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 2019

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 2019 (the "**Period**"), together with comparative figures for the six months ended 30 June 2018 as follows:

HIGHLIGHTS

	For the six months ended 30 June		Change in
	2019	2018	%
Revenue *(RMB'000)*	**758,817**	740,187	2.5%
Gross profit *(RMB'000)* (1)	**478,540**	466,936	2.5%
Gross profit margin	**63.1%**	63.1%	—
Profit for the Period attributable to owners of the Company *(RMB'000)*	**51,210**	52,219	(1.9%)
Net profit margin (2)	**6.7%**	7.1%	(0.4%)
Basic earnings per share *(RMB cents)*	**4.79**	4.90	(2.2%)
Interim special dividend per share (HK cents)	**3.40**	3.40	
Number of restaurants (self-owned)	**58**	58	
Number of restaurants (joint ventures)	**10**	6	

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

(2) Net profit margin represents the percentage of profit attributable to owners of the Company on the Group's revenue for the Period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	*4*	**758,817**	740,187
Other income	*4*	**18,198**	19,323
Cost of inventories consumed		**(280,277)**	(273,251)
Staff costs		**(239,872)**	(227,522)
Depreciation of items of property, plant and equipment		**(24,248)**	(23,714)
Depreciation of right-of-use assets		**(45,088)**	—
Utilities and consumables		**(39,104)**	(38,581)
Rental and related expenses		**(12,234)**	(70,276)
Other expenses		**(42,142)**	(45,631)
Finance costs		**(14,501)**	(835)
Share of losses of joint ventures		**(823)**	(1,128)
PROFIT BEFORE TAX	*5*	**78,726**	78,572
Income tax expense	*6*	**(26,689)**	(25,417)
PROFIT FOR THE PERIOD		**52,037**	53,155
Attributable to:			
Owners of the Company		**51,210**	52,219
Non-controlling interests		**827**	936
		52,037	53,155
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted (RMB cents)		**4.79**	4.90

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	**52,037**	53,155
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	**267**	(7,656)
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	**(2,718)**	(12,925)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(2,451)**	(20,581)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**49,586**	32,574
Attributable to:		
Owners of the Company	**48,759**	31,638
Non-controlling interests	**827**	936
	49,586	32,574

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**137,186**	139,731
Right-of-use assets		**251,119**	—
Intangible assets		**3,052**	3,680
Investments in joint ventures		**10,509**	5,589
Financial assets at fair value through other comprehensive income		**62,635**	38,209
Prepayments and deposits	*9*	**45,047**	45,173
Deferred tax assets		**15,989**	4,408
Total non-current assets		**525,537**	236,790
CURRENT ASSETS			
Inventories		**47,239**	47,075
Trade and other receivables and prepayments	*9*	**47,963**	62,148
Due from joint ventures		**2,958**	2,696
Pledged time deposits		**80,000**	80,000
Time deposits		**34,000**	64,000
Cash and cash equivalents		**444,837**	400,354
Total current assets		**656,997**	656,273
CURRENT LIABILITIES			
Trade and other payables	*10*	**369,321**	289,926
Due to related companies		**—**	353
Interest-bearing bank borrowings		**79,200**	79,200
Lease liabilities		**71,219**	—
Tax payable		**10,874**	14,171
Total current liabilities		**530,614**	383,650

	Notes	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
NET CURRENT ASSETS		**126,383**	272,623
TOTAL ASSETS LESS CURRENT LIABILITIES		**651,920**	509,413
NON-CURRENT LIABILITIES			
Lease liabilities		**214,324**	—
Deferred tax liabilities		**6,780**	6,780
Total non-current liabilities		**221,104**	6,780
NET ASSETS		**430,816**	502,633
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*11*	**45,723**	45,496
Reserves		**380,509**	450,950
		426,232	496,446
Non-controlling interests		**4,584**	6,187
Total equity		**430,816**	502,633

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019

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 share 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 2018.

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 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "**HKFRSs**") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

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

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the unaudited condensed consolidated interim financial information.

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset).

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

(b) Adoption of HKFRS 16

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 on 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (unaudited)
Assets	
Increase in right-of-use assets	277,249
Increase in deferred tax assets	12,815
Decrease in trade and other receivables and prepayments	(15,119)
Increase in total assets	274,945
Liability	
Increase in lease liabilities	314,739
Increase in total liabilities	314,739
Equity	
Decrease in retained profits	(39,014)
Decrease in non-controlling interests	(780)
Decrease in total equity	(39,794)

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

(b) Adoption of HKFRS 16 *(Continued)*

Impacts on transition (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (unaudited)
Operating lease commitments as at 31 December 2018	395,872
Weighted average incremental borrowing rate as at 1 January 2019	3.44%
Discounted operating lease commitments as at 1 January 2019	314,739
Lease liabilities as at 1 January 2019	314,739

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

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

(b) Adoption of HKFRS 16 *(Continued)*

Summary of new accounting policies (Continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

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

(b) Adoption of HKFRS 16 *(Continued)*

Amounts recognised in the unaudited condensed consolidated interim statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets *RMB'000*	Lease liabilities *RMB'000*
As at 1 January 2019	277,249	314,739
Additions	18,958	18,958
Depreciation charge	(45,088)	—
Interest expense	—	13,416
Payments	—	(61,570)
As at 30 June 2019	251,119	285,543

(c) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
HKFRS 17	*Insurance Contracts*[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 No mandatory effective date yet determined but available for adoption

3 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 before tax except that head office and corporate income and expenses are excluded from such measurement.

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

Information about major customers

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

Segment information about the business is presented below:

	Northern region		Eastern region		Southern region		Western region		Total	
	For the six months ended 30 June									
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**207,010**	199,239	**291,260**	302,393	**198,178**	192,913	**62,369**	45,642	**758,817**	740,187
Inter-segment sales	**—**	—	**26,987**	26,655	**—**	—	**—**	—	**26,987**	26,655
	207,010	199,239	**318,247**	329,048	**198,178**	192,913	**62,369**	45,642	**785,804**	766,842
Reconciliation:										
Elimination of inter-segment sales									**(26,987)**	(26,655)
Revenue									**758,817**	740,187
Segment results	**28,920**	30,298	**39,232**	33,126	**26,174**	27,609	**13,275**	8,543	**107,601**	99,576
Reconciliation:										
Interest income									**352**	603
Share of losses of joint ventures									**(823)**	(1,128)
Unallocated expenses									**(27,313)**	(19,644)
Finance costs									**(1,091)**	(835)
Profit before tax									**78,726**	78,572

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.

3. OPERATING SEGMENT INFORMATION *(Continued)*

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:

For the period ended 30 June 2019

	RMB'000
Revenue from contracts with customers	
External customers	**758,817**
Intersegment sales	**26,987**
	785,804
Intersegment adjustments and eliminations	**(26,987)**
Total revenue from contracts with customers	**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:

	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Restaurant operations	**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.

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other income		
Bank interest income	**2,409**	1,573
Commission income#	**12,049**	12,442
Others	**3,740**	5,308
	18,198	19,323

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

5. **PROFIT BEFORE TAX**

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Directors' emoluments*	**7,039**	7,963
Other staff costs*	**210,887**	203,808
Pension scheme contributions	**21,946**	15,751
Total staff costs	**239,872**	227,522
Depreciation of items of property, plant and equipment	**24,248**	23,714
Depreciation of right-of-use assets	**45,088**	—
Amortisation of intangible assets	**624**	896

* Including share award plan expenses in total of RMB5,993,000 (2018: RMB7,728,000).

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 2018: 25%).

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current — PRC		
Charge for the period	**20,553**	20,490
Under/(over) provision in prior periods	**424**	(518)
Current — Hong Kong	**705**	838
PRC withholding tax on dividend income	**3,773**	3,444
Deferred	**1,234**	1,163
	26,689	25,417

7. DIVIDEND

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interim special dividend — HK3.40 cents (six months ended 30 June 2018: HK3.40 cents) per ordinary share	**33,006**	31,685

On 26 August 2019, the Board declared an interim special dividend for the Period of HK3.40 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 PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted earnings per share is based on the following data, the effects of share subdivision (the subdivision of each issued and unissued share into two subdivided shares effective since 5 June 2018) have been retrospectively adjusted:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the Company	**51,210**	52,219
	Number of shares	
Shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic and diluted earnings per share	**1,069,623,108**	1,064,689,959

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 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**19,489**	13,760
Prepayments	**17,903**	28,673
Deposits and other receivables	**55,618**	64,888
	93,010	107,321
Less: Prepayments and deposits classified as non-current assets	**(45,047)**	(45,173)
	47,963	62,148

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 2019 ***RMB'000*** **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Trade receivables:		
Within 30 days	**18,527**	12,786
31 to 60 days	**414**	254
61 to 90 days	**178**	417
Over 90 days	**370**	303
	19,489	13,760

10. TRADE AND OTHER PAYABLES

	As at 30 June 2019 ***RMB'000*** **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Trade payables	**70,490**	73,210
Other payables and accruals	**23,225**	29,695
Dividend payable	**85,952**	—
Salary and welfare payables	**32,983**	33,242
Contract liabilities	**156,671**	153,779
	369,321	289,926

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 2019 ***RMB'000*** **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Trade payables:		
Within 30 days	**52,069**	59,478
31 to 60 days	**11,798**	7,688
61 to 90 days	**2,517**	2,401
91 to 180 days	**1,967**	2,047
Over 180 days	**2,139**	1,596
	70,490	73,210

11. ISSUED CAPITAL

	As at 30 June 2019		As at 31 December 2018	
	HK$'000 **(unaudited)**	***RMB'000 equivalent*** **(unaudited)**	*HK$'000* (audited)	*RMB'000 equivalent* (audited)
Authorised:				
4,000,000,000 (2018: 4,000,000,000) ordinary shares of HK$0.05 (2018: HK$0.05) each	**200,000**		200,000	
Issued and fully paid:				
1,073,862,500 (2018: 1,068,617,500) ordinary shares of HK$0.05 (2018: HK$0.05) each	**53,693**	**45,723**	53,431	45,496

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 2019	1,068,617,500	53,431	45,496
Issue of shares under Shares Award Plan	5,245,000	262	227
At 30 June 2019	1,073,862,500	53,693	45,723

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Owing to the constant economic development and reforms in Mainland China in recent years, the younger generation's new knowledge of the consumption market and the combination of technology and the internet with food and beverage, the food and beverage industry is constantly changing. It has become normal for the food and beverage industry to "change". With the introduction and evolution of new technologies and new consumption modes, competition has been intense as various new food and beverage are constantly emerging. Meanwhile, the slowdown of economic growth and cost factor have posed an ever-growing challenge to the industry. In the first half of 2019, China's GDP increased by 6.3% year-on-year to RMB45,093.3 billion, representing a slowdown of economic growth as compared to the year-on-year increase of 6.6% in the corresponding period in 2018. In the first half of 2019, domestic food and beverage revenue increased by 9.4% year-on-year to RMB2,127.9 billion, representing a slight decrease as compared to 9.9% recorded in the corresponding period of the previous year. As for online retail, which receives much attention from various sectors, the year-on-year increase declined from over 30% in the first half of 2018 to 17.8% in the first half of 2019. Although the increase declines drastically as compared with the past two years, it is worth noting that the total online retail sales of physical commodities reached a year-on-year increase of 21.6% in the first half of 2019. In particular, food products recorded an increase of 29.3%, which is higher than that of other types of online retail sales products, such as clothing and supplies. This indicates that it is a key strategy for the food and beverage market still need to keep a firm grip on the online retail market.

BUSINESS REVIEW

As at 30 June 2019, the Group operated a total of 44 self-owned restaurants, 14 franchised restaurants and 10 joint venture restaurants. During the period, the Group's revenue reached RMB758.8 million, representing an increase of RMB18.6 million or 2.5% as compared to the corresponding period in 2018. Growth in revenue was mainly due to the contribution of growing stores within two years of operation and the development of new stores. Rapid market changes would pose a challenge to the transformation of traditional restaurants, which the Group also required policy adjustments to restaurant opening. For outlets opened in recent years, the Group selected location with greater caution and took into consideration the development potential of a city, business ecosystem in surrounding areas and ancillary facilities of a mall, etc. For example, we expedited our development in Chengdu and Hangzhou in recent years, both of which are rising cities with strong consumption power, where we strategically positioned our Chinese restaurant brands and casual brands. As at 30 June 2019, an aggregate of 6 stores have been opened in these two regions. In addition, the Group noted that in recent years, an increasing number of shopping malls were opened in more developed areas. In order to outperform others by its uniqueness, new establishments managed to attract consumers with different themes. Therefore, we strategically changed our strategy in site selection for expansion of existing foothold, targeting thematic and lifestyle malls, such as Shenzhen MIXc World and

Shanghai MIXc etc., so as to attract a wider pool of customers. During the Period, growing stores and new stores, including 5 Chinese restaurants, 3 self-developed casual dining restaurants and 2 franchised restaurants, in aggregate have contributed to the Group' revenue by RMB121.9 million, accounting for 16.1% of the Group's revenue during the period.

Over the past few years, the Group had taken different methods, including an ongoing, diverse and multichannel marketing and membership system, to strengthen and improve our customers' loyalty, and successfully attracted more customers to the Group and retained loyal customers thereunder. As E-Consumption is getting prevalent in Mainland China, an E-Membership System, coupled with mobile payment, collaborates with the present consumption pattern. Its extended development makes marketing more flexible, diversified and precise. Accordingly, the Group launched the E-Membership programme online in the second half of 2018 and gradually transferred existing customers into E-Members. The Group may conduct more direct promotions on the E-Membership platform, even boost sales by promotions targeted to different customer groups, tailor-made promotions and timely offering of seasonal products. During the Period, the amount of top-up value made via traditional membership cards and e-membership cards reached approximately RMB165.2 million in aggregate, the consumption amount RMB158.2 million. Given the importance of online sales in the mainland market as mentioned above, the rapid growth in food delivery service became the essential segment that the Group has been exploring in recent years. In the beginning, the Group mainly followed the menu found from other restaurants and increased the number of stores specialised in takeaways; at present, we incessantly improve the menu, the platform layout, the package and the serving process to increase the sales. Competitions in food delivery sector tends to be fiercer, the deciding factors for success are to enhance the product differentiation, to pinpoint the superiority of our brand, to provide a brand new experience, to increase efficiency and to maximise the customer's value. During the Period, the Group initiated the field of product differentiation and tried to formulate signature products under the takeaway menu; besides, we streamlined the management process for efficiency, and divert our marketing resources for products into market exposure and brand promotions. On the other hand, the delicate package was another focus to maximise our customers' satisfaction. During the Period, the takeaway revenue increase by 7.1% compared with that in the same period in 2018 and the percentage in the overall revenue remained similar to last year.

Currently, the Group has a total of 12 restaurants in Hong Kong, Shenzhen, Shanghai and Chengdu under its self-developed casual brands, including “Social Place” and “Canton Tea Room”. The overall turnover for the six months ended 30 June 2019 reached RMB129.9 million, representing an increase of 9.8% as compared to the same period in the previous year. In addition, franchised Pepper Lunch business remained stable. It operated 14 restaurants in Beijing and Tianjin as at 30 June 2019. It has always been the Group’s policy to give full play to its resource advantages and bring in renowned brands for joint venture business. Meanwhile, the Group is seeking to work with overseas partners who share the same value and operating strategy, to expand into foreign countries with self-developed brands. During the Period, we introduced a Japanese cuisine brand and opened a restaurant in Hong Kong and unveiled an additional “Social Place” in Taiwan. As at 30 June 2019, the Group had a total of 10 joint venture restaurants in the Greater China region.

The gross profit margin of the Group during the Period was 63.1%, remained at the same level as the corresponding period of last year, which was mainly due to the Group’s target-oriented control policies for the costs of food ingredients, which is crucial to the catering business. The bulk procurement policy adopted by the Group was the key factor that kept the cost of food ingredients under control, combined with our monitoring policies under which detailed analysis is conducted for each outlet before setting a goal for gross profit margin, enabling the stable level of cost in food ingredients. On the other hand, faced with an upward trend in labor cost of the overall society, the Group started to carry out an in-depth analysis and planning since last year, and has been organizing internal trainings to improve efficiency and optimize personnel structure, the effect of which becomes increasingly notable. The increase in labor cost has been significantly scaled down to 5.4% for the six months ended 30 June 2019 from the 16.8% in 2018.

FINANCIAL REVIEW

As at 30 June 2019, the Group was operating 58 restaurants and 10 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:

	No. of restaurants as at 30 June		Average spending per customer as at 30 June		Percentage of revenue contributed to the Group as at 30 June	
Brand	**2019**	2018	**2019**	2018	**2019**	2018
			RMB	*RMB*		
Tang's Cuisine	**1**	1	**356.5**	333.5	**1.8%**	1.8%
Tang Palace*	**30**	30	**191.6**	180.0	**76.2%**	77.3%
Social Place	**8**	7	**136.0**	130.7	**12.6%**	11.1%
Canton Tea Room	**4**	4	**90.8**	80.0	**4.5%**	4.9%
Pepper Lunch	**14**	15	**56.7**	50.4	**4.4%**	4.5%

* *including Tang Palace Seafood Restaurant and Tang Palace*

As mentioned above, the Group's overall revenue for the Period increased by 2.5% to RMB758.8 million and the overall gross profit margin was 63.1%, which remained at the same level as the corresponding period last year. During the Period, the Group's share award plan calculated at market price expense amounted to approximately RMB6.0 million (2018: RMB7.7 million). By excluding this expense item, the Group's percentage of revenue on staff costs is 30.8% (2018: 29.7%). In addition, percentage of revenue on depreciation of items of property, plant and equipment is 3.2% (2018: 3.2%) and other expenses is 5.6% (2018: 6.2%). Rental and related expenses were categorized as depreciation of right-of-use assets and finance costs according to HKFRS 16. During the Period, percentage of revenue on depreciation of right-of-use assets was 5.9% (2018: nil), percentage of revenue on finance costs was 1.9% (2018: 0.1%) and percentage of revenue on rental and related expenses was 1.6% (2018: 9.5%). During the Period, effective tax rate was 33.9% (2018: 32.3%), which included withholding tax on dividend income of RMB3.8 million and deferred tax expense of RMB1.2 million. After deducting the PRC withholding tax derived from dividend income and deferred tax expense, actual tax rate for the Period was 27.5%. The profit attributable to owners of the Company for the Period decreased by 1.9% from RMB52.2 million to RMB51.2 million. Also, the net profit margin decreased by 0.4% from 7.1% to 6.7%.

Cash flow

Cash and cash equivalents increased by RMB44.4 million from RMB400.4 million as at 31 December 2018 to RMB444.8 million as at 30 June 2019.

Net cash of RMB117.6 million was generated from operating activities during the period. Net cash used in investing activities amounted to RMB22.1 million during the period, of which RMB21.6 million was related to the purchase of property, plant and equipment. Net cash used in financing activities amounted to RMB49.8 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 RMB558.8 million as at 30 June 2019 (31 December 2018: RMB544.4 million). As at 30 June 2019, the Group's total assets, net current assets and net assets were RMB1,182.5 million (31 December 2018: RMB893.1 million), RMB126.4 million (31 December 2018: RMB272.6 million) and RMB430.8 million (31 December 2018: RMB502.6 million), respectively.

As at 30 June 2019, the Group had bank borrowings of RMB79.2 million (31 December 2018: RMB79.2 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 18.4% as at 30 June 2019 (31 December 2018: 15.8%).

As at 30 June 2019, the current ratio (calculated as current assets divided by current liabilities) was 1.2 (31 December 2018: 1.7).

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 2019, 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.

OUTLOOK AND PROSPECT

The Group anticipated that in future the food and beverage market will further develop in the direction of intelligence. Not only will the formulation of strategies be driven by big data, but it's also important for the utilisation of technology in a precise way for meticulous management. Therefore, the Group has begun to plan for and carry out the work of various internal system upgrades since the second half of 2018. Following the full-fledged launch of electronic membership, we plan to optimize the functions of the electronic membership programme in 2019, introducing more privilege offers for members, a reward point system and souvenirs. The Group will also pay close attention to the expansion of takeaway business, with an aim to maintain a reasonably healthy proportion of revenue from this business and sustain our competitive edge by differentiating our brands from the others. The food and beverage retail sales is another direction for strategic development in the future. In 2019, the Group attempted to promote its seasonal products and souvenirs in a brand-new way to improve scenarios and customers' experience, for instance, we held several tea and mooncake tasting events, thus increasing their pre-sales, and organized demonstrations and tasting events for our souvenir products. The objective of the next stage of our work will be to actively explore different sales channels.

In terms of business expansion, the Group opened a Chinese restaurant in Beijing in the beginning of the year. Despite the prudent development strategy adopted for the current year, given the Group's reputation and management scale in Mainland China, the Group is confident about striving for growth in premium locations. In this regard, we expand our business into an international airport for the first time by opening the first restaurant in Shanghai Pudong International Airport in September. Furthermore, we will open a casual dining restaurant in Hong Kong in the second half of the year. The management system of casual dining business has gradually improved to the point where the conditions for further expansion have been met. The Group is pleased that, in the beginning of the year, we successfully collaborated with an experienced catering group in Singapore, where a "Tang Palace Social Place" restaurant will be opened in the second half of the year. Apart from outbound development of our brands, the Group has also been exploring overseas brands with potential and including them in our own business, including a restaurant operated under joint venture opened in the first half of the year, as well as a Japanese Michelin-starred restaurant being introduced in the second half of the year to serve high-end traditional Japanese Kaiseki cuisine. In addition, we will add a "PappaRich" restaurant in Taiwan this year, while "Pepper Lunch" will open a restaurant in Beijing in the second half of the year.

We acknowledge that with the advancement of technology, it is certain that intelligent catering will become a trend. Therefore, the system upgrade launched by the Group is first realized in our labour costs control. This year, we will continue our preparations for the launch of the rest of the formulated management systems. As government policies gradually become coherent and the Group's corporate governance continues to improve, cost control will become so critical that our Group must keep it in check. In particular, the optimization of food cost control and kitchen management has been the focus of our work this year.

In 2019, in the face of rapid market changes, moderate expansion, flexible sales strategies and digitalized management of the group will lead the Group to a lasting and fruitful development.

OTHER INFORMATION

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2019, the Group had over 4,500 employees. 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 and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes, share options, share awards and performance related bonus.

CAPITAL COMMITMENT

The Group's capital commitment was approximately RMB14.8 million and RMB11.1 million as at 30 June 2019 and 31 December 2018, respectively.

CHARGES ON GROUP'S ASSETS

As at 30 June 2019, the Group had pledged time deposit of RMB80.0 million (31 December 2018: RMB80.0 million) for a banking facility accounting to RMB79.2 million (31 December 2018: RMB79.2 million).

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, 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 HK3.40 cents (2018: HK3.40 cents) per ordinary share for the Period to shareholders whose names appear on the register of members of the Company on 12 September 2019. The interim special dividend will be paid on 15 November 2019.

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 Thursday, 12 September 2019 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 Wednesday, 11 September 2019.

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
Yip Shu Ming
Chairman

Hong Kong, 26 August 2019

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

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