.



唐宮(中國)控股有限公司

TANG PALACE (CHINA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1181)

**CONNECTED TRANSACTION
GRANT OF NEW SHARES TO A CONNECTED PERSON
UNDER THE SHARE AWARD PLAN
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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 Friday, 14 June 2019 at 3:30 p.m. is set out on pages 40 to 41 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.

29 May 2019

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	18
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	20
APPENDIX — GENERAL INFORMATION	35
NOTICE OF THE EXTRAORDINARY GENERAL MEETING	40

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 24 May 2019 in relation to, among others, the grant of Award Shares to the Connected Participant under the Share Award Plan
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Award”	the proposed granting of the Award Shares to the Connected Participant
“Award Shares”	3,080,000 new Shares to be issued and allotted in favour of the Connected Participant under the Share Award Plan
“Board”	the board of Directors of Tang Palace (China) Holdings Limited
“Company”	Tang Palace (China) Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1181)
“Connected Participant” or “Ms. Weng”	Ms. Weng Peihe, an executive Director and the chief executive officer of the Company and accordingly a connected person of the Company
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve, among others, the Award
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the Award

DEFINITIONS

“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 SFO, and appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Award
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM to approve the Award
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is (are) independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders, of the Company, its subsidiaries or any of their respective associate(s)
“Latest Practicable Date”	27 May 2019, 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
“Remuneration Committee”	the remuneration committee of the Board
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“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
“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

DEFINITIONS

“Trustee” Best Services 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



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

29 May 2019

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
GRANT OF NEW SHARES TO A CONNECTED PERSON
UNDER THE SHARE AWARD PLAN
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement of the Company dated 24 May 2019 in which it was announced that the Board has resolved to recommend to the Independent Shareholders to grant the Award Shares to the Connected Participant under the Share Award Plan, being 3,080,000 new Shares by way of issue and allotment of new Shares pursuant to the Specific Mandate.

LETTER FROM THE BOARD

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

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

Background of the Share Award Plan and the Proposed Grant of the Award Shares

The Share Award Plan was adopted by the Company on 25 March 2011 (as supplemented and amended) to provide a means for the Company to (i) recognise and reward certain eligible participants who have contributed to the growth and development of the Group and encourage them to give their continual support to the Group; and (ii) to attract and retain suitable personnel for the further development of the Group. Under the Share Award Plan, the independent Trustee holds Shares awarded and allotted by the Company for the benefit of the selected eligible participants pending on vesting of such Shares in the selected eligible participants upon fulfillment of any vesting condition that may be set by the Remuneration Committee and the Board. Once the vesting condition is fulfilled, the Trustee would transfer the title in the Shares to the selected eligible participants. Prior to such transfer, the Trustee would not be entitled to exercise any voting rights conferred by the Shares but will hold on trust the Shares together with accrued rights to receive any dividends and other distributions declared, made or paid on or after the date of allotment of the Shares. Once the transfer of title in the Shares by the Trustee to the selected eligible participants is completed, such selected eligible participants would become holder of the Shares awarded entitling to exercise voting rights and other rights conferred by the Shares under the Articles of Association.

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

As the Connected Participant is a connected person of the Company, the issue and allotment of the Award Shares in favour of the Connected Participant will constitute a 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.

LETTER FROM THE BOARD

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

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

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

Conditions of the grant of the Award Shares

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

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

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

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

Further Information about the proposed Award Shares

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

Securities to be issued:	3,080,000 new Shares, to be issued and allotted to the Trustee
Issue price:	The Award Shares shall be issued and allotted to the Trustee at nominal value of HK\$0.05 each. The aggregate nominal value of the Award Shares is HK\$154,000
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 24 May 2019 as quoted on the Stock Exchange was HK\$1.26 per Share.</p> <p>The average closing price of the Shares for the five consecutive trading days immediately preceding 24 May 2019 as quoted on the Stock Exchange was HK\$1.308 per Share.</p> <p>The closing price of the Shares as at the Latest Practicable Date as quoted on the Stock Exchange was HK\$1.29 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.
Vesting condition:	There shall be no vesting condition, i.e. upon the allotment and issue of the Award Shares to the Trustee, the Award Shares shall vest immediately in the Connected Participant and the Trustee shall thereafter transfer the title in the Award Shares to the Connected Participant by following the normal procedures relating to the Shares transfer which involve execution of instrument of transfer of the Shares, conducting stamping at stamp duty office of the Inland Revenue Department of Hong Kong and updating the register of members of the Company.

Notwithstanding that the Award Shares shall actually vest immediately in the Connected Participant upon issue and allotment to the Trustee, the Award Shares shall nevertheless first be issued and allotted by the Company to the Trustee instead of directly to

LETTER FROM THE BOARD

the Connected Participant because it is intended that the rules and procedures as set out the Share Award Plan adopted by the Company should be strictly adhered whenever there is a grant made under the Share Award Plan. In particular, the grant of the Award Shares to the Connected Participant have been recommended by the Remuneration Committee and the Board within the ambit of the Share Award Scheme for the purpose of recognizing the Connected Participant for her contribution and incentivizing her for future contribution to the Group. Such grant has to be considered by the Independent Shareholders and subject to their approval at the EGM under the Listing Rules. After obtaining the approval of the Independent Shareholders and the approval of the Stock Exchange for the listing of the Award Shares, the rules and procedures for grant of the Award Shares under the Share Award Plan would be then strictly followed for prudent corporate governance practice. Pursuant to the Share Award Plan, all the Shares awarded under it in compliance with relevant rules and regulations shall be allotted to, and subscribed by the Trustee. In connection with the proposed grant to the Connected Participant, it is considered that vesting of the Award Shares in the Connected Participant immediately upon allotment to the Trustee without vesting condition is justifiable in rewarding and incentivizing the Connected Participant based on the grounds set out in the paragraph headed “Reasons for granting the Award Shares to the Connected Participant” below. Neither the Trustee nor the Connected Participant can exercise any voting rights conferred by the Award Shares upon allotment and vesting, while the Award Shares, when issued and fully credited, shall rank *pari passu* among themselves and with those Shares in issue, with the right to receive all dividends and other distributions declared, made or paid on or after the date of allotment. After the allotment of the Award Shares, the Trustee will transfer the title in the Award Shares to the Connected Participant by following the normal procedures relating to the Shares transfer. Once the transfer of title in the Shares by the Trustee to the Connected Participant is completed, the Connected Participant would be entitled to exercise voting rights and other rights (including dividends and other distributions) conferred by the Shares under the articles of association of the Company.

The Award Shares represents approximately 0.288% of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.287% of the total number of Shares in issue as enlarged by the issue and allotment of the Award Shares.

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 2019.

Based on the closing price of HK\$1.26 per Share as quoted on the Stock Exchange as of 24 May 2019, being the date of the Announcement, the market value of the Award Shares is HK\$3,880,800. Based on the average closing price of the Shares for the five consecutive

LETTER FROM THE BOARD

trading days immediately preceding the date of the Announcement as quoted on the Stock Exchange of approximately HK\$1.308 per Share, the market value of the Award Shares is HK\$4,028,640. Based on the closing price of HK\$1.29 per Share as quoted on the Stock Exchange as of the Latest Practicable Date, the market value of Award Shares is HK\$3,973,200.

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.

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 1,070,782,500 Shares. Set out below is the shareholding structure of the Company (i) immediately prior to the allotment and issue of the Award Shares; (ii) immediately after the allotment and issue of the Award Shares to the Trustee but before the Award Shares are transferred to the Connected Participant; and (iii) immediately after the Award Shares are vested and transferred 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 to the Trustee		Immediately after the Award Shares are vested and transferred to the Connected Participant	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Best Active Investments Limited	352,500,000	32.92	352,500,000	32.83	352,500,000	32.83
Mr. Chan Man Wai	9,134,000	0.85	9,134,000	0.85	9,134,000	0.85
Current Success Investments Limited	246,750,000	23.04	246,750,000	22.98	246,750,000	22.98
Bright Mind Investments	<u>105,850,000</u>	<u>9.89</u>	<u>105,850,000</u>	<u>9.86</u>	<u>105,850,000</u>	<u>9.86</u>
Controlling shareholders	714,234,000	66.70	714,234,000	66.51	714,234,000	66.51
Ms. Weng Peihe	23,790,000	2.22	23,790,000	2.22	26,870,000	2.50
Trustee	—	—	3,080,000	0.29	—	—
Public Shareholders	<u>332,758,500</u>	<u>31.08</u>	<u>332,758,500</u>	<u>30.99</u>	<u>332,758,500</u>	<u>30.99</u>
Total	<u>1,070,782,500</u>	<u>100</u>	<u>1,073,862,500</u>	<u>100</u>	<u>1,073,862,500</u>	<u>100</u>

Note: Percentages may not add up to 100% due to rounding.

Reasons for granting the Award Shares to the Connected Participant

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

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

Remuneration Policy

The Company's remuneration policy for executive Directors includes monthly director fee, basic salary and a discretionary management bonus to be determined by the Board.

The Company also adopted the Share Award Plan on 25 March 2011 which allows the Company to reward and retain key members of senior management whose expertise and long-term commitment are considered important to the Company's business objectives and continued growth. The granting of share awards form parts of the remuneration package of senior management of the Group as part of performance-related discretionary bonus along with cash bonus. The Company considers that, by granting of share awards to our employees, the interests of the employees can be aligned directly with the performance of the Group and the interests of Shareholders through the ownership of Shares. As disclosed in the Company's announcement dated 15 April 2019, other senior management of the Group had also been granted the Shares under the Share Award Plan earlier in the current financial year as part of their performance-related discretionary bonus.

Remuneration of Ms. Weng

Pursuant to the service contracts of the Connected Participant entered with the Company, the Connected Participant is entitled to a director's fee of HK\$55,000 per month and a base salary of HK\$128,250 per month, plus a discretionary management bonus to be determined with reference to her duties and responsibilities within the Group, the performance of the Group and the prevailing market situation.

As disclosed in the annual report of the Company for the year ended 31 December 2018, the total remuneration of the Connected Participant for the year ended 31 December 2018 is in the amount of RMB7,620,000 (equivalent to approximately HK\$8,763,000), inclusive of the value of the 3,080,000 Shares (the "2018 Award Shares") that were awarded to the Connected Participant on 7 June 2018. Based on the market price of the date the 2018 Award Shares were awarded, the deemed consideration of the 2018 Award Shares which was recognized as expense is HK\$5,698,000 (equivalent to approximately RMB4,786,000). Saved as the grant of the 2018 Award Shares, the Company has not granted any other award shares or share options to the Connected Participant in the 12 months immediately preceding the date of this circular.

LETTER FROM THE BOARD

Contribution and unique values of Ms. Weng

Ms. Weng has substantially contributed to the ongoing development of the Group in the past. She procured the Group to introduce the 5S management system in 2003, and the 5S management system itself is originated from Japan. The 5S management system requires the operation procedures and environment to have five essential principles, namely sort (good classification practice), systemize (efficient principle to store and retrieve), shine (clean and hygienic environment), standardise (standard procedures consented to maximize efficiency) and self-discipline (based on mechanism established from previous four principles, motivative staff to be self-disciplined take their own initiative to improve). All the above principles are essential and applicable to food and beverage industry in which a clean, hygienic and safe environment is vital to food safety and occupational health and safety. Since the introduction of the 5S management system, Ms. Weng, with her extensive experience and expertise in the food and beverage industry, has formed an 5S management system implementation unit in the Group, and has continued to monitoring its smooth execution to enhance the operational efficiency while maintaining high standard of food and occupational health safety through established supervising mechanism, and by maintaining good relationship with the founders of ERS Institute (consulting institute of the 5S management system which is a limited company incorporated in Hong Kong and an Independent Third Party), through which the Group is able to obtain latest information about the 5S management system, which is crucial for the maintenance of a continuous and sustainable development for the Group as a whole. Over the years, Ms. Weng has been keen on establishing a good corporate culture and maintaining a stable core management team through the introduction and application of the essences in Chinese traditional culture in corporate management, which is important for the sustainable growth of the Group.

Her introduction of modern corporate management strategies coupled with her leadership in driving the execution of such strategies, her role in building and maintaining a core management team, her efforts in establishing a unique corporate culture and solidifying the organizational structure, all of which have been crucial to the sustainable growth of the Group, and are regarded to be significant drivers behind the Group's successful listing on the Stock Exchange on 11 April 2011 and the Group's continuous development after listing. The Group has also managed to achieve the recovery after the industry downturn in around 2013 and maintained steady operating performance over the last three financial years, as disclosed in the annual reports of the Company for the two years ended 31 December 2017 and 31 December 2018 (the “**2017 Annual Report**” and “**2018 Annual Report**”, respectively).

The revenue of the Group increased by approximately 8.6% from approximately RMB1,248.5 million for the year ended 31 December 2016 to approximately RMB1,356.1 million for the year ended 31 December 2017. As disclosed in the 2017 Annual Report, such increase was primarily attributable to expansion of new outlets, contribution of growing outlets and the growth of the then existing outlets. The Group recorded a profit of approximately RMB133.2 million for the year ended 31 December 2017, representing an increase of approximately 30.2% as compared with the profit of the Group of approximately RMB102.3 million for the year ended 31 December 2016. As disclosed in

LETTER FROM THE BOARD

the 2017 Annual Report, the increase in the profit of the Group from 2016 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.

Amid the slowdown in macro-economy and external challenging business environment, 2018 was a year challenging for the Group. With the continuing leadership and contribution of Ms. Weng, the Group continued to record increase in revenue by approximately 10.0% to approximately RMB1,492.1 million for the year ended 31 December 2018 as compared to 2017. As disclosed in the 2018 Annual Report, such increase was primarily attributable to the growth of outlets with less than two years in operation and expansion by opening new outlets in 2018. Yet, the results of the Group has been mainly offset by the overall increases in the labour cost due to more stringent regulatory requirement on minimum wage and social security plans in the PRC, as well as the pursuit of the Group to enhance benefits of employees which are determined as an important factor to the business development of the Group. The Group had therefore recorded a decrease in profit by approximately 12.2% from approximately RMB133.2 million for the year ended 31 December 2017 to approximately RMB117.0 million for the year ended 31 December 2018.

In 2018, the macro-economy atmosphere of the PRC has relatively slowdown. The year-on-year increase in China GDP for 2018 as announced by National Bureau of Statistics of China (中國國家統計局) was 6.6%, being the lowest of the last 28 years. The revenue for the national food and beverage industry in 2018 increased by 9.5% over the previous year, showing a sign of slowdown when compared to an increase of 10.7% in 2017. In light of such slowdown in the macro-economy atmosphere, Ms. Weng led the Group to rapidly adjust its development strategy to strengthen its existing business with increasing customer loyalty by launching marketing campaign to attract restaurant customers. Despite as set out above, the profit of the Group decreased for the year ended 31 December 2018, with further effort in enhancing cost-effectiveness during the year, the Group has managed to mitigate the effect of the increase in labour cost in the second half of 2018 as demonstrated by the increase of the net profit margin of the Group of 7.2% for the six months ended 30 June 2018 to 7.8% for the year ended 31 December 2018. Going forward, Ms. Weng will continue to strive to streamline the Group's operation flow to achieve better cost control and optimal operational efficiency.

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

LETTER FROM THE BOARD

Group, ranging from traditional Cantonese restaurant to Chinese fine dining. For further biographical details of Ms. Weng, please refer to the paragraph headed “Further information about Ms. Weng” below in this circular.

The Connected Participant continued to contribute to the growth of the Group in the recent years through her leadership in maintaining the steady revenue growth of our business by strengthening customer loyalty and retaining long-term customers through membership program. In response to the recent trend of online business and customer experience, she led the launch of electronic membership program and the strategic cooperation between the Group and reputable takeaway platforms in 2018. As a result of the above efforts, there is a year-on-year growth of more than 50% in the revenue of the Group derived from takeaway orders for 2018 as compared to 2017.

Grant of the Award Shares

In light of that the Board’s intention to maintain continuous and sustainable development for the Group can be supported by the Connected Participant’s unique values and taking into account the Connected Participant’s unique contributions to the Group as set out above, 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.

In determining the size and monetary value of Award Shares, the Remuneration Committee has taken into account various factors, including the unique values and contributions of the Connected Participant as set out above, the other components of the remuneration package of the Connected Participant, the market value of the Award Shares and the financial and business performance of the Group in 2018 against the backdrop of the economic and market conditions in 2018 in the PRC. The Board consider that the number of Award Shares and its expected market value is in line with the remuneration policy of the Group.

The Remuneration Committee and the Board noted that, while the total remuneration of the Connected Participant is above that of the chief executive of comparable companies operating in restaurant and fast food shop operations in the PRC of similar market size as quoted in the paragraph headed “IV. Reasons for and benefits of the Award” in the letter from the Independent Financial Adviser contained in this circular, having consider taken into account that (i) as compared to the chief executives of all other comparable companies, the Connected Participant’s role as a professional chief executive while not being a controlling shareholder of the Group; (ii) the experience and expertise in the industry of the Connected Participant coupled with her long-term leadership in the Group; and (iii) the unique values and contribution of the Connected Participant as set out above, the total remuneration package (consisting of director’s fee, basic salary, discretionary management bonus, and the Award) is fair and reasonable and is justified in light of the long term support and leadership brought by the Connected Participant, who will continue be crucial to the future development of the Group.

LETTER FROM THE BOARD

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

Opinion of the Remuneration Committee

In conclusion, the Remuneration Committee is of the opinion that since (i) the Connected Participant's contributions have been very important and unique to the Company; (ii) there will not be any actual cash outflow by the Group as a result of the Award; and (iii) the grant of Award Shares is in line with the remuneration given to other senior management of the Company who has also received Shares under the Share Award Plan (as announced by the Company in its announcement dated 15 April 2019) and (iv) the Award is expected to 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, the Award is therefore considered to be on normal commercial terms and conducted in the ordinary and usual course of business of the Group, and the terms and conditions of the Award are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Recommendation of the Board

Upon the recommendation of the Remuneration Committee and the factors 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.

LETTER FROM THE BOARD

Further information about Ms. Weng

Ms. WENG Peihe, aged 48, 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. In 2018, Ms. Weng was selected as one of the Top Ten Female CEOs by Forbes China.

LISTING RULES AND LEGAL IMPLICATIONS

Pursuant to the Share Award Plan, the maximum number of Shares that can be awarded under the Share Award Plan in each financial year is limited to 10% of the total issued share capital of the Company as at the beginning of that financial year. The maximum number of Award Shares which may be granted under the Share Award Plan for the financial year ending 31 December 2019 is 106,861,750 Shares. Following the award of Shares by the Company under the Share Award Plan on 25 April 2019, there remains 104,696,750 Shares available under the Share Award Plan for further awards by the Company for the financial year ending 31 December 2019.

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

LETTER FROM THE BOARD

Ms. Weng, who is an executive Director and the chief executive officer of the Company, holding 23,790,000 Shares, representing approximately 2.22% of the issued Shares as at the 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 Shareholder, Directors, chief executive or senior management, except for being an executive Director and the chief executive officer of the Company.

Ms. Weng had abstained from voting on the board resolution of the Board so far as the approval of the Award and the granting of the Awards 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.

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 18 to 19 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 20 to 34 of this circular,

LETTER FROM THE BOARD

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 Friday, 14 June 2019 at 3:30 p.m. for the purpose of considering and, if thought fit, approving the Award and the transactions contemplated thereunder.

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

The Connected Participant, who is an executive Director and the chief executive officer of the Company, holding 23,790,000 Shares, representing approximately 2.22% of the issued Shares as at the Latest Practicable Date, is required to abstain from voting in respect of the proposed resolution approving the Award. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, no other Shareholders has a material interest in the Award as at the 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 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 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 6 June 2019.

A notice convening the EGM is set out on pages 40 to 41 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)

29 May 2019

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 29 May 2019 (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 on whether the terms of the Award are fair and reasonable and in the interests of the Company and the Shareholders as a whole and how to vote on the resolution regarding the Award.

TC Capital has been appointed to advise us and the Independent Shareholders as to (i) whether the Award is on normal commercial terms and conducted in the Group’s 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 20 to 34 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 17 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*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.



29 May 2019

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to an occasion as detailed in the circular of the Company dated 15 May 2018. Given (i) our independent role in the abovementioned engagement; and (ii) our fees for the abovementioned engagement represented an insignificant percentage of our revenue, we consider that the abovementioned engagement would not affect our independence to form our opinion in respect of the grant of the Award Shares to the Connected Participant.

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 and 31 December 2018 (the “**2017 Annual Report**” and “**2018 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 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 2018 as extracted from the 2017 Annual Report and the 2018 Annual Report:

	For the year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,248,455	1,356,142	1,492,128
Profit for the year	102,273	133,186	117,006

As shown in the above table, the revenue of the Group increased by approximately 8.6% from approximately RMB1,248.5 million for the year ended 31 December 2016 to approximately RMB1,356.1 million for the year ended 31 December 2017. As stated in the 2017 Annual Report, such increase in revenue of the Group 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 RMB133.2 million for the year ended 31 December 2017, representing an increase of approximately 30.2% as compared with the profit of the Group of approximately RMB102.3 million for the year ended 31 December 2016. As stated in the 2017 Annual Report, the increase in the profit of the Group from 2016 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.

Amid the slowdown in macro-economy and external challenging business environment, 2018 was a year challenging for the Group. With the continuing leadership and contribution of Ms. Weng, the Group continued to record increase in revenue by approximately 10.0% to approximately RMB1,492.1 million for the year ended 31 December 2018 as compared to 2017. As disclosed in the 2018 Annual Report, such increase was primarily attributable to the growth of outlets with less than two years in operation and expansion by opening new outlets in 2018. Yet, the results of the Group has been mainly offset by the overall increases in the labour cost due to the more stringent regulatory requirement on minimum wage and social security plans in the PRC as well as the pursuit of the Group to enhance benefits of employees which are determined as important factor to the business development of the Group. The

Group had therefore recorded a decrease in profit by approximately 12.2% from approximately RMB133.2 million for the year ended 31 December 2017 to approximately RMB117.0 million for the year ended 31 December 2018.

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 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 in 2003, and the 5S management system itself is originated from Japan. The 5S management system requires the operation procedures and environment to have five essential principles, namely sort (good classification practice), systemize (efficient principle to store and retrieve), shine (clean and hygienic environment), standardise (standard procedures consented to maximize efficiency) and self-discipline (based on mechanism established from previous four principles, motivative staff to be self-disciplined take their own initiative to improve). All the above principles are essential and applicable to food and beverage industry in which a clean, hygienic and safe environment is vital to food safety and occupational health and safety. Since the introduction of the 5S management system, Ms. Weng, with her extensive experience and expertise in the food and beverage industry, has formed an 5S management system implementation unit in the Group, and has continued to monitoring its smooth execution to enhance the operational efficiency while maintaining high standard of food and occupational health safety through established supervising mechanism, and by maintaining good relationship with the founders of ERS Institute (consulting institute of the 5S management system which is a limited company incorporated in Hong Kong and an Independent Third Party), through which the Group is able to obtain latest information about the 5S management system, which is crucial for the maintenance of a continuous and sustainable development for the Group as a whole. Over the years, Ms. Weng has been keen on establishing a good corporate culture and maintaining a stable core management team through the introduction and application of the essences in Chinese traditional culture in corporate management, which is important for the sustainable growth of the Group. 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 and the Group's continuous development after listing. The Group has also managed to achieve the recovery after the industry downturn in around 2013 and maintained steady operating performance over the last three financial years.

In 2018, the macro-economy atmosphere of the PRC has relatively slowdown. The year-on-year increase in China GDP at 2018 announced from National Bureau of Statistics of China (中國國家統計局) was 6.6%, being the lowest of the last 28 years. The revenue for the national food and beverage industry in 2018 increased by 9.5% over the previous year, showing a sign of slowdown when compared to an increase of 10.7% in 2017. In light of such slowdown in the marco-economy atmosphere, Ms. Weng led the Group to rapidly adjust its development strategy to strengthen its existing business with increasing customer loyalty by launching marketing campaign to attract restaurant customers. Despite as set out above, the profit of the Group decreased for the year ended 31 December 2018, with further effort in enhancing cost-effectiveness during the year, the Group has managed to mitigate the effect of the increase in labour cost in the second half of 2018 as demonstrated by the increase of the net profit margin of the Group of 7.2% for the six months ended 30 June 2018 to 7.8% for the year ended 31 December 2018. Going forward, Ms. Weng will continue to strive to streamline the Group's operation flow to achieve better cost control and optional operational efficiency.

III. Background of the Share Award Plan and the Award

As stated in the Letter from the Board, the Share Award Plan was adopted 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.

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 as well as driving the execution, her role in building and maintaining 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. As stated in the Letter from the Board, since the listing, the Connected Participant continued to contribute to the growth of the Group through her leadership in the Group's operations in various regions in Greater China. Where she undertook a key role in the networking within the industry, Ms. Weng has been maintaining good relationship with existing and potential landlords and actively participate in the negotiation of the leases to ensure the restaurants of the Group are strategically located in prime locations on terms and rental expenses acceptable to the Group. During the tenure of Ms. Weng as the chief executive officer of the Group, she built up an efficient mid-level management team by training up district general managers to oversee the operation in key outlet locations in Beijing, Shanghai, Shenzhen and Chengdu etc. Ms. Weng, being responsible in

formulating core strategies for the Group, has led the Group in diversifying its target customers by developing a variety of catering outlets brands of the Group, ranging from traditional Cantonese restaurant to Chinese fine dining.

As further advised by the Directors, Ms. Weng has contributed to the growth of the Group in the recent years through her leadership in maintaining the steady revenue growth of the Group's business by strengthening customer loyalty and retaining long-term customers through membership program. In response to the recent trend of online business and customer experience, she led the launch of electronic membership program and the strategic cooperation between the Group and reputable takeaway platforms in 2018. As a result of the above efforts, there is a year-on-year growth of more than 50% in the revenue of the Group derived from takeaway orders for 2018 as compared to 2017. Besides, with her networking in the industry and team building capability, Ms. Weng also undertook a key role in establishing operation at new area and introduce new brand through joint venture, for example, the Group has introduced renown Sichuan food "Ma Wang Zi" (馬旺子) in Shenzhen at the end of 2018. As confirmed by the Directors, the introduction of "Ma Wang Zi" (馬旺子) is a good start of brand diversification of the Group. Ms. Weng will continuously take the advantage of her network and experience in food and restaurant industry to explorer new business opportunities for the Group.

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Exchange in 2011 and the steady operating 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.

In order to assess the performance of the Group under the management by the Connected Participant, we have considered and identified 4 comparable companies operating in restaurants and fast food shops industry in the PRC (over 50% of revenue contributed from restaurant and fast food shops operations in the PRC) with similar market size (market capitalization from HK\$0.5 billion to HK\$5 billion) compared to the Group with their net profit ratio for the latest published financial year as shown in the below table. To the best of our knowledge and as far as we are aware of, the 4 comparable companies are exhaustive and representative as all comparable companies which satisfy the aforesaid selection criteria.

	Main geographical operating location	Market capitalization as at the Latest Practicable Date (HK\$' million)	Net profit margin for the financial year ended 31 December 2018 (Note 1)	Total remuneration of the chief executive officer for the financial year ended 31 December 2018 (Note 2) (HK\$' million)	Whether the chief executive officer is a controlling shareholder
Hop Hing Group Holdings Limited (47.HK)	The PRC	1,500	5.2%	5.2	Yes
Ajisen (China) Holdings Limited (538.HK)	The PRC	3,799	23.2%	2.2	Yes
Best Food Holding Company Limited (1488.HK)	The PRC	1,863	(1.3%)	0	Yes
TANSH Global Food Group Company Limited (3666.HK) (Note 3)	The PRC	531	(5.1%)	3.5	Yes
		Average:	5.5%	2.8	
		Maximum:	23.2%	5.2	
		Minimum:	(5.1)%	0	
The Company	The PRC	1,381	7.7%	8.8	No

Source: the website of the Stock Exchange

Notes:

1. The net profit margin is calculated by the net profit attributable to owners of the company divided by the revenue of the company for the latest published financial year.
2. The financial figures are based on the conversion of RMB into HK\$ on the exchange rate of RMB1.00 to HK\$1.15.
3. For the period from 1 January 2018 to 5 December 2018, the chief executive officer of TANSH Global Food Group Company Limited was Ms. Wang Huimin.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above table, we noted that the net profit margin of the Group for the financial year ended 31 December 2018 fell within the range and was higher than the average of the comparable companies as shown in the above table. We also noted that the net profit margin of Ajisen (China) Holdings Limited for the financial year ended 31 December 2018 was exceptionally higher than other comparable companies and, the net profit margin of the Group for the financial year ended 31 December 2018 was higher than the remaining 3 comparable companies. It may be implied that the general financial performance of the Group under the management of the Connected Participant was relatively better than the general market for the latest published financial year. We also noted that the net profit margin of the Company were relatively steady as compared to the net profit/loss margin of the comparable companies in the past three financial years.

Moreover, the total remuneration of the Connected Participant was higher than the total remuneration of the respective chief executive officers of the comparable companies for the financial year ended 31 December 2018. However, we also noted from the annual reports of the comparable companies that all of their respective chief executive officers are at the same time their controlling shareholders holding over 30% of their respective total number of shares. As the controlling shareholders would receive dividend income (if any) and capital gains (if any) in addition to the remuneration package of being chief executive officers, a comparison of the total remuneration package of the Connected Participant, who is not a substantial Shareholder, with the total remuneration package of the chief executive officers of the comparable companies would not be meaningful.

As at the Latest Practicable Date, the Connected Participant was interested in 23,790,000 Shares, representing approximately 2.22% of the total number of Shares in issue. 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.

As stated in the Letter from the Board, the total remuneration of the Connected Participant for the year ended 31 December 2018 is in the amount of RMB7,620,000 (equivalent to approximately HK\$8,763,000), inclusive of the value of the 3,080,000 Shares (the “**2018 Award Shares**”) that were awarded to the Connected Participant on 7 June 2018. Based on the market price of the date the 2018 Award Shares were awarded, the deemed consideration of the 2018 Award Shares which was recognized as expense is HK\$5,698,000 (equivalent to approximately RMB4,786,000). Saved as the grant of the 2018 Award Shares, the Company has not granted any other award shares or share options to the Connected Participant in the 12 months immediately preceding the date of this circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the circular of the Company dated 15 May 2018, the Connected Participant was granted the 2018 Award Shares for the recognition of her industry expertise and her position as a key leader in the management of the Group's restaurant operation. As advised by the Directors, the 2018 Award Shares were granted due to the satisfactory financial performance of the Group for the year ended 31 December 2017, while the Award Shares are granted to the Connected Participant due to the continuous well financial and operating performance of the Group for the year ended 31 December 2018, especially the introduction of renown Sichuan food "Ma Wang Zi" (馬旺子) in Shenzhen at the end of 2018 as discussed above in the paragraph headed "III. Background of the Share Award Plan and the Award". Having considered that (i) the 2018 Award Shares and the Award Shares are granted mainly in recognition of the performance and contributions of the Connected Participant for different periods; and (ii) further grant of the Award Shares would reinforce the incentive for the continued contribution of the Connected Participant in the Group, we are of the view that the proposed grant of the Award Shares to the Connected Participant is in the interests of the Company and the Shareholders as a whole.

As stated in the Letter from the Board, pursuant to the service contracts of the Connected Participant entered with the Company, the Connected Participant is entitled to (i) a director's fee of HK\$55,000 per month; (ii) a base salary of HK\$128,250 per month; (iii) a discretionary management bonus to be determined with reference to her duties and responsibilities within the Group, the performance of the Group and the prevailing market situation; and (iv) any grant of award shares under the Share Award Plan. The granting of share awards form parts of the remuneration package of senior management of the Group as part of performance-related discretionary bonus along with cash bonus. The Company considers that by granting of share awards to its employees, the interests of the employees can be aligned directly with the performance of the Group and the interests of Shareholders through the ownership of Shares. As disclosed in the Company's announcement dated 15 April 2019, other senior management of the Group had also been granted the Shares under the Share Award Plan earlier in the current financial year as part of their performance-related discretionary bonus. Based on the above illustration, the Connected Participant, who is a Director and the chief executive officer of the Company, has a base salary of approximately HK\$2.2 million per year. We noted from a publication named "The Michael Page Salary Benchmark 2019" issued by Michael Page (an international recruitment consultancy firm) that the annual basic salary for a chief executive officer in general customer and retail segment in Hong Kong ranged from HK\$2.5 million to HK\$3.5 million with an average of HK\$3.0 million. As the publication only disclosed the annual basic salary but not the total remuneration package of a chief executive officer in general customer and retail segment in Hong Kong, we cannot directly compare the total remuneration package of the Connected Participant to the market. However, taking into consideration of (i) the unique values and contribution of the Connected Participant, (ii) that the base salary of the Connected Participant falls below the industry range and (iii) that the granting of share awards form parts of the remuneration package of senior management of the Group as stated above, we are of the view that the proposed grant of the Award Shares to the Connected Participant on top of her base salary is fair and reasonable.

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 Shareholders through the ownership of Shares. In light of the above and that (i) the Award does not incur any cash outflow by the Group; (ii) the Connected Participant plays a significant role in the management and operation of the Group; (iii) the Group's continuing business strategies to diversify brand products and explore new business opportunities rely on the personal network and industry expertise of the Connected Participant; and (iv) the Award provides better incentive to motivate the Connected Participant to strive for the growth of the Group consistently, we concur with the Directors that 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.

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 proposed grant of the Award Shares to the Connected Participant under the Share Award Plan by way of the issue and allotment of 3,080,000 new Shares.

Based on the closing price of HK\$1.29 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the aggregate market value of the Awards Shares will be HK\$3,973,200.

As stated in the Letter from the Board, the granting of the Award Shares shall be subject to the following conditions:

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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.

We have considered and identified 22 comparable companies (the “**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 25 February 2019 to 24 May 2019) with their terms are 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.)	Value of total award shares as at the date of announcement (HK\$ million) (Approx.)
Top Education Group Limited (1752)	28 February 2019	2 connected awardees	0.46%	No available information	No available information	4.3
Pacific Basin Shipping Limited (2343)	1 March 2019	Independent awardees	0.55%	No available information	No available information	43.8
Wuxi Biologics (Cayman) Inc. (2269)	19 March 2019	11 awardees, including 5 connected persons	0.10%	No available information	No available information	102.0
IGG INC (799)	20 March 2019	Independent awardees and 5 connected persons	0.02%	25% on 20 March 2020; 25% on 20 March 2021; 25% on 20 March 2022; 25% on 20 March 2023	1-4	2.6
SITC International Holdings Company Limited (1308)	25 March 2019	552 awardees, including 9 connected persons	0.25%	Vest on the third anniversary of the date of grant	3	51.6
VCREDIT Holdings Limited (2003)	26 March 2019	Independent awardees and 2 connected persons	1.31%	25% on 25 March 2020; 25% on 25 March 2021; 25% on 25 March 2022; 25% on 25 March 2023	1-4	57.5
Fosun International Limited (656)	27 March 2019	92 awardees, including 18 connected persons	0.07%	33% on 27 March 2020; 33% on 27 March 2021; 34% on 27 March 2022	1-3	80.8
China Modern Dairy Holdings Limited (1117)	29 March 2019	51 awardees, including 2 connected persons	0.33%	No available information	No available information	26.0

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.)	Value of total award shares as at the date of announcement (HKS' million) (Approx.)
Bison Finance Group Limited (888)	1 April 2019	2 awardees, including 1 connected person	1.06%	10 business days after the date of acceptance	0	14.6
Xiaomi Corporation (1810)	1 April 2019	299 independent awardees	0.09%	From 1 year and 3 months to 10 years	1.25-10	255.2
Concord New Energy Group Limited (182)	2 April 2019	Not less than 30 awardees, including 12 connected persons	1.33%	25% on 15 February 2020; 25% on 15 February 2021; 25% on 15 February 2022; 25% on 15 February 2023 (or in the event that the above vesting date is not a business day, the first business day thereafter)	1-4	45.8
Kiu Hung International Holdings Limited (381)	3 April 2019	17 independent awardees	10.0%	No available information	No available information	78.5
KWG Group Holdings Limited (1813)	8 April 2019	27 awardees, including 9 connected persons	0.06%	One-third on 8 April 2020; one-third on 8 April 2021; one-third on 8 April 2022	1-3	19.2
First Pacific Company Limited (142)	8 April 2019	14 awardees, including 5 connected persons	0.35%	No available information	No available information	43.6
The Company (1181)	15 April 2019	2 independent awardees	0.20%	Vest immediately	0	3.1
Bison Finance Group Limited (888)	16 April 2019	5 awardees, including 1 connected person	0.43%	10 business days after the date of acceptance	0	5.9
FDG Electric Vehicles Limited (729)	17 April 2019	More than 10 independent awardees	4.76%	No available information	No available information	74.1
NetDragon Websoft Holdings Limited (777)	23 April 2019	1 connected awardee	0.02% (Note 1)	Vest on 30 April 2019	0	2.8
Hengdeli Holdings Limited (3389)	24 April 2019	7 awardees, including 3 connected persons	0.64% (Note 2)	Vest on 26 April 2019	0	12.2
IGG INC (799)	6 May 2019	Independent awardees	0.02%	25% on 6 May 2020; 25% on 6 May 2021; 25% on 6 May 2022; 25% on 6 May 2023	1-4	2.1
AGTech Holdings Limited (8279)	17 May 2019	103 awardees, including 7 connected persons	0.49%	19.4% on 1 April 2020; 26.4% on 23 August 2020 to 2 April 2021; 4.2% on 1 April 2021; 20.8% on 23 August 2021 to 2 April 2022; 4.2% on 1 April 2022; 20.8% on 23 August 2022 to 2 April 2023; 4.2% on 1 April 2023	1-4	24.8

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.)	Value of total award shares as at the date of announcement (HK\$' million) (Approx.)
Top Education Group Limited (1752)	24 May 2019	4 independent awardees	0.73%	No available information	No available information	5.0
The Company (1181)	24 May 2019	the Connected Participant	0.29%	Vest immediately	0	3.9

Source: the Company and the website of the Stock Exchange

Notes:

1. The calculation is based on the total number of awarded shares of 120,000 and the total number of shares of NetDragon Websoft Holdings Limited in issue of 530,409,041 as at 23 April 2019.
2. The calculation is based on the total number of awarded shares of 30,000,000 and the total number of shares of Hengdeli Holdings Limited in issue of 4,662,666,959 as at 24 April 2019.

We noted that the size and the value of total granted shares as at the date of relevant announcement of the Comparable Companies ranged between 0.02% and 10.0% of the total number of shares in issue on the date of announcement and between HK\$2.1 million and HK\$255.2 million, respectively. The Award Shares represent approximately 0.29% of the total number of Shares in issue as at the date of the Announcement and approximately HK\$3.9 million based on the closing price of HK\$1.26 per Share as quoted on the Stock Exchange on 24 May 2019, which are both within the respective range of the Comparable Companies.

We also noted from the above table that the vesting periods of the award shares granted by the Comparable Companies ranged from approximately 0 to up to approximately 10 years after grant, therefore the vesting period 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 15 April 2019.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the closing price of HK\$1.29 per Share as quoted on the Stock Exchange as of the Latest Practicable Date, the market value of the Award Shares is approximately HK\$4.0 million. Under the accounting policies of the Company, the fair value of the new Award Shares as of the allotment date 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 2019.

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

Upon the allotment and issue of the Award Shares to the Trustee, the Award Shares shall vest immediately in the Connected Participant and the Trustee shall thereafter transfer the title in the Award Shares to the Connected Participant. The Award Shares represent approximately 0.288% of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.287% of the total number of Shares in issue as enlarged by the issue and allotment of the Award Shares.

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 31.08% to approximately 30.99%. 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	—	246,750,000	246,750,000	23.04%
Mr. Chan Man Wai	9,134,000	352,500,000	361,634,000	33.77%
Mr. Ku Hok Chiu	—	105,850,000	105,850,000	9.89%
Ms. Weng Peihe	23,790,000	—	23,790,000	2.22%

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	246,750,000	23.15%
Ms. Wong Sau Mui	Interest of spouse	246,750,000	23.15%
Best Active Investments Limited	Beneficial owner	352,500,000	32.98%
Ms. Au Yim Bing Anniver	Interest in a controlled corporation	361,634,000	33.84%
Bright Mind Investments Limited	Interest in a controlled corporation	105,850,000	9.93%
Ms. Ku Wai Man	Interest of spouse	105,850,000	9.93%
Orchid Asia IV, L.P. ^(Note 2)	Beneficial owner	82,705,000	7.74%
OAIIV Holdings, L.P. ^(Note 2)	Interest of a controlled corporation	82,705,000	7.74%
Orchid Asia IV Group Management, Limited ^(Note 2)	Interest of a controlled corporation	82,705,000	7.74%
Orchid Asia IV Group, Limited ^(Note 2)	Interest of a controlled corporation	82,705,000	7.74%
Orchid Asia IV Investment, Limited ^(Note 2)	Interest of a controlled corporation	82,705,000	7.74%
YM Investment Limited ^(Note 2)	Interest of a controlled corporation	84,115,000	7.87%
Ms. LAM Lai Ming ^(Note 2)	Founder of a discretionary trust	84,115,000	7.87%
Mr. LI Gabriel ^(Note 2)	Founder of a discretionary trust	84,115,000	7.87%
The LI Family (PTC) Limited ^(Note 2)	Trustee	84,115,000	7.87%

Notes:

1. All of the above positions are as disclosed in the Company's annual report for the year ended 31 December 2018. Pursuant to the Company's announcement dated 15 April 2019, the Company had on 25 April 2019 issued and allotted 2,165,000 new shares pursuant to the general mandate granted by the Shareholders at the Company's annual general meeting held on 4 June 2018 and granted such shares to certain selected participants under the Share Award Plan.
2. As of 31 December 2018, these shares were beneficially owned as to 82,705,000 shares by Orchid Asia IV, L.P. and as to 1,410,000 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 The LI Family (PTC) Limited as Trustee and were taken to be interested in the shares in which YM Investment Limited was interested.

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 ("**2018 Annual Report**") of the Company despatched to the Shareholders on 26 April 2019, 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' report contained in the 2018 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 2018 (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 2018 (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 SFO

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 2018 (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 14 June 2019, 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, Hong Kong on Friday, 14 June 2019 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 RESOLUTION

“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 3,080,000 new shares of the Company (the “**Award Shares**”), credited as fully paid, to Best Services 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

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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, 29 May 2019

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 Monday, 10 June 2019 to Friday, 14 June 2019, 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 Thursday, 6 June 2019.
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.