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## 唐宮(中國)控股有限公司

TANG PALACE (CHINA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1181)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 (the “**Period**”), together with comparative figures for the six months ended 30 June 2020 as follows:

HIGHLIGHTS	For the six months ended		Change in %
	30 June 2021	2020	
Revenue (RMB'000)	714,453	410,491	74.0%
Gross profit (RMB'000) <sup>(1)</sup>	441,069	246,223	79.1%
Gross profit margin	61.7%	60.0%	1.7%
Profit/(Loss) for the Period attributable to owners of the Company (RMB'000)	32,375	(66,500)	
Basic earnings/(loss) per share (RMB cents)	3.01	(6.18)	
Interim special dividend per share (HK cents)	2.50	2.00	
Number of restaurants (self-owned)	52	59	
Number of restaurants (joint ventures)	12	11	

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2021*

		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	4	714,453	410,491
Other income	4	17,512	14,859
Cost of inventories consumed		(273,384)	(164,268)
Staff costs		(226,243)	(171,521)
Depreciation of items of property, plant and equipment		(22,353)	(24,361)
Depreciation of right-of-use assets		(42,075)	(48,158)
Utilities and consumables		(39,740)	(27,880)
Rental and related expenses		(13,027)	(552)
Other expenses	5	(56,229)	(38,166)
Finance costs		(9,961)	(12,990)
Share of profits and losses of joint ventures		365	(2,229)
PROFIT/(LOSS) BEFORE TAX	5	49,318	(64,775)
Income tax expense	6	(16,802)	(2,682)
PROFIT/(LOSS) FOR THE PERIOD		<u>32,516</u>	<u>(67,457)</u>
Attributable to:			
Owners of the Company		32,375	(66,500)
Non-controlling interests		141	(957)
		<u>32,516</u>	<u>(67,457)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE COMPANY	8		
Basic and diluted (RMB cents)		<u>3.01</u>	<u>(6.18)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>32,516</u>	<u>(67,457)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(71)</u>	<u>(373)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	<u>(1,547)</u>	<u>(855)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(1,618)</u>	<u>(1,228)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>30,898</u>	<u>(68,685)</u>
Attributable to:		
Owners of the Company	30,757	(67,728)
Non-controlling interests	<u>141</u>	<u>(957)</u>
	<u>30,898</u>	<u>(68,685)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2021*

		As at <b>30 June 2021</b>	As at 31 December 2020
	<i>Notes</i>	<b><i>RMB'000</i></b> <b>(unaudited)</b>	<b><i>RMB'000</i></b> <b>(audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>120,030</b>	130,739
Right-of-use assets		<b>175,543</b>	210,212
Intangible assets		<b>1,098</b>	1,403
Investments in joint ventures		<b>11,919</b>	11,730
Financial asset at fair value through other comprehensive income		<b>12,073</b>	13,620
Financial asset at fair value through profit or loss		<b>25,896</b>	26,208
Prepayments and deposits	<i>9</i>	<b>31,429</b>	35,339
Deferred tax assets		<b>17,834</b>	19,252
		<hr/>	<hr/>
Total non-current assets		<b>395,822</b>	448,503
<b>CURRENT ASSETS</b>			
Inventories		<b>46,273</b>	48,815
Trade and other receivables and prepayments	<i>9</i>	<b>36,740</b>	45,938
Due from joint ventures		<b>836</b>	1,403
Tax recoverable		<b>339</b>	359
Pledged time deposits		<b>86,323</b>	85,444
Time deposits		<b>20,000</b>	32,000
Cash and cash equivalents		<b>475,487</b>	402,033
		<hr/>	<hr/>
Total current assets		<b>665,998</b>	615,992
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>10</i>	<b>320,525</b>	298,979
Due to related companies		<b>965</b>	55
Interest-bearing bank borrowings		<b>73,870</b>	74,760
Lease liabilities		<b>69,546</b>	86,857
Tax payable		<b>7,690</b>	10,478
		<hr/>	<hr/>
Total current liabilities		<b>472,596</b>	471,129

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
<b>NET CURRENT ASSETS</b>	<u>193,402</u>	<u>144,863</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u><u>589,224</u></u>	<u><u>593,366</u></u>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	134,216	169,256
Deferred tax liabilities	<u>5,232</u>	<u>5,232</u>
Total non-current liabilities	<u>139,448</u>	<u>174,488</u>
<b>NET ASSETS</b>	<u><u>449,776</u></u>	<u><u>418,878</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	45,821	45,821
Reserves	<u>401,089</u>	<u>370,332</u>
	446,910	416,153
Non-controlling interests	<u>2,866</u>	<u>2,725</u>
Total equity	<u><u>449,776</u></u>	<u><u>418,878</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*As at 30 June 2021*

## 1. CORPORATE INFORMATION

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

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange 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 2020.

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 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (the “**HKFRSs**”) for the first time for the current periods financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. OPERATING SEGMENT INFORMATION

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

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

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

#### Information about major customers

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

Segment information about the business is presented below:

	Northern region		Eastern region		Southern region		Western region		Total	
	For the six months ended 30 June									
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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)
<b>Segment revenue:</b>										
Sales to external customers	204,535	89,190	294,516	174,775	146,365	102,833	69,037	43,693	714,453	410,491
Inter-segment sales	—	—	33,445	14,428	—	—	—	—	33,445	14,428
	204,535	89,190	327,961	189,203	146,365	102,833	69,037	43,693	747,898	424,919
Reconciliation:										
Elimination of inter-segment sales									(33,445)	(14,428)
Revenue									714,453	410,491
<b>Segment results</b>	22,853	(16,490)	30,421	(4,494)	(960)	(15,492)	15,172	6,832	67,486	(29,644)
Reconciliation:										
Interest income									46	36
Share of profits and losses of joint ventures									365	(2,229)
Unallocated expenses									(17,705)	(31,973)
Finance costs (other than interest on lease liabilities)									(874)	(965)
Profit/(loss) before tax									49,318	(64,775)

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

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

#### Geographical information

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

#### 4. REVENUE AND OTHER INCOME

##### Revenue from contracts with customers

##### (i) *Disaggregated revenue information*

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<b>Revenue from contracts with customers</b>		
External customers	714,453	410,491
Intersegment sales	<u>33,445</u>	<u>14,428</u>
	747,898	424,919
Intersegment adjustments and eliminations	<u>(33,445)</u>	<u>(14,428)</u>
Total revenue from contracts with customers	<u><u>714,453</u></u>	<u><u>410,491</u></u>

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Restaurant operations	<u><u>154,602</u></u>	<u><u>177,795</u></u>



#### 4. REVENUE AND OTHER INCOME (Continued)

##### Revenue from contracts with customers (Continued)

##### (ii) Performance obligations

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

##### Restaurant operations

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Other income</b>		
Bank interest income	2,180	1,620
Commission income <sup>#</sup>	11,670	6,566
Government grants <sup>*</sup>	2,994	4,660
Others	668	2,013
	<u>17,512</u>	<u>14,859</u>

<sup>#</sup> Commission income represents commission received or receivable in respect of sales of tea related products.

<sup>\*</sup> There are no unfulfilled conditions or contingencies relating to these grants.

## 5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Directors' emoluments*	3,985	5,107
Other staff costs*	201,172	155,860
Pension scheme contributions	<u>21,086</u>	<u>10,554</u>
 Total staff costs	 <u><u>226,243</u></u>	 <u><u>171,521</u></u>
 Depreciation of items of property, plant and equipment	 22,353	 24,361
Depreciation of right-of-use assets	42,075	48,158
Amortisation of intangible assets <sup>#</sup>	305	634
Impairment of property, plant and equipment <sup>#</sup>	—	5,973
Impairment of right-of-use assets <sup>#</sup>	—	736
Advertisement and promotion expenses <sup>#</sup>	9,946	6,749
Restaurants operating expenses and charges <sup>#</sup>	24,072	7,198
Sanitation and maintenance expenses <sup>#</sup>	12,387	7,620
Travelling, carriage and freight <sup>#</sup>	<u>4,334</u>	<u>3,072</u>

\* No share award plan expense was recognised for the Period (six months ended 30 June 2020: RMB4,611,000).

<sup>#</sup> Items are included in "Other expenses" in the condensed consolidated statement of profit or loss.

## 6. INCOME TAX

Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The Company's subsidiaries in Mainland China are subject to income tax at the rate of 25% (six months ended 30 June 2020: 25%).

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current — PRC		
Charge for the period	13,959	1,653
Underprovision in prior periods	936	442
Current — Hong Kong		
Change for the period	11	—
Overprovision in prior periods	—	(215)
PRC withholding tax on dividend income	621	—
Deferred	<u>1,275</u>	<u>802</u>
	<u><u>16,802</u></u>	<u><u>2,682</u></u>

## 7. DIVIDEND

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interim special dividend — HK2.50 cents (six months ended 30 June 2020: HK2.00 cents) per ordinary share (the “Shares”)	<b>22,328</b>	<b>19,368</b>

On 27 August 2021, the Board declared an interim special dividend for the Period of HK2.50 cents per ordinary share. The Board has already taken into account the sufficiency of resources for the Group’s working capital and business development requirement.

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

The calculation of the basic earnings/(loss) per share amount for the Period is based on the profit for the Period of RMB32,375,000 (six months ended 30 June 2020: loss of RMB66,500,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,076,027,500 Shares (six months ended 30 June 2020: 1,075,801,484 Shares) in issue.

The Group had no potentially dilutive Shares in issue during the Period and six months ended 30 June 2020. Accordingly, there was no diluted earnings per share amounts for the Period and six months ended 30 June 2020.

## 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 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Trade receivables	12,007	17,772
Prepayments	17,549	25,008
Deposits and other receivables	<b>38,613</b>	38,497
	<b>68,169</b>	81,277
Less: Prepayments and deposits classified as non-current assets	<b>(31,429)</b>	(35,339)
	<b>36,740</b>	45,938

## 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 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Trade receivables:		
Within 30 days	10,776	17,177
31 to 60 days	470	195
61 to 90 days	79	135
Over 90 days	682	265
	<u>12,007</u>	<u>17,772</u>

## 10. TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Trade payables	73,302	68,311
Other payables and accruals	19,071	17,949
Salary and welfare payables	25,678	22,478
Contract liabilities	202,474	190,241
	<u>320,525</u>	<u>298,979</u>

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 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Trade payables:		
Within 30 days	48,938	56,754
31 to 60 days	13,961	4,224
61 to 90 days	3,155	1,967
91 to 180 days	3,634	2,759
Over 180 days	3,614	2,607
	<u>73,302</u>	<u>68,311</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

In 2020, as the impact of the novel coronavirus pandemic (the “**Pandemic**”) continued to ravage the world, the economic environment in Mainland China and Hong Kong was full of challenges. In 2021, as more people have been vaccinated, accompanied by the well-established and strict preventive measures across China, the overall economy is gradually stabilising and recovering, leading to a gradual revival from the sluggish consumption atmosphere. In the first half of 2021, China’s GDP reached RMB53,216.7 billion, an increase of 12.7% year-on-year. Among them, consumption is an important element to drive the economy. According to the economic data and analysis released by the National Bureau of Statistics, the contribution rate of final consumption expenditure to the economic growth in Mainland China in the first half of 2021 reached 61.7%, which shows that the control of the Pandemic has had a positive impact on the consumer market. Driven by the gradual revival of the consumption atmosphere, the catering industry also benefited and gradually improved. In the first half of 2021, the national catering revenue was RMB2,171.2 billion, up by 48.6% year-on-year. Further, compared to the economic data of 2019, which was not affected by the Pandemic, the national catering revenue for the first half of 2021 was similar to that for the first half of 2019 (2019: RMB2,127.9 billion), which indicates that consumption appetite has gradually returned to pre-COVID levels.

### BUSINESS REVIEW

Looking back on 2020, the Group faced a tremendous challenge when the Pandemic was at its peak. In addition to stepping up preventive measures to ensure the safety of staff and guests, we focused our business operations on revenue generation and cost reduction, maintaining online exposure and promoting online marketing, as well as maintaining customer interaction and online positive rating and strengthening customer loyalty. These strategies enabled the Group to gradually resume business in the second half of 2020 when the Pandemic gradually subsided. Though the instability of the Pandemic in 2021 was challenging for the Group, it did not forget its altruistic business motto under the arduous environment as it continued to carry out various big or small projects to fulfill its social responsibilities and cultivate talents as well as influence employees positively while contributing to society. In terms of its business, the Group continued its strategy of “creating customers’ spending demand”, focusing on improving customers’ sense of value for its products and services, and launched various attractive themed activities, such as new product appreciation party and tea tasting party, which is in line with its year-round festive marketing direction, as well as improved customer satisfaction level and repeat purchase rate by optimization of product structure and management of garnish lists. As a result, businesses in a number of regions have seen significant growth, and coupled with an increasingly upward consumption sentiment, the Group recorded a total revenue of RMB714.5 million for the period from 1 January to 30 June 2021 (the “**Period**”), representing an increase of 74.0% as compared to RMB410.5 million for the same period last year. With stringent and refined target-oriented management, gross profit margin also increased to 61.7% from 60.0% in 2020. The rapid recovery of the Group’s dine-in business

was largely driven by the clear improvement in market sentiment, though the positive impact of online sales should not be overlooked. With the rapid development of online shopping, mobile payment and e-commerce in recent years, the consumption pattern has changed, and the Pandemic has catalysed its development. According to the data from the National Bureau of Statistics, national online retail sales grew by 23.2% year-on-year in 2021, and though hindered by the Pandemic, the two-year average growth rate still reached 15.0%, which reflects a general trend. Following last year's dedicated planning and management of the takeaway business, in the first half of this year, the Group continued its overall marketing direction of creating its own festivals every month and extended it to its takeaway platform, offering special menus for festive days and including value-added services such as complimentary snacks, small gifts and handwritten cards, with a focus on trending elements such as Chinese-style fashion in terms of promotion and marketing to upgrade the takeaway business. As a result, the takeaway business grew by 80.2% during Period as compared to last year, and even doubled as compared to the same period in 2019. Since last year, the Group has set the goal of securing customer loyalty and has been striving for exposure through various online activities such as WeChat Moment sharing and online product live streaming, and offline activities such as handmade food classes and festival experiences, etc. Meanwhile, all promotions are connected to its membership system to increase member loyalty, and the number of members has accumulated to nearly 1 million during the Period. Anticipating that membership spending will become a stable source of revenue, the Group attached great importance to its long-term development and has upgraded to electronic membership for proactive marketing, which has been effective during the Pandemic and has greatly helped to target customers in various districts to capture business. In view of the Group's business spanning across different regions and the desire to enrich membership activities as well as bonus points discounts, during the Period, the Group actively prepared for a membership system upgrade, which was launched in mid-July 2021. This will enable the electronic membership system to be used in all branches in Mainland China, while establishing connection among online shop, self-operated takeaway and dine-in services, which allows members to share their deposit, bonus points and electronic coupons, thereby improving the convenience of customers and their desire to repurchase, and further carry out more flexible and cross-regional marketing activities.

Staff costs remained a challenge in the catering sector. Policies of a flexible roster, refined effectiveness in human resources, and versatile talents training that we formulated have significantly reduced the labour costs over the past year. As business returns to normalcy and the customer flow resumes, staff costs would increase with business needs. However, the Group recognises that maintaining the stability of its talented workforce, providing opportunities for employees to enhance and develop their personal capabilities and diversifying their professional skills are important elements for long-term healthy development, and therefore further enhanced the entire system of developing cross-department, compound talents during the Period, including training systems, departmental planning, job evaluation and certification, promotion systems and other long-term staff efficiency measures. The continued implementation of this strategy has enabled the Group to stabilise staff costs, which as a percentage of total revenue for the period was similar to that of the corresponding period in 2019.

## PROSPECT

Since economic activities have not fully resumed because of the spread of the variants of the virus in the globe, the Group expects that the second half of the year will be full of uncertainties due to the recurrence of the Pandemic. In addition to strengthening our current precautionary measures and consolidating existing businesses, exploring other opportunities beyond our current model would be included in our business tactics. The Group has carefully selected our core yet dedicated products to establish a new brand with a lighter footprint, which is scheduled to launch this year, to meet the needs in fast-paced living styles with great convenience and the pursuit of healthy life. Following the vigorous expansions of new first-tier cities in China in recent years, ancillary facilities for transportation are comprehensive. The spending power in those new first-tier cities has been growing and close to that of well-developed cities. The Group is optimistic about the prospects of new first-tier cities, and we are surveying the potential of second-tier cities for the next phase of expansion. It is challenging, though, to predict when the economy can be in full recovery as the pandemic is ongoing and the international environment is unstable. Having said that, the Group believes that consolidating our current business, strengthening our internal management, nurturing our versatile talents, and making good use of our commercial models could generate sustainable profits for our shareholders.

## FINANCIAL REVIEW

As at 30 June 2021, the Group was operating 52 self-owned restaurants and invested in 12 other restaurants under joint ventures. The table below illustrates the number of such self-owned restaurants by major brands, together with the percentage of revenue to the Group:

Brand	No. of restaurants as at 30 June		Percentage of revenue contributed to the Group as at 30 June	
	2021	2020	2021	2020
Tang's Cuisine	1	1	2.4%	2.4%
Tang Palace*	30	30	80.6%	75.6%
Social Place	8	9	9.7%	13.6%
Canton Tea Room	3	4	3.6%	5.0%
Pepper Lunch	10	14	3.0%	3.0%

\* including Tang Palace Seafood Restaurant and Tang Palace

As mentioned above, the Group's overall revenue for the Period increased by 74.0% to RMB714.5 million, while the overall gross profit margin increased to 61.7% (2020: 60.0%).

During the Period, the Group had no share award plan expense (2020: RMB4.6 million). By excluding this expense item, the Group's percentage of revenue on staff costs was 31.7% (2020: 40.7%). In addition, percentage of revenue on depreciation of items of property, plant and equipment was 3.1% (2020: 5.9%) and utility and consumables expenses was 5.6% (2020: 6.8%). 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% (2020: 11.7%), percentage of revenue on finance costs was 1.4% (2020: 3.2%) and percentage of revenue on rental and related expenses was 1.8% (2020: 0.1%). Due to the increase in revenue as a result of the gradual improvement of the Pandemic since the second half of 2020, the percentage of revenue on expenses resumed normal compared to prior period.

During the Period, income tax expense was RMB16.8 million, which included withholding tax on dividend income of RMB0.6 million and deferred tax expense of RMB1.3 million.

The profit attributable to owners of the Company for the Period amounted to approximately RMB32.4 million (2020: the loss attributable to owners of the Company amounted to approximately RMB66.5 million).

#### **Cash flow**

Cash and cash equivalents increased by RMB73.5 million from RMB402.0 million as at 31 December 2020 to RMB475.5 million as at 30 June 2021.

Net cash of RMB129.4 million was generated from operating activities during the Period. Net cash from investing activities amounted to RMB1.0 million during the Period, of which RMB12.3 million was related to the purchase of property, plant and equipment and RMB12.0 million decrease in time deposits. Net cash used in financing activities amounted to RMB56.6 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 RMB581.8 million as at 30 June 2021 (31 December 2020: RMB519.5 million). As at 30 June 2021, the Group's total assets, net current assets and net assets were RMB1,061.8 million (31 December 2020: RMB1,064.5 million), RMB193.4 million (31 December 2020: RMB144.9 million) and RMB449.8 million (31 December 2020: RMB418.9 million), respectively.

As at 30 June 2021, the Group had bank borrowings of RMB73.9 million (31 December 2020: RMB74.8 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 16.4% as at 30 June 2021 (31 December 2020: 17.8%).

As at 30 June 2021, the current ratio (calculated as current assets divided by current liabilities) was 1.4 (31 December 2020: 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 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 2021, the directors considered the Group's foreign exchange risk to be insignificant. During the Period, the Group did not use any financial instruments for hedging purposes.

### **OTHER INFORMATION**

#### **NUMBER AND REMUNERATION OF EMPLOYEES**

As at 30 June 2021, the Group had over 3,800 employees. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for operation and expansion of restaurants. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes, share awards and performance related bonus.

#### **CAPITAL COMMITMENT**

The Group's capital commitment was approximately RMB3.4 million as at 30 June 2021 (31 December 2020: RMB7.5 million).

#### **CHARGES ON GROUP'S ASSETS**

As at 30 June 2021, the Group had pledged time deposit of RMB86.3 million (31 December 2020: RMB85.4 million) for a banking facility amounting to RMB73.9 million (31 December 2020: RMB74.8 million).

#### **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group did not have any material contingent liabilities.

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

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the Period, 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 "MODEL CODE")**

The Company has adopted its own code for securities transactions by directors on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries 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 the auditing, risk management and internal control, as well as financial reporting matters including the review of the unaudited condensed consolidated interim results and interim report of the Group for the Period.

## **INTERIM SPECIAL DIVIDEND**

The Board has resolved to declare an interim special dividend of HK2.50 cents (2020: HK2.00 cents) per ordinary share for the Period to shareholders whose names appear on the register of members of the Company on 17 September 2021. The interim special dividend is expected to be paid on 19 November 2021.

## **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 Friday, 17 September 2021 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 Thursday, 16 September 2021.

## APPRECIATION

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

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

Hong Kong, 27 August 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*