唐宮(中國)控股有限公司

TANG PALACE (CHINA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1181)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the "**Board**") of Tang Palace (China) Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2020 (the "**Period**"), together with comparative figures for the six months ended 30 June 2019 as follows:

HIGHLIGHTS

	For the six months ended 30 June		Change in
	2020	2019	%
Revenue *(RMB'000)*	**410,491**	758,817	(45.9%)
Gross profit *(RMB'000)* [(1)]	**246,223**	478,540	(48.5%)
Gross profit margin	**60.0%**	63.1%	(3.1%)
Profit/(Loss) for the Period attributable to owners of the Company *(RMB'000)*	**(66,500)**	51,210	
Basic earnings/(loss) per share *(RMB cents)*	**(6.18)**	4.79	
Interim special dividend per share *(HK cents)*	**2.00**	3.40	
Number of restaurants (self-owned)	**59**	58	
Number of restaurants (joint ventures)	**11**	10	

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	4	**410,491**	758,817
Other income	4	**14,859**	18,198
Cost of inventories consumed		**(164,268)**	(280,277)
Staff costs		**(171,521)**	(239,872)
Depreciation of items of property, plant and equipment		**(24,361)**	(24,248)
Depreciation of right-of-use assets		**(48,158)**	(45,088)
Utilities and consumables		**(27,880)**	(39,104)
Rental and related expenses		**(552)**	(12,234)
Other expenses	5	**(38,166)**	(42,142)
Finance costs		**(12,990)**	(14,501)
Share of losses of joint ventures		**(2,229)**	(823)
PROFIT/(LOSS) BEFORE TAX	5	**(64,775)**	78,726
Income tax expense	6	**(2,682)**	(26,689)
PROFIT/(LOSS) FOR THE PERIOD		**(67,457)**	52,037
Attributable to:			
Owners of the Company		**(66,500)**	51,210
Non-controlling interests		**(957)**	827
		(67,457)	52,037
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted (RMB cents)		**(6.18)**	4.79

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**(67,457)**	52,037
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(373)**	267
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	**(855)**	(2,718)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(1,228)**	(2,451)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(68,685)**	49,586
Attributable to:		
Owners of the Company	**(67,728)**	48,759
Non-controlling interests	**(957)**	827
	(68,685)	49,586

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**135,650**	151,047
Right-of-use assets		**235,864**	276,542
Intangible assets		**1,800**	2,429
Investments in joint ventures		**11,125**	13,354
Financial assets at fair value through other comprehensive income		**22,396**	23,146
Financial assets at fair value through profit or loss		**27,456**	27,456
Prepayments and deposits	*9*	**33,744**	35,090
Deferred tax assets		**14,562**	15,222
Total non-current assets		**482,597**	544,286
CURRENT ASSETS			
Inventories		**48,391**	51,344
Trade and other receivables and prepayments	*9*	**40,941**	46,812
Due from joint ventures		**2,594**	3,733
Pledged time deposits		**80,000**	80,000
Time deposits		**34,000**	34,000
Cash and cash equivalents		**349,090**	382,454
Total current assets		**555,016**	598,343
CURRENT LIABILITIES			
Trade and other payables	*10*	**311,977**	305,348
Due to related companies		**1,482**	404
Interest-bearing bank borrowings		**80,000**	80,000
Lease liabilities		**77,067**	79,503
Tax payable		**1,755**	10,511
Total current liabilities		**472,281**	475,766

	Note	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
NET CURRENT ASSETS		**82,735**	122,577
TOTAL ASSETS LESS CURRENT LIABILITIES		**565,332**	666,863
NON-CURRENT LIABILITIES			
Lease liabilities		**195,823**	230,929
Deferred tax liabilities		**6,895**	6,895
Total non-current liabilities		**202,718**	237,824
NET ASSETS		**362,614**	429,039
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*11*	**45,823**	45,726
Reserves		**312,602**	378,167
		358,425	423,893
Non-controlling interests		**4,189**	5,146
Total equity		**362,614**	429,039

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those of the Group as set out in the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (the "**HKFRSs**") for the first time for the current periods financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

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

The nature and impact of the revised HKFRSs are described below:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings and restaurants have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020.

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

The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group:

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
HKFRS 17	*Insurance Contracts*[2]

1 No mandatory effective date yet determined but available for adoption

2 Effective for annual periods beginning on or after 1 January 2021

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on geographical areas and has four reportable operating segments in Northern, Eastern, Southern and Western regions of China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted operating profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that certain interest income, share of losses of joint ventures, unallocated expenses and finance costs (other than interest on lease liabilities) are excluded from such measurement.

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

Information about major customers

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

Segment information about the business is presented below:

	Northern region		Eastern region		Southern region		Western region		Total	
	For the six months ended 30 June									
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue:										
Sales to external customers	**89,190**	207,010	**174,775**	291,260	**102,833**	198,178	**43,693**	62,369	**410,491**	758,817
Inter-segment sales	**—**	—	**14,428**	26,987	**—**	—	**—**	—	**14,428**	26,987
	89,190	207,010	**189,203**	318,247	**102,833**	198,178	**43,693**	62,369	**424,919**	785,804
Reconciliation:										
Elimination of inter-segment sales									**(14,428)**	(26,987)
Revenue									**410,491**	758,817
Segment results	**(16,490)**	28,920	**(4,494)**	39,232	**(15,492)**	26,174	**6,832**	13,275	**(29,644)**	107,601
Reconciliation:										
Interest income									**36**	352
Share of losses of joint ventures									**(2,229)**	(823)
Unallocated expenses									**(31,973)**	(27,313)
Finance costs (other than interest on lease liabilities)									**(965)**	(1,091)
Profit/(loss) before tax									**(64,775)**	78,726

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

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

Geographical information

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

4. REVENUE AND OTHER INCOME

Revenue from contracts with customers

(i) Disaggregated revenue information

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers		
External customers	**410,491**	758,817
Intersegment sales	**14,428**	26,987
	424,919	785,804
Intersegment adjustments and eliminations	**(14,428)**	(26,987)
Total revenue from contracts with customers	**410,491**	758,817

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Restaurant operations	**177,795**	153,779

4. REVENUE AND OTHER INCOME *(Continued)*

Revenue from contracts with customers *(Continued)*

(ii) Performance obligations

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

Restaurant operations

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**1,620**	2,409
Commission income#	**6,566**	12,049
Government grants*	**4,660**	1,341
Others	**2,013**	2,399
	14,859	18,198

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

* There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax has been arrived at after charging:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Directors' emoluments*	**5,107**	7,039
Other staff costs*	**155,860**	210,887
Pension scheme contributions	**10,554**	21,946
Total staff costs	**171,521**	239,872
Depreciation of items of property, plant and equipment	**24,361**	24,248
Depreciation of right-of-use assets	**48,158**	45,088
Amortisation of intangible assets#	**634**	624
Impairment of property, plant and equipment#	**5,973**	—
Impairment of right-of-use assets#	**736**	—
Advertisement and promotion expenses#	**6,749**	9,591
Restaurants operating expenses and charges#	**7,198**	10,534
Sanitation and maintenance expenses#	**7,620**	12,248
Travelling, carriage and freight#	**3,072**	6,184

* Including share award plan expenses in total of RMB4,611,000 (six months ended 30 June 2019: RMB5,993,000).

Items are included in "Other expenses" in the consolidated statement of profit or loss.

6. INCOME TAX

Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The Company's subsidiaries in Mainland China are subject to income tax at the rate of 25% (six months ended 30 June 2019: 25%).

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current — PRC		
Charge for the period	**1,653**	20,553
Underprovision in prior periods	**442**	424
Current — Hong Kong		
Charge for the period	**—**	705
Overprovision in prior periods	**(215)**	—
PRC withholding tax on dividend income	**—**	3,773
Deferred	**802**	1,234
	2,682	26,689

7. DIVIDEND

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interim special dividend — HK2.00 cents (six months ended 30 June 2019: HK3.40 cents) per ordinary share (the "**Shares**")	**19,368**	33,006

On 24 August 2020, the Board declared an interim special dividend for the Period of HK2.00 cents per ordinary share. The Board has already taken into account the sufficiency of resources for the Group's working capital and business development requirement.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount for the Period is based on the loss for the Period of RMB66,500,000 (six months ended 30 June 2019: profit of HK$51,210,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,075,801,484 Shares (six months ended 30 June 2019: 1,069,623,108 Shares) in issue.

The Group had no potentially dilutive Shares in issue during the Period and six months ended 30 June 2019. Accordingly, there was no diluted earnings per share amounts for the Period and six months ended 30 June 2019.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**22,160**	13,571
Prepayments	**14,664**	20,557
Deposits and other receivables	**37,861**	47,774
	74,685	81,902
Less: Prepayments and deposits classified as non-current assets	**(33,744)**	(35,090)
	40,941	46,812

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

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

	As at 30 June 2020 ***RMB'000*** **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
Trade receivables:		
Within 30 days	**20,052**	13,072
31 to 60 days	**1,321**	239
61 to 90 days	**153**	59
Over 90 days	**634**	201
	22,160	13,571

10. TRADE AND OTHER PAYABLES

	As at 30 June 2020 ***RMB'000*** **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
Trade payables	**82,634**	68,908
Other payables and accruals	**21,759**	27,231
Salary and welfare payables	**22,550**	31,414
Contract liabilities	**185,034**	177,795
	311,977	305,348

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

	As at 30 June 2020 ***RMB'000*** **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
Trade payables:		
Within 30 days	**38,862**	60,383
31 to 60 days	**28,731**	3,818
61 to 90 days	**6,896**	1,143
91 to 180 days	**5,068**	1,838
Over 180 days	**3,077**	1,726
	82,634	68,908

11. ISSUED CAPITAL

	As at 30 June 2020		As at 31 December 2019	
	_HK$'000_	**_RMB'000 equivalent_**	_HK$'000_	_RMB'000 equivalent_
	(unaudited)	**(unaudited)**	(audited)	(audited)
Authorised:				
4,000,000,000 ordinary shares of HK$0.05 each	**200,000**		200,000	
Issued and fully paid:				
1,076,027,500 (31 December 2019: 1,073,862,500) ordinary shares of HK$0.05 each	**53,801**	**45,823**	53,693	45,726

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

	Number of shares in issue	**Issued Capital**	
		_HK$'000_	_RMB'000 equivalent_
Issued and fully paid:			
At 1 January 2020	1,073,862,500	53,693	45,726
Issue of shares under Shares Award Plan	2,165,000	108	97
At 30 June 2020	1,076,027,500	53,801	45,823

During the Period, under the share award plan, 2,165,000 issued ordinary shares at total deemed consideration of HK$2,511,000 (equivalent to RMB2,260,000) and 3,080,000 existing shares purchased from the open market at total consideration of HK$2,618,000 (equivalent to RMB2,351,000) were awarded.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The outbreak of COVID-19 pandemic (the "**pandemic**") in January 2020 has had a huge impact on the world. With many countries facing unprecedented shocks. In order to control the pandemic, normal commercial interactions among countries, be it industrial, transport or shipping, have stalled, leading to a crisis of global economic recession. Most enterprises in Mainland China cooperated with the government's strict prevention and control measures and community restrictions, and business operation in most areas of China have been suspended from January to March. As a result, economic activities have been severely disrupted and China's GDP in the first quarter of 2020 recorded a year-on-year decline of 6.8%, the first negative growth recorded since the 1990s. Under the impact of the pandemic related suspension of work and business, national income has also been negatively affected. According to data published by the National Bureau of Statistics, in the first half of 2020, the national disposable income per capita, after deducting price factors, decreased by 1.3% in real terms. Overall consumption was also greatly affected. The national consumption expenditure per capita, after deducting price factors, decreased by 9.3% in real terms, the food and beverage industry recorded a decline of 32.8% in revenue in the first half of 2020.

BUSINESS REVIEW

In early 2020, the Group proactively cooperated with the government's prevention and control measures in response to the pandemic. In particular, the Group suspended dine-in operations in most of its stores from the end of January to mid-March and adjusted the business hours and operating modes of some stores, resulting in a significant decrease in customer traffic and revenue compared with the same period last year. During the period from 1 January to 30 June 2020 (the "**Period**"), the Group's overall revenue amounted to RMB410.5 million, representing a decrease of 45.9% as compared with RMB758.8 million in the same period last year. Hence, the loss attributable to the owners of the Company during the Period was RMB66.5 million (profit in 2019: RMB51.2 million), and gross profit margin was down to 60.0% (2019: 63.1%).

During the Period, the Group took prudent measures to combat the challenges posed by the pandemic, with core strategies including 1) strictly ensuring the safety of its food, environment, employees and customers; 2) promptly responding to the situation by adjusting and vigorously expanding the takeaway business; 3) stabilizing costs; 4) providing internal training; and 5) taking social enterprise responsibility seriously. Although dine-in restrictions have greatly affected store operations, the Group adhered to the business philosophy of "operating for others, devoting relentless efforts, and spreading happiness" and continued to provide reliable and safe services for our customers. Therefore, the Group strictly implemented high-level internal prevention measures, including measuring the body temperature of employees 3 times a day, disinfecting the store environment every hour, disinfecting tableware twice a day, tracing and inspecting food ingredients, serving 100% cooked food and covering them while serving. Equipped with its long-standing ERS 5S Management Mechanism over the years, the Group is committed to offering food and catering environment of the highest standard and maintaining the trust and confidence of its customers during such extraordinary times. We have also been selected as a "guaranteed catering unit for pandemic prevention and control" in various cities including Shenzhen, Dongguan, Shanghai, Chengdu and Beijing, which provides staunch support for those who resume their work at the earlier stage.

As the pandemic has lasted for months, the entire consumption mode of the food and beverage market has undergone tremendous changes. Consumers rely more heavily on electronic consumption than ever before. As a result, while various production industries experienced a decline in income, online retail has actually recorded growth. According to data published by the National Bureau of Statistics, in the first half of 2020, national online retail sales increased by 7.3% year-on-year. In response to this market environment, and in line with the new normal lifestyle of working and spending at home, the Group swiftly strengthened its takeaway business in all aspects, including product menus, supporting facilities, and marketing. The Group has designed special dishes that cater for customers' need to enjoy their meals at home conveniently, which include takeout family feast, fresh seafood delivery, safe poon choi, nourishing stew and fast food. The safety of its food, employees, customers and the community is extremely important to the Group. In order to ensure safety and reduce the risk of infection, the Group has employed detail and project-oriented methods, designated personnel, and zero-contact measures for its food production process and takeaway packaging processes. These strict measures were the reason the Group was selected as a "guaranteed catering unit for pandemic prevention and control" by many regional governments. With the Group's efforts, the Group's overall takeaway business during the Period was able to achieve growth as compared with the same period in 2019, despite the challenge of the suspension of dine-in services.

In the light of such unprecedented challenges, the Group adopted strong measures to control costs. Rent and staff costs have a particularly profound impact on the food and beverage industry. During the pandemic, the Group strived to obtain rent concessions from landlords in various regions and applied for different COVID-19 subsidies from various regional governments to reduce operating costs. On the other hand, the Group managed to deliver considerable results in its labour cost control by continuously optimizing its manpower structure, combining procedures and positions, filling in positions, making flexible shift arrangements and other measures, as well as the employment stabilization measures and social insurance concession policies implemented by the regional governments during the pandemic.

During the pandemic, due to the crowd control measures in Mainland China, most of the Group's employees in Mainland China must stay in the city where they work and stay in the employee dormitory for a long period of time. The Group paid great attention to the safety and health of employees, improved dormitory safety management to ensure that employees were healthy and dormitories were clean and hygienic. We also guaranteed the accessibility to and supply of normal daily necessities and provided them with delicious and nutritious meals. The Group attaches great importance to personnel training. Therefore, during the pandemic, we organized extensive training on managerial and operational knowledge, offering many management courses on responding to the market, customers' demand and change in consumption patterns as well as service optimization during the pandemic. We also organized study groups and competitions where our employees across various regions can make good use their spare time. Better still, this will lay a solid foundation for our sustainable development and operation after the pandemic. The Group believes that the purpose of each learning experience is to equip our employees better for their growth and improvement. Therefore, the "CEO Scholarship" is established to give recognition to and encourage those employees with outstanding performance in their learning, as well as set another trend of learning among all.

The Group strives to be a catering enterprise with a long history and a stellar reputation. The Group believes that it is important to adhere to social responsibility, especially during the period when society is facing the pandemic rage. With a grave sense of responsibility and mission, the Group fulfilled its social responsibilities with practical actions. During the pandemic, the Group donated RMB1 million of medical assistance funds to the pandemic prevention and containment project organized by the Hubei Charity Federation for the purchase of medical supplies, arranged employees from all regions to fundraise for local pandemic prevention and charity organizations, set up volunteer teams to assist in community-level pandemic prevention work, and delivered nutritious meals to medical institutions. Everyone at all levels of the Group, whether the management or the junior staff, is eager to take part in such volunteer work, with a view to playing a contributing role in community affairs aside from maintaining the business operation within the company and in its external environment.

In response to the global economic recession brought by the pandemic, the Group endeavored to cope with it from bottom to the top, executive directors and top management took the initiative to reduce salaries, and offer rental concession for properties owned by connected parties, wishing to overcome the difficulties together. Despite there is slight improvement of the recent economic environment comparing with the beginning of the pandemic, the Group still recorded a loss during the Period, it seems to be a reasonable step to suspend declaring dividend temporarily. However, after thorough and cautious consideration by the Board, with the thought that shareholders have been supportive for years, the Group, at this moment, believes that even though there is a loss during the Period, an interim special dividend shall still be declared, to demonstrate a balance between "relationship" and "business practice".

OUTLOOK

In the face of this sudden and unprecedented pandemic, the Group expects that the second half of 2020 will also be full of challenges. However, opportunity arises alongside with threats. The new consumption mode arising from the regular prevention and control of the pandemic will open up different new business opportunities for the food and beverage industry. With the Group's sensitivity to the market, as long as the Group manages to understand the market demand, formulate accurate marketing strategies, and insist on continuous refinement and optimization of internal management, the Group is confident that while it can strengthen and stabilize its existing business, it will continue to access to unlimited business opportunities with new modes of economy and consumption patterns.

FINANCIAL REVIEW

As at 30 June 2020, the Group was operating 59 restaurants and 11 other restaurants under joint ventures. The table below illustrates the number of restaurants by major brands, together with the percentage of revenue to the Group:

	No. of restaurants as at 30 June		Percentage of revenue contributed to the Group as at 30 June	
Brand	**2020**	2019	**2020**	2019
Tang's Cuisine	**1**	1	**2.4%**	1.8%
Tang Palace*	**30**	30	**75.6%**	76.2%
Social Place	**9**	8	**13.6%**	12.6%
Canton Tea Room	**4**	4	**5.0%**	4.5%
Pepper Lunch	**14**	14	**3.0%**	4.4%

* *including Tang Palace Seafood Restaurant and Tang Palace*

As mentioned above, the Group's overall revenue for the Period decreased by 45.9% to RMB410.5 million, while the overall gross profit margin decreased to 60.0% (2019: 63.1%).

During the Period, the Group's share award plan expense calculated at market price amounted to approximately RMB4.6 million (2019: RMB6.0 million). After deducting such expense, the Group's staff costs amounted to approximately RMB166.9 million, representing a decrease of approximately RMB67.0 million or approximately 28.6% from RMB233.9 million for the six months ended 30 June 2019. Such decrease was mainly attributed to the adoption of control measures on staff cost by the Group during the Period in response to the impact of the Pandemic.

Utility expenses and consumables expenses of the Group for the Period amounted to approximately RMB27.9 million (2019: RMB39.1 million), while other expenses amounted to approximately RMB38.2 million (2019: RMB42.1 million), representing a decrease of approximately RMB11.2 million or approximately 28.6% and approximately RMB3.9 million or approximately 9.3%, respectively. Such decrease was mainly attributed to the effectiveness of control measures on operating cost adopted by the Group during the Period.

Rental and related expenses were mostly categorized as depreciation of right-of-use assets and finance costs according to HKFRS 16. During the Period, depreciation of right-of-use assets of approximately RMB48.2 million (2019: approximately RMB45.1 million), finance costs of approximately RMB13.0 million (2019: approximately RMB14.5 million) and rental and related expenses of approximately RMB0.6 million (2019: approximately RMB12.2 million) were recorded. Rental and related expenses recorded a decrease of approximately RMB11.6 million. Such decrease was mainly attributed to the successful application of the Group to the landlords to waive certain lease payments, management fees and promotion fees during the Pandemic.

Due to the effect of decline in revenue as a result of Pandemic, the loss attributable to owners of the Company for the Period amounted to approximately RMB66.5 million (2019: the profit attributable to owners of the Company amounted to approximately RMB51.2 million).

Cash flow

Cash and cash equivalents decreased by RMB33.4 million from RMB382.5 million as at 31 December 2019 to RMB349.1 million as at 30 June 2020.

Net cash of RMB32.8 million was generated from operating activities during the Period. Net cash used in investing activities amounted to RMB13.8 million during the Period, of which RMB15.4 million was related to the purchase of property, plant and equipment. Net cash used in financing activities amounted to RMB51.8 million for the Period.

Liquidity and Financial Resources

The Group's funding and treasury activities are managed and controlled by the senior management. The Group maintained cash and cash equivalents and time deposit, in aggregate, of RMB463.1 million as at 30 June 2020 (31 December 2019: RMB496.5 million). As at 30 June 2020, the Group's total assets, net current assets and net assets were RMB1,037.6 million (31 December 2019: RMB1,142.6 million), RMB82.7 million (31 December 2019: RMB122.6 million) and RMB362.6 million (31 December 2019: RMB429.0 million), respectively.

As at 30 June 2020, the Group had bank borrowings of RMB80.0 million (31 December 2019: RMB80.0 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 22.1% as at 30 June 2020 (31 December 2019: 18.6%).

As at 30 June 2020, the current ratio (calculated as current assets divided by current liabilities) was 1.2 (31 December 2019: 1.3).

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

Foreign Currency Exposure

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

As at 30 June 2020, the directors considered the Group's foreign exchange risk to be insignificant. During the Period, the Group did not use any financial instruments for hedging purposes.

OTHER INFORMATION

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2020, the Group had over 3,600 employees. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for operation and expansion of restaurants. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes, share options, share awards and performance related bonus.

CAPITAL COMMITMENT

The Group's capital commitment was approximately RMB2.5 million as at 30 June 2020 (31 December 2019: RMB3.0 million).

CHARGES ON GROUP'S ASSETS

As at 30 June 2020, the Group had pledged time deposit of RMB80.0 million (31 December 2019: RMB80.0 million) for a banking facility amounting to RMB80.0 million (31 December 2019: RMB80.0 million).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, the trustee of the share award plan adopted on 25 March 2011 by the Company and amended in 2013, pursuant to the terms of the trust deed of the aforesaid plan, purchased on the Stock Exchange a total of 3,080,000 shares of the Company at a total consideration of approximately RMB2.4 million. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

AUDIT COMMITTEE

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

INTERIM SPECIAL DIVIDEND

The Board has resolved to declare an interim special dividend of HK2.00 cents (2019: HK3.40 cents) per ordinary share for the Period to shareholders whose names appear on the register of members of the Company on 9 September 2020. The interim special dividend is expected to be paid on 20 November 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim special dividend, the register of members of the Company will be closed on Wednesday, 9 September 2020 during which no transfer of shares will be effected.

In order to qualify for the interim special dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 8 September 2020.

APPRECIATION

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

By order of the Board
Tang Palace (China) Holdings Limited
Weng Peihe
Chairman

Hong Kong, 24 August 2020

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

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