唐宮(中國)控股有限公司

TANG PALACE (CHINA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1181)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "**Board**") of Tang Palace (China) Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020, together with comparative figures for the year ended 31 December 2019 as follows:

HIGHLIGHTS

	For the year ended 31 December **2020**	2019	Change in %
Revenue *(RMB'000)*	**1,105,103**	1,495,087	(26.1%)
Gross profit *(RMB'000)* (1)	**682,465**	938,067	(27.2%)
Gross profit margin	**61.8%**	62.7%	(0.9%)
Profit for the year attributable to owners of the Company *(RMB'000)*	**4,379**	91,283	(95.2%)
Net profit margin (2)	**0.3%**	6.2%	
Basic earnings per share *(RMB cents)*	**0.41**	8.52	(95.2%)
Dividend per ordinary share			
— Interim special dividend *(HK cents)*	**2.00**	3.40	
— Proposed final dividend *(HK cents)*	**3.00**	—	
Number of restaurants (self-owned)	**57**	59	
Number of restaurants (joint ventures)	**11**	14	

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 *RMB'000*
Revenue	*3*	**1,105,103**	1,495,087
Other income	*3*	**41,044**	41,393
Cost of inventories consumed		**(422,638)**	(557,020)
Staff costs		**(364,582)**	(472,265)
Depreciation of items of property, plant and equipment		**(48,267)**	(47,121)
Depreciation of right-of-use assets		**(92,718)**	(93,709)
Utilities and consumables		**(66,641)**	(81,707)
Rental and related expenses		**(12,752)**	(25,607)
Other expenses		**(93,362)**	(89,405)
Finance costs	*5*	**(24,437)**	(27,707)
Share of losses of joint ventures		**(2,223)**	(3,817)
PROFIT BEFORE TAX	*6*	**18,527**	138,122
Income tax expense	*7*	**(15,369)**	(45,276)
PROFIT FOR THE YEAR		**3,158**	92,846
Attributable to:			
Owners of the Company		**4,379**	91,283
Non-controlling interests		**(1,221)**	1,563
		3,158	92,846
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic and diluted *(RMB cents)*		**0.41**	8.52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**3,158**	92,846
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(844)**	3,511
Other comprehensive income/(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	**5,454**	(15,326)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**4,610**	(11,815)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,768**	81,031
Attributable to:		
Owners of the Company	**8,989**	79,468
Non-controlling interests	**(1,221)**	1,563
	7,768	81,031

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**130,739**	151,047
Right-of-use assets		**210,212**	276,542
Intangible assets		**1,403**	2,429
Investments in joint ventures		**11,730**	13,354
Financial assets at fair value through other comprehensive income		**13,620**	23,146
Financial asset at fair value through profit or loss		**26,208**	27,456
Prepayments and deposits	*10*	**35,339**	35,090
Deferred tax assets		**19,252**	15,222
Total non-current assets		**448,503**	544,286
CURRENT ASSETS			
Inventories		**48,815**	51,344
Trade and other receivables and prepayments	*10*	**45,938**	46,812
Due from joint ventures		**1,403**	3,733
Tax recoverable		**359**	—
Pledged time deposits		**85,444**	80,000
Time deposits		**32,000**	34,000
Cash and cash equivalents		**402,033**	382,454
Total current assets		**615,992**	598,343
CURRENT LIABILITIES			
Trade and other payables	*11*	**298,979**	305,348
Due to related companies		**55**	404
Interest-bearing bank borrowings		**74,760**	80,000
Lease liabilities		**86,857**	79,503
Tax payable		**10,478**	10,511
Total current liabilities		**471,129**	475,766
NET CURRENT ASSETS		**144,863**	122,577
TOTAL ASSETS LESS CURRENT LIABILITIES		**593,366**	666,863
NON-CURRENT LIABILITIES			
Lease liabilities		**169,256**	230,929
Deferred tax liabilities		**5,232**	6,895
Total non-current liabilities		**174,488**	237,824
NET ASSETS		**418,878**	429,039
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**45,821**	45,726
Reserves		**370,332**	378,167
		416,153	423,893
Non-controlling interests		**2,725**	5,146
Total equity		**418,878**	429,039

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

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

(b) 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.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.

(d) 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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

    During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's leased properties have been reduced or waived by the lessors upon reducing the scale of production as a result of the 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 pandemic during the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. REVENUE AND OTHER INCOME

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Restaurant operations	**1,105,103**	1,495,087

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020	2019
	RMB'000	*RMB'000*
Type of goods or services		
Revenue from Chinese restaurant operations and total revenue from contracts with customers	**1,105,103**	1,495,087
Geographical markets		
Northern China	**287,345**	416,331
Eastern China	**457,648**	576,072
Southern China	**247,303**	378,393
Western China	**112,807**	124,291
Total revenue from contracts with customers	**1,105,103**	1,495,087
Timing of revenue recognition		
At a point in time	**1,105,103**	1,495,087

3. 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.

	2020	2019
	RMB'000	*RMB'000*
Other income		
Bank interest income	**5,757**	6,003
Commission income#	**18,247**	25,262
Government grants*	**13,903**	4,554
Others	**3,137**	5,574
	41,044	41,393

\# 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.

4. OPERATING SEGMENT INFORMATION

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

(i) the Southern China region;

(ii) the Eastern China region;

(iii) the Northern China region; and

(iv) the Western China region.

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers *(Continued)*

Segment information about the business is presented below:

	Northern China		Eastern China		Southern China		Western China		Total	
	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*
Segment revenue										
Sales to external customers	**287,345**	416,331	**457,648**	576,072	**247,303**	378,393	**112,807**	124,291	**1,105,103**	1,495,087
Inter-segment sales	**—**	—	**52,898**	58,700	**—**	—	**—**	—	**52,898**	58,700
	287,345	416,331	**510,546**	634,772	**247,303**	378,393	**112,807**	124,291	**1,158,001**	1,553,787
Reconciliation:										
Elimination of inter-segment sales									**(52,898)**	(58,700)
Revenue									**1,105,103**	1,495,087
Segment results	**11,975**	57,879	**35,704**	73,059	**(4,070)**	33,577	**24,361**	25,785	**67,970**	190,300
Reconciliation:										
Interest income									**114**	710
Share of losses of joint ventures									**(2,223)**	(3,817)
Unallocated expenses									**(45,464)**	(46,920)
Finance costs (other than interest on lease liabilities)									**(1,870)**	(2,151)
Profit before tax									**18,527**	138,122
Other segment information:										
Depreciation of items of property, plant and equipment	**9,301**	8,597	**15,823**	16,930	**16,615**	15,518	**6,528**	6,076	**48,267**	47,121
Depreciation of items of right-of-use assets	**25,567**	28,764	**32,686**	32,897	**29,967**	27,550	**4,498**	4,498	**92,718**	93,709
Impairment of property, plant and equipment	**2,225**	—	**—**	—	**278**	589	**—**	—	**2,503**	589
Impairment of right-of-use assets	**5,066**	—	**—**	—	**736**	1,372	**—**	—	**5,802**	1,372
Amortisation of intangible assets	**118**	124	**500**	500	**—**	—	**—**	—	**618**	624
Capital expenditure*	**5,394**	16,072	**9,425**	21,685	**16,735**	21,039	**393**	509	**31,947**	59,305

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

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

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

Geographical information

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Interest on bank loans	**1,870**	2,151
Interest on lease liabilities	**22,567**	25,556
	24,437	27,707

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2020 *RMB'000*	2019 *RMB'000*
Directors' remuneration	**9,031**	9,913
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**330,058**	413,076
Equity-settled share award plan expense	**2,210**	2,648
Pension scheme contributions (defined contribution schemes)^	**23,283**	46,628
Total staff costs	**364,582**	472,265
Depreciation of items of property, plant and equipment	**48,267**	47,121
Depreciation of right-of-use assets	**92,718**	93,709
Amortisation of intangible assets#	**1,022**	1,255
Loss on disposal of items of property, plant and equipment#	**1,156**	345
Impairment of property, plant and equipment#	**2,503**	589
Impairment of right-of-use assets#	**5,802**	1,372
Impairment of an investment in a joint venture#	**1,199**	—
Impairment of a loan to a joint venture and an amount due from a joint venture#	**1,500**	511
Foreign exchange differences, net#	**3,668**	919

^ At 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

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

7. INCOME TAX

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

	2020	2019
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**17,953**	37,600
(Overprovision)/underprovision in prior years	**(317)**	110
Current — Hong Kong		
Charge for the year	**—**	164
Overprovision in prior years	**(78)**	—
PRC withholding tax on dividend income	**3,504**	5,286
Deferred	**(5,693)**	2,116
Total tax charge for the year	**15,369**	45,276

8. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Interim special dividend — HK2.00 cents (2019: HK3.40 cents) per ordinary share	**18,938**	32,130
Proposed final dividend — HK3.00 cents (2019: Nil) per ordinary share	**27,116**	—
	46,054	32,130

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,075,665,689 (2019: 1,071,760,226) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

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

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**4,379**	91,283

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**1,075,665,689**	1,071,760,226

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**17,772**	13,571
Prepayments	**25,008**	20,557
Deposits and other receivables	**38,497**	47,774
	81,277	81,902
Less: Prepayments and deposits classified as non-current assets	**(35,339)**	(35,090)
	45,938	46,812

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

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

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

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**17,177**	13,072
31 to 60 days	**195**	239
61 to 90 days	**135**	59
Over 90 days	**265**	201
	17,772	13,571

11. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**68,311**	68,908
Other payables and accruals	**17,949**	27,231
Salary and welfare payables	**22,478**	31,414
Contract liabilities	**190,241**	177,795
	298,979	305,348

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

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**56,754**	60,383
31 to 60 days	**4,224**	3,818
61 to 90 days	**1,967**	1,143
91 to 180 days	**2,759**	1,838
Over 180 days	**2,607**	1,726
	68,311	68,908

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

12. ISSUED CAPITAL

	As at 31 December 2020		As at 31 December 2019	
	_HK$'000_	**_RMB'000 equivalent_**	_HK$'000_	_RMB'000 equivalent_
Authorised:				
4,000,000,000 (2019: 4,000,000,000) ordinary shares of HK$0.05 each	**200,000**		200,000	
Issued and fully paid:				
1,076,027,500 (2019: 1,073,862,500) ordinary shares of HK$0.05 each	**53,801**	**45,821**	53,693	45,726

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

	Number of shares in issue	**Issued capital**	
		_HK$'000_	_RMB'000 equivalent_
Issued and fully paid:			
At 1 January 2019	1,068,617,500	53,431	45,496
Issue of shares under share award plan	2,165,000	108	95
Issue of shares under share award plan	3,080,000	154	135
At 31 December 2019 and 1 January 2020	**1,073,862,500**	**53,693**	**45,726**
Issue of shares under share award plan	**2,165,000**	**108**	**95**
At 31 December 2020	**1,076,027,500**	**53,801**	**45,821**

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

As a result of the global outbreak of novel coronavirus disease (the "**pandemic**") in 2020, work and industry in Mainland China ground to a halt from January to March in response to the efforts of the government to prevent and control the virus, which significantly affected business activities and resulted in the first negative year-over-year growth in GDP since the 1990s. The consumer market was severely impacted, and the food and beverage industry, in particular, faced an unprecedented challenges. The revenue in the food and beverage industry in the PRC decreased by 32.8% in the first half of 2020, ending a years-long growth trend. With the gradual resumption of work in Mainland China in April, business exchanges resumed gradually among industries. However, due to the volatility of the global outbreak of the pandemic, consumer sentiment has yet to fully recover. Despite the fact that the year-on-year decline in revenue of the food and beverage industry in 2020 decreased as the consumer market became more active, there was still a 16.6% decline. Moreover, with the far-reaching impact of the change in consumption patterns due to the pandemic, food and beverage operators are facing significant and long-term operational challenges under new circumstances.

BUSINESS REVIEW

The Group's overall business in 2020 was directly affected by the pandemic, with most of its mainland operations suspended from late January to March. Meanwhile, in Hong Kong, epidemic prevention measures such as social distancing rules, dine-in seating capacity limit and shortening of dine-in hours led to a weak consumer sentiment. As at 31 December 2020, the overall revenue of the Group decreased to RMB1,105.1 million as compared with that in 2019 (2019: RMB1,495.1 million). In the face of such unprecedented challenges, the Group not only took prudent measures to swiftly respond to different operating environments, adhered to its altruistic management philosophy of strictly implementing protection measures to ensure the safety of its employees and customers, but also continuously improved operational and management efficiency at the same time. As a result, the Group was able to resume normal operations quickly when the pandemic in mainland China slowed down and the government's control measures were relaxed, and with various strategies to expand revenue sources, the Group's revenue grew significantly in the second half of 2020 as compared to that in the first half.

In view of the volatility of the global pandemic and the sluggish economy, the Group's core business strategy for the year was to raise revenue, reduce costs, enhance personnel training and corporate culture inheriting while taking strict precautions against the virus. As the pandemic continued, the entire consumer market was changing at an accelerated pace. Consumers were gradually forming a new normal lifestyle of working from home and reducing social gatherings, which had a huge impact on the food and beverage industry, where dine-in services is a main part of the business. Although work in mainland China has generally been resumed since April, and the social economy has gradually returned to normal operations, the consumption pattern has already undergone structural changes. The Group believes that in this particular environment, it is extremely important to maintain customer interaction and strengthen customer loyalty. Therefore, during the year, the Group focused on improving customer satisfaction in both dine-in and takeaway services or other consumption scenarios, with every marketing decision aimed at improving the customer experience. In respect of dine-in business, each region created a thematic environment and atmosphere in advance of all festivals and holidays, and proactively planned promotional activities in a systematic and dedicated manner in order to impress customers. In view of the current market situation, the Group shifted its focus from hosting large-scale banquets to servicing smaller parties through providing impressive services to tackle the challenges. The Group's e-membership system, which was launched earlier, also enabled each region to proactively provide loyal customers with promotional offers and other information during this extraordinary period of time. Currently, the Group has more than 830,000 members, which allows each region to set up exclusive offers for members in each marketing plan and increase the repeat purchase rate of customers. Due to the Group's efforts, the dine-in business recovered by over 65% in the second half of 2020 as compared to the first half. In respect of takeaway development, in addition to setting up a dedicated management team to coordinate planning and supervision, and ensuring strict enforcement of food safety measures, the Group is working on various fronts to improve takeaway sales. For example, the Group created unique menu items such as family dinners, work meals and online celebrity dishes for different scenarios. At the same time, the Group developed multiple channels, including expanding cooperation with public domain platforms such as Meituan and other commercial units, and exploring potential private domain platforms such as our own mini-programs, online live streaming, community marketing and other online platforms for continuous exposure to enhance communication with customers and expand the original contact network. As a result of the Group's efforts, the Group's overall takeaway revenue increased by 28.5% in 2020 as compared to the same period in 2019. The continuous development of the online platform is conducive to increasing customer base and takeaway sales; it also serves as a channel to increase sales of new product launches, holiday promotions, seasonal products and souvenirs, thereby bringing additional revenue to the Group.

In addition to its efforts in opening up new sources of income, the Group has also strengthened its efforts in cost control and efficiency enhancement by continuing to actively negotiate with local landlords for new rent and other concessions, as well as applying for different subsidies from local governments for COVID-19 prevention to reduce expenses. In addition, zoom analysis of operating costs has allowed regions and even departments to better control and improve workflow efficiency. On the other hand, during the year, the Group optimized its organizational structure to reduce costs and increase efficiency through precise shift schedules, detailed analysis of daily turnovers and assigned multi-tasks to employees in different positions. With these measures adopted, and subsidies received from local governments, the labour costs dropped over 22% in the year. Besides, during the year, the Group conducted an in-depth study on the optimization of the staff portfolio and created the conditions for merging workflows from the work environment to increase the scope of implementation of job combination. In addition, the Group further expanded the original program to multiple departments, and at the same time consolidated the experience and developed related systems and implementation details for continuous implementation. Such system is expected to stabilize fixed staffing costs in the long run in an external economy where staffing costs are rising.

Corporate culture and talent development are closely related, and the Group sees them as indispensable elements for long-term development. The operating philosophy "operating altruistically, devoting relentless efforts, and spreading happiness" is the core value of the Group. It is the way the Group passes on and even inspire the society through continuous promotion within the Group and the realization of various management systems and business directions. The widespread outbreak of pandemic in 2020 was rarely seen and caused an adverse impact on society. The Group believes that bearing social responsibilities is the best way to adhere to its 'altruistic operation' and 'showing care' philosophies. The Group organized volunteering teams to support the community and medical groups in various regions once the pandemic reached its peak; activities on caring, donations and environmental protection continued even when the pandemic subsided, which is in line with the objective of becoming a century-old catering enterprise pursuits. It is also our Group's mission to cultivate a pool of talents with cultural qualities in the catering industry. Despite the impact of the pandemic during the year, the Group persisted in arranging various training programs for all levels of staff through online courses, offline sharing and practical implementation to enhance their professional knowledge, business management skills and cultural cultivation. During the year, the Group held a total of over 1,800 lessons, benefiting employees at every level.

OUTLOOK

The Group expects that the global economy will not fully recover in 2021 due to the impact of the pandemic, and the food and beverage industry will face a whole-new landscape after the rapid changes occurred during the pandemic, and the emergence of a new consumption norm and various innovative business models and industries due to the pandemic. In the face of a challenging operating environment, the Group believes that in 2021, we should maintain a flexible operating model, while proactively seeking and exploring different business opportunities. Apart from strengthening the existing strategic marketing for dine-in, take-out and retail businesses, we will also expand our customer base through innovative products and operation models. In the meantime, we will continue to strengthen the relationship with our members, establish close interaction and improve customer satisfaction. In addition, the Group will seek opportunities to expand its business network to other cities to explore potential customer groups with consuming power. On the other hand, other than developing and expanding revenue streams, we will also work on improving overall efficiency. The Group believes that in 2021, as long as we can consolidate, enhance and optimize various management measures, actively explore revenue sources and focus on enhancing customer satisfaction, we will be able to break new ground.

FINANCIAL REVIEW

As at 31 December 2020, the Group was operating 57 restaurants and 11 other restaurants under joint ventures. The table below illustrates the number of restaurants by major brands, together with the average spending per customer and percentage of revenue to the Group:

Brand	No. of restaurants as at 31 December		Average spending per customer as at 31 December		Percentage of revenue contributed to the Group as at 31 December	
	2020	2019	**2020**	2019	**2020**	2019
			RMB	*RMB*		
Tang's Cuisine	**1**	1	**350.7**	360.3	**2.5%**	1.8%
Tang Palace*	**31**	31	**195.2**	193.2	**78.8%**	77.5%
Social Place	**8**	8	**137.2**	138.0	**10.7%**	11.4%
Canton Tea Room	**3**	4	**91.4**	84.3	**4.5%**	4.5%
Pepper Lunch	**14**	14	**50.7**	63.4	**3.2%**	4.3%

* including Tang Palace Seafood Restaurant and Tang Palace

As mentioned above, the Group's overall revenue for the year decreased by 26.1% to RMB1,105.1 million and the overall gross profit margin has decreased by 0.9%.

During the year, the Group's share award plan expense calculated at market price amounted to approximately RMB4.5 million (2019: RMB6.1 million). After deducting such expense, the Group's staff costs amounted to approximately RMB360.1 million, representing a decrease of approximately RMB106.1 million or approximately 22.8% from RMB466.2 million for the year ended 31 December 2019. Such decrease was mainly attributed to the adoption of control measures on staff cost by the Group during the year in response to the impact of the pandemic.

Utility expenses and consumables expenses of the Group for the year amounted to approximately RMB66.6 million (2019: RMB81.7 million) representing a decrease of approximately RMB15.1 million or approximately 18.5%. Such decrease was mainly attributed to the effectiveness of control measures on operating cost adopted by the Group during the year.

Rental and related expenses were mostly categorized as depreciation of right-of-use assets and finance costs according to HKFRS 16. During the year, depreciation of right-of-use assets of approximately RMB92.7 million (2019: approximately RMB93.7 million), finance costs of approximately RMB24.4 million (2019: approximately RMB27.7 million) and rental and related expenses of approximately RMB12.8 million (2019: approximately RMB25.6 million) were recorded. Rental and related expenses recorded a decrease of approximately RMB12.8 million. Such decrease was mainly attributed to the successful application of the Group to the landlords to waive certain lease payments and management fees during the pandemic.

During the year, income tax expense of the Group for the year amounted to approximately RMB15.4 million (2019: approximately RMB45.3 million), which included withholding tax on dividend income of RMB3.5 million (2019: approximately RMB5.3 million) and deferred tax credit of RMB5.7 million (2019: deferred tax expense of approximately RMB2.1 million). Due to the effect of decline in revenue as a result of pandemic, the profit attributable to owners of the Company for the year amounted to approximately RMB4.4 million (2019: the profit attributable to owners of the Company amounted to approximately RMB91.3 million).

Cash flow

Cash and cash equivalents increased by RMB19.5 million from RMB382.5 million as at 31 December 2019 to RMB402.0 million as at 31 December 2020.

Net cash of RMB127.4 million was generated from operating activities during the year. Net cash used in investing activities amounted to RMB16.8 million during the year, of which RMB31.9 million was related to the purchase of property, plant and equipment and RMB14.5 million was related to the proceeds from disposal of financial asset at fair value through other comprehensive income. Net cash used in financing activities amounted to RMB88.5 million for the year.

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 deposits, in aggregate, of RMB519.5 million as at 31 December 2020 (31 December 2019: RMB496.5 million). As at 31 December 2020, the Group's total assets, net current assets and net assets were RMB1,064.5 million (31 December 2019: RMB1,142.6 million), RMB144.9 million (31 December 2019: RMB122.6 million) and RMB418.9 million (31 December 2019: RMB429.0 million), respectively.

As at 31 December 2020, the Group had bank borrowings of RMB74.8 million (31 December 2019: RMB80.0 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 17.8% as at 31 December 2020 (31 December 2019: 18.6%).

As at 31 December 2020, the current ratio (calculated as current assets divided by current liabilities) was 1.3 (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 31 December 2020, the directors considered the Group's foreign exchange risk to be insignificant. During the year, the Group did not use any financial instruments for hedging purposes.

OTHER INFORMATION

Number and Remuneration of Employees

As at 31 December 2020, the Group had around 3,800 employees in Hong Kong and the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for expansion of new restaurants. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis, which is in line with 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 RMB7.5 million and RMB3.0 million as at 31 December 2020 and 31 December 2019, respectively.

Charges on Group Assets

As at 31 December 2020, the Group had pledged deposits of RMB85.4 million (31 December 2019: RMB80.0 million) for banking facilities amounting to RMB74.8 million (31 December 2019: RMB80.0 million).

Contingent Liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

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

Purchase, Sale or Redemption of Listed Securities of the Company

During the year, 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 3,082,000 shares of the Company at a total consideration of approximately RMB2,299,000. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Compliance with Corporate Governance Code

The Board is committed to maintaining a high standard of corporate governance practices to safeguard the interests of the Company and its shareholders and to enhance corporate value and accountability. The Company has complied with all the code provisions as set out in Appendix 14 (Corporate Governance Code and Corporate Governance Report) to the Listing Rules throughout the year.

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

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

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young ("**EY**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

Audit Committee

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

The Audit Committee has reviewed the Company's consolidated financial statements for the year ended 31 December 2020.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting will be held on 11 June 2021 (the "**AGM**"). A formal notice of the AGM will be published and dispatched to shareholders of the Company(the "**Shareholders**") as required by the Listing Rules in due course.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK3.00 cents per ordinary share (2019: Nil), payable to Shareholders whose names appear on the register of members of the Company on 18 June 2021. The above proposed dividend has already taken into account the Group's sufficiency in resources for its working capital and business development requirements.

Subject to the approval of the Shareholders at the forthcoming AGM to be held on 11 June 2021, the final dividend is expected to be paid on 30 July 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from 7 June 2021 to 11 June 2021 (both days inclusive), during which period no transfer of share(s) will be effected. In order to be eligible to attend and vote at the AGM, all transfers documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 4 June 2021.

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the AGM. For the purpose of determining the entitlement of the Shareholders to the final dividend for the year ended 31 December 2020 (if approved), the register of members of the Company will be closed on 18 June 2021, during which no transfer of share(s) will be effected. To be entitled to the final dividend for the year ended 31 December 2020 (if approved), all transfers documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 17 June 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

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

APPRECIATION

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

By Order of the Board
Tang Palace (China) Holdings Limited
WENG Peihe
Chairman

Hong Kong, 26 March 2021

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*