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 2021

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 2021, together with comparative figures for the year ended 31 December 2020 as follows:

HIGHLIGHTS

	For the year ended 31 December		Change in
	2021	2020	%
Revenue *(RMB'000)*	**1,361,296**	1,105,103	23.2%
Gross profit *(RMB'000)* [(1)]	**846,829**	682,465	24.1%
Gross profit margin	**62.2%**	61.8%	0.4%
Profit for the year attributable to owners of the Company *(RMB'000)*	**40,570**	4,379	826.5%
Net profit margin [(2)]	**2.9%**	0.3%	
Basic earnings per share *(RMB cents)*	**3.77**	0.41	819.5%
Dividend per ordinary share			
— Interim special dividend *(HK cents)*	**2.50**	2.00	
— Proposed final dividend *(HK cents)*	**2.50**	3.00	
Number of restaurants (self-owned)	**49**	57	
Number of restaurants (joint ventures)	**13**	11	

(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 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	3	**1,361,296**	1,105,103
Other income	3	**38,459**	41,044
Cost of inventories consumed		**(514,467)**	(422,638)
Staff costs		**(448,055)**	(364,582)
Depreciation of items of property, plant and equipment		**(45,488)**	(48,267)
Depreciation of right-of-use assets		**(83,169)**	(92,718)
Utilities and consumables		**(76,401)**	(66,641)
Rental and related expenses		**(26,535)**	(12,752)
Other expenses		**(122,211)**	(93,362)
Finance costs	5	**(18,621)**	(24,437)
Change in fair value of a financial asset at fair value through profit or loss		**2,973**	—
Share of losses of joint ventures		**(196)**	(2,223)
PROFIT BEFORE TAX	6	**67,585**	18,527
Income tax expense	7	**(27,562)**	(15,369)
PROFIT FOR THE YEAR		**40,023**	3,158
Attributable to:			
Owners of the Company		**40,570**	4,379
Non-controlling interests		**(547)**	(1,221)
		40,023	3,158
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted *(RMB cents)*		**3.77**	0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**40,023**	3,158
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(463)**	(844)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Financial asset at fair value through other comprehensive income:		
Changes in fair value	**9,681**	5,454
Income tax effect	**(2,075)**	—
	7,606	5,454
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**7,143**	4,610
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**47,166**	7,768
Attributable to:		
Owners of the Company	**47,713**	8,989
Non-controlling interests	**(547)**	(1,221)
	47,166	7,768

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**120,510**	130,739
Right-of-use assets		**186,197**	210,212
Intangible assets		**771**	1,403
Investments in joint ventures		**11,257**	11,730
Financial asset at fair value through other comprehensive income		**23,301**	13,620
Financial asset at fair value through profit or loss		**28,521**	26,208
Prepayments and deposits	*10*	**36,794**	35,339
Deferred tax assets		**18,386**	19,252
Total non-current assets		**425,737**	448,503
CURRENT ASSETS			
Inventories		**52,067**	48,815
Trade and other receivables and prepayments	*10*	**51,514**	45,938
Due from joint ventures		**955**	1,403
Tax recoverable		**—**	359
Pledged time deposits		**80,728**	85,444
Time deposits		**20,000**	32,000
Cash and cash equivalents		**403,004**	402,033
Total current assets		**608,268**	615,992
CURRENT LIABILITIES			
Trade and other payables	*11*	**327,666**	298,979
Due to related companies		**292**	55
Interest-bearing bank borrowings		**52,234**	74,760
Lease liabilities		**73,822**	86,857
Tax payable		**4,184**	10,478
Total current liabilities		**458,198**	471,129
NET CURRENT ASSETS		**150,070**	144,863
TOTAL ASSETS LESS CURRENT LIABILITIES		**575,807**	593,366
NON-CURRENT LIABILITIES			
Lease liabilities		**150,150**	169,256
Deferred tax liabilities		**8,734**	5,232
Total non-current liabilities		**158,884**	174,488
NET ASSETS		**416,923**	418,878
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**45,821**	45,821
Reserves		**368,924**	370,332
		414,745	416,153
Non-controlling interests		**2,178**	2,725
Total equity		**416,923**	418,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021. 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 following revised HKFRSs for the first time for the current year's financial statements.

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

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

These amendments did not have any significant impact on the Group's financial statements.

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

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB4,153,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

3. REVENUE AND OTHER INCOME

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

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Restaurant operations	**1,361,296**	1,105,103

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Type of goods or services		
Revenue from Chinese restaurant operations and total revenue from contracts with customers	**1,361,296**	1,105,103
Geographical markets		
Northern China	**383,436**	287,345
Eastern China	**548,408**	457,648
Southern China	**302,266**	247,303
Western China	**127,186**	112,807
Total revenue from contracts with customers	**1,361,296**	1,105,103
Timing of revenue recognition		
At a point in time	**1,361,296**	1,105,103

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.

	2021 *RMB'000*	2020 *RMB'000*
Other income		
Bank interest income	**5,308**	5,757
Commission income#	**22,857**	18,247
Government grants*	**6,602**	13,903
Others	**3,692**	3,137
	38,459	41,044

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 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, change in fair value of a financial asset at fair value through profit or loss, 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)*

Segment information about the business is presented below:

	Northern China		Eastern China		Southern China		Western China		Total	
	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*
Segment revenue										
Sales to external customers	**383,436**	287,345	**548,408**	457,648	**302,266**	247,303	**127,186**	112,807	**1,361,296**	1,105,103
Inter-segment sales	**—**	—	**71,423**	52,898	**—**	—	**—**	—	**71,423**	52,898
	383,436	287,345	**619,831**	510,546	**302,266**	247,303	**127,186**	112,807	**1,432,719**	1,158,001
Reconciliation:										
Elimination of inter-segment sales									**(71,423)**	(52,898)
Revenue									**1,361,296**	1,105,103
Segment results	**42,686**	11,975	**43,904**	35,704	**(4,223)**	(4,070)	**24,390**	24,361	**106,757**	67,970
Reconciliation:										
Interest income									**58**	114
Share of losses of joint ventures									**(196)**	(2,223)
Change in fair value of a financial asset at fair value through profit or loss									**2,973**	—
Unallocated expenses									**(40,313)**	(45,464)
Finance costs (other than interest on lease liabilities)									**(1,694)**	(1,870)
Profit before tax									**67,585**	18,527
Other segment information:										
Depreciation of items of property, plant and equipment	**7,995**	9,301	**15,502**	15,823	**17,318**	16,615	**4,673**	6,528	**45,488**	48,267
Depreciation of right-of-use assets	**21,558**	25,567	**30,142**	32,686	**29,212**	29,967	**2,257**	4,498	**83,169**	92,718
Impairment of property, plant and equipment	**786**	2,225	**—**	—	**1,233**	278	**—**	—	**2,019**	2,503
Impairment of right-of-use assets	**2,351**	5,066	**—**	—	**1,937**	736	**—**	—	**4,288**	5,802
Amortisation of intangible assets	**92**	118	**500**	500	**—**	—	**—**	—	**592**	618
Capital expenditure*	**1,572**	5,394	**21,643**	9,425	**16,668**	16,735	**1,037**	393	**40,920**	31,947

* 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**"), including Hong Kong. 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:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans	**1,694**	1,870
Interest on lease liabilities	**16,927**	22,567
	18,621	24,437

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2021	2020
	RMB'000	*RMB'000*
Directors' remuneration	**7,834**	9,031
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**395,798**	330,058
Equity-settled share award plan expense	**—**	2,210
Pension scheme contributions (defined contribution schemes)^	**44,423**	23,283
Total staff costs	**448,055**	364,582
Depreciation of items of property, plant and equipment	**45,488**	48,267
Depreciation of right-of-use assets	**83,169**	92,718
Amortisation of intangible assets#	**592**	1,022
Loss on disposal of items of property, plant and equipment#	**2,037**	1,156
Loss on disposal of intangible assets#	**40**	—
Impairment of property, plant and equipment#	**2,019**	2,503
Impairment of right-of-use assets#	**4,288**	5,802
Impairment of an investment in a joint venture#	**—**	1,199
Impairment of an amount due from a joint venture#	**—**	1,500
Foreign exchange differences, net#	**(696)**	3,668
Change in fair value of a financial asset at fair value through profit or loss	**(2,973)**	—

^ There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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% (2020: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2021	2020
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**21,519**	17,953
Underprovision/(overprovision) in prior years	**788**	(317)
Current — Hong Kong		
Charge for the year	**21**	—
Overprovision in prior years	**—**	(78)
PRC withholding tax on dividend income	**2,941**	3,504
Deferred	**2,293**	(5,693)
Total tax charge for the year	**27,562**	15,369

8. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Interim special dividend — HK2.50 cents (2020: HK2.00 cents) per ordinary share	**22,328**	18,938
Proposed final dividend — HK2.50 cents (2020: HK3.00 cents) per ordinary share	**22,059**	27,116
	44,387	46,054

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 1,076,027,500 (2020: 1,075,665,689) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**40,570**	4,379

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**1,076,027,500**	1,075,665,689

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**12,137**	17,772
Prepayments	**32,903**	25,008
Deposits and other receivables	**43,268**	38,497
	88,308	81,277
Less: Prepayments and deposits classified as non-current assets	**(36,794)**	(35,339)
	51,514	45,938

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:

	2021	2020
	RMB'000	*RMB'000*
Within 30 days	**10,859**	17,177
31 to 60 days	**78**	195
61 to 90 days	**905**	135
Over 90 days	**295**	265
	12,137	17,772

11. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**64,752**	68,311
Other payables and accruals	**24,652**	17,949
Salary and welfare payables	**24,836**	22,478
Contract liabilities	**213,426**	190,241
	327,666	298,979

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

	2021	2020
	RMB'000	*RMB'000*
Within 30 days	**52,278**	56,754
31 to 60 days	**3,515**	4,224
61 to 90 days	**2,475**	1,967
91 to 180 days	**3,508**	2,759
Over 180 days	**2,976**	2,607
	64,752	68,311

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 2021		As at 31 December 2020	
	HK$'000	***RMB'000 equivalent***	*HK$'000*	*RMB'000 equivalent*
Authorised:				
4,000,000,000 ordinary shares of HK$0.05 each	**200,000**		200,000	
Issued and fully paid:				
1,076,027,500 ordinary shares of HK$0.05 each	**53,801**	**45,821**	53,801	45,821

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**	
			(equivalent to)
		HK$'000	*RMB'000*
Issued and fully paid:			
At 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 January 2021 and 31 December 2021	1,076,027,500	53,801	45,821

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2021, the novel coronavirus disease (the "**Pandemic**") continued to ravage the world. However, the global economy began its recovery in an orderly manner due to the boost of vaccination rate by different countries. According to the "**Global Economic Outlook**" published by the World Bank in 2022, the global economic growth rate increased from negative in 2020 to 5.5% in 2021, which demonstrated the positive effects on the economy brought by the availability of vaccines and limited easing of social distancing measures in various countries. In particular, China was the only major economy that recorded positive economic growth in 2021, leading the economic growth rate among the world's major economies. According to the National Bureau of Statistics, China's GDP in 2021 increased by 8.1% when compared with that of 2020, and the national per capita disposal income had an actual increase of 8.1% compared with last year, representing an average growth rate of 5.1% over both years, which was basically in line with economic growth and met the requirement of steady growth in residents' income. The increase was mainly due to the economic benefits brought by continuously supporting internal circulation and expanding domestic demand in Mainland China, with domestic demand contributing 79% to economic growth in 2021. Although there is a clear upward trend in consumption, the Pandemic has also catalyzed the increase in online retailing, thus driving sales and leading to the gradual recovery of the food and beverage market, which indicated a significant improvement in the resilience of Chinese food and beverage enterprises. However, catering counts as contact and scenario consumption, displaying a most direct and clear impact from continuous and volatile pandemic situations. In 2021, the national revenue for food and beverage increased by 18.6% when compared with 2020. Still, it decreased by 1.1% when compared with 2019, representing an average decrease of 0.5% over both years, which showed that the scale of food and beverage consumption has not yet recovered to the pre-pandemic level.

BUSINESS REVIEW

According to the analysis in relation to the food and beverage market in 2021 published by the China Cuisine Association, the food and beverage market of various provinces has turned from negative growth in 2020 to positive growth in 2021. Some provinces have even recovered to the level before the Pandemic, especially in some regions such as Sichuan province and Beijing, where a more pronounced recovery was witnessed, with growth rates of over 30%. The branches of the Group are mainly located in five major areas, namely Northern China, Eastern China, Guangdong, Chengdu and Hong Kong. Benefiting from the vast control of the Pandemic in Mainland China, the operation has basically returned to normal. As a result, the Group's business in various districts in China in 2021 recorded a double-digit growth when compared with 2020, especially in Northern China, where revenue significantly increased by more than 30%. The revenue of Eastern China and Guangdong also increased by approximately 20% when compared with 2020. Chengdu, a new region tapped into by the Group in recent years, which has seen the most obvious recover in business in 2020, whose revenue growth for the year maintained at double-digit figures. Hong Kong was impacted dramatically by the Pandemic in the first half of 2021, but in the second half of the year, as the consumption voucher allowance launched by the Hong Kong government boosted consumer sentiment, and the Pandemic has eased, revenue also increased significantly when compared with that of 2020. Overall, for the year ended 31 December 2021 ("**the Year**"), the Group recorded total revenue of RMB1,361.3 million (2020: RMB1,105.1 million), representing an increase of 23.2% on a year-to-year basis.

Online-to-Offline Measures and Quality Reform for Service Improvement

Apart from the consumer sentiment boosted by the slight easing of the Pandemic, the business growth of the Group for the Year was mainly due to the strategic repositioning, which enabled each region to grasp the target through re-calculating and focusing on the continuation and deepening of the theme strategy of "creating customer consumption needs". Due to the volatility of the Pandemic, the dine-in business has been impacted to a certain extent, thus making online promotion as one of the main channels, maintaining online exposure, promoting online marketing and maintaining customer interaction as being the Group's strategic focus. In this regard, the Group has launched our own mini-program live streaming, allowing seasonal products, meal packages and promotions offered in each region according to local characteristics to be directly advertised and displayed online, which in turn could lead to end sales, including online sales and offline in-store dining. On the other hand, the Group believes continuous quality improvement is the key competitive strength. Apart from effectively improving service quality by analyzing online reviews and mystery shoppers, it can also be used to keep abreast of customers' needs. Meanwhile, given that the banquet consumption has reduced significantly in recent years due to the Pandemic, the Group turned to enhance the marketing strategy of private rooms as well as optimize management of customer relations, while adding personalized service for family festival celebrations and small banquets.

Continuous Growth in Takeaway Business

As takeaway has become a regular consumption, the Group thrived for the best to continuously improve its takeaway business. During the Year, the Group reconstructed the takeaway business model in Mainland China from the previous takeaway system that depended mainly on third-party public platforms to "public platform + self-operated takeaway mini-program" and achieved interoperability with the membership system, allowing us to enhance customers' loyalty and increase their consumption desire, in hopes of increasing average consumption of an takeaway order and reducing platform commission costs. In addition, the Group launched holiday featured special products and innovated food from time to time, added environmental protection elements on the package, enhanced the convenience and practicality from customer perspective, and introduced value-added services, etc. As of 31 December 2021, the total revenue of takeaway business reached RMB171 million, making the average annual increase rate of over 30% in both 2020 and 2021.

Development Potential in New Retail

Retail was not a key business of traditional food and beverage business in the past. The Group considers the business to be of development potential and thus it has been actively managing and expanding it in recent years, continuously seeking breakthroughs and making numerous attempts during the Year. In relation to seasonal products, large-scale themed conferences, tasting sessions and other activities involving interacting with customers were held regularly in all regions, such as hand-made rice dumplings for parents and children, etc. On the other hand, we added high-quality food, seasonal fruits and vegetables, tea leaves gift box sourced from various origins, as well as self-made packaged foods and dishes for family banquets on the Tang Palace Weimob. In relation to the promotion channels, more platforms were opened, such as Ole Boutique Supermarket, Taobao Tmall Store, Jingdong Self-operated Store, Douyin Store, WeChat social group platforms, etc., while enhancing the professionalism of warehousing and logistics to support online sales more smoothly and effectively.

Upgrading Membership System

With intelligent digitalization being a major business trend, the Group has further fully upgraded the digital membership system to a nationwide system available to all stores, while being connected to self-operated takeaway mini-program and E-shop after upgrading the membership system to digital membership in the early years. This new feature system was launched in the second half of the year, enabling members to accumulate points, dine in, takeaway order and online purchase anytime at any store across the country. It has significantly enhanced the convenience and sense of experience, at the same time increased repeated purchases. It is believed to make considerable contributions for the Group on expanding business and increasing revenue in the long term. As of 31 December 2021, the number of members was over 700,000, representing an increase of over two times compared with the same period in 2020, with the percentage of membership consumption in each region rising gradually. Digital membership has also been introduced in Hong Kong since the second half of 2020. As of 31 December 2021, the number of members has reached nearly 70,000, with the percentage of consumption reaching over 50%, which is expected to bring more opportunities for business development in the future.

Cuisine Diversification under Innovative Brands

The Group has always been devoted to providing diversified cuisine experiences for customers, thus launching new brands from time to time to cater to different markets. During the Year, the Group opened "Soup Delice" themed on Guangdong health stew serving quick and easy meals in Shanghai Hongqiao Airport, and opened upgraded "Tang's Cuisine" with a high-end business position in a renowned business district in Shenzhen. An additional "Tang Palace", a Cantonese-Style cuisine was opened in Chengdu during the Year. In terms of joint ventures, two new brands were introduced to Hong Kong during the Year, including an innovative Japanese-style barbecue restaurant that combines the traditional kaiseki cuisine with modern barbecue culture, as well as an innovative multi-cuisine restaurant, first of its kind, set in the theme of French-style café by the street that blends the ancient with the modern and the Asian with the European. In addition, the Group also opened one PappaRich, a restaurant serving Malaysian in Taiwan.

Cost Challenges

Staff costs remained one of the biggest challenges of the food and beverage industry. As business gradually normalized and customer flow slowly resumed, staff costs have increased in response to business needs. In addition, stable and high-quality catering staff is crucial to the Group; thus, the Group has invested considerable resources in remuneration, benefits and training during the Year. Besides, the repeated impact of the Pandemic on customer flow volume has caused a certain extent of pressure on the control of staff costs. However, the Group believes that the continued implementation of policies such as enhancing human resources effectiveness and training versatile talents can stabilize staff costs. The percentage of staff costs accounted for 32.9% of total revenue for the Year, which was comparable to that of the corresponding period last year. During 2020, the gross profit margin dropped due to the impact of the Pandemic. However, under the efforts of the Group, the earlier launched and ongoing refinement of controllable cost analysis has enabled the strategy of meticulous management of gross profit to gradually take effect in each region and even in each branch, resulting in a slight increase in the gross profit margin for the Year compared with 2020.

Corporate Social Responsibilities

The Group has been following the spirit of altruism for many years, put a great deal of effort in environmental protection and integrating the brand image of "high quality, assured safety, preserved health, environmental friendly" into the operations of the Group, including reform of basic facilities in branches, cool kitchen scheme and others that promoted energy saving and emission reduction and gained significant green achievements in regard of the energy utilization. As the customers value health and environmental protection more after the pandemic, the Group introduced a "green menu" made from plant-based meat and other vegetarian ingredients and held tasting sessions for vegetarian food, to encourage healthy, wellness-focused and low-carbon diet habits. In addition, the Group cooperated with various charity groups, supported society members in need through different charity activities and charitable donations, promoting the flow of love and contributing to achieve "happiness of employee and society". For detailed disclosure on the Group's corporate social responsibilities in 2021, please refer to the 2021 Environmental, Social and Governance report to be published in May 2022.

Outlook

With the intermittent surge of the Pandemic in early 2022 and the probable effect of international economic situation and geopolitics, the Group predicts that 2022 will be a more challenging year. If the Pandemic becomes worse again in 2022, any implementation of more stringent measures to curb the Pandemic such as restricting social gathering, limiting restaurant business hours and banning dine-in business may cause serious impact to the catering industry. As a catering company that closely related to people's livelihood, the Group will continue to adhere to a high standard of Pandemic protection and control to provide safety assured dining environment and cuisine for the customers. Meanwhile, the Group also attaches great importance to expanding business in different areas and exploring diverse growth potential, which will require more efforts to cultivate comprehensive catering personnel to meet the development needs. 2022 marks the 30th anniversary of the establishment of the Group, the Group regards "Making Employees Happy" as its mission, expands humanistic care and improving employee satisfactory through four major systems of "Caring, Connecting, Encouraging, Growing", improving customers satisfaction and achieving society well-being through practicing the value of reassurance, kindness, considerateness and selflessness. "Conveying human kindness of Tang Palace as a fresh start of 30th anniversary" is the theme of the Group for 2022, for which the Group has prepared a series of anniversary appreciation activities. Setting out again on the solid foundation of 30 years, the Group looks forward to embark on a brand new journey and create another glorified 30 years.

FINANCIAL REVIEW

As at 31 December 2021, the Group was operating 49 restaurants and 13 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	
	2021	2020	**2021**	2020	**2021**	2020
			RMB	*RMB*		
Tang's Cuisine	**2**	1	**352.8**	350.7	**2.7%**	2.5%
Tang Palace*	**31**	31	**199.7**	195.2	**79.5%**	78.8%
Social Place	**7**	8	**133.8**	137.2	**10.7%**	10.7%
Canton Tea Room	**2**	3	**91.2**	91.4	**3.5%**	4.5%
Pepper Lunch	**6**	14	**56.6**	50.7	**2.7%**	3.2%
Soup Delice	**1**	—	**82.4**	—	**0.1%**	—

* including Tang Palace Seafood Restaurant and Tang Palace

As mentioned above, the Group's overall revenue for the Year increased by 23.2% to RMB1,361.3 million, while the overall gross profit margin increased to 62.2% (2020: 61.8%).

During the Year, the Group had no share award plan expense (2020: RMB4.5 million). By excluding this expense item, the Group's percentage of revenue on staff costs was 32.9% (2020: 32.6%). In addition, percentage of revenue on depreciation of items of property, plant and equipment was 3.3% (2020: 4.4%) and utility and consumables expenses was 5.6% (2020: 6.0%). Rental and related expenses were categorized as depreciation of right-of-use assets and finance costs according to HKFRS 16. During the Year, percentage of revenue on depreciation of right-of-use assets was 6.1% (2020: 8.4%), percentage of revenue on finance costs was 1.4% (2020: 2.2%) and percentage of revenue on rental and related expenses was 1.9% (2020: 1.2%). 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 year.

During the Year, income tax expense was RMB27.6 million (2020: RMB15.4 million), which included withholding tax on dividend income of RMB2.9 million (2020: RMB3.5 million) and deferred tax expense of RMB2.3 million (2020: deferred tax credit of RMB5.7 million). The profit attributable to owners of the Company for the Year amounted to approximately RMB40.6 million (2020: profit attributable to owners of the Company RMB4.4 million).

Cash flow

Cash and cash equivalents increased by RMB1.0 million from RMB402.0 million as at 31 December 2020 to RMB403.0 million as at 31 December 2021.

Net cash of RMB177.3 million was generated from operating activities during the Year. Net cash used in investing activities amounted to RMB17.4 million during the Year, of which RMB40.9 million was related to the purchase of property, plant and equipment, offset by RMB12.0 million decrease in time deposits. Net cash used in financing activities amounted to RMB158.0 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 RMB503.7 million as at 31 December 2021 (31 December 2020: RMB519.5 million). As at 31 December 2021, the Group's total assets, net current assets and net assets were RMB1,034.0 million (31 December 2020: RMB1,064.5 million), RMB150.1 million (31 December 2020: RMB144.9 million) and RMB416.9 million (31 December 2020: RMB418.9 million), respectively.

As at 31 December 2021, the Group had bank borrowings of RMB52.2 million (31 December 2020: RMB74.8 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 12.5% as at 31 December 2021 (31 December 2020: 17.8%).

As at 31 December 2021, the current ratio (calculated as current assets divided by current liabilities) was 1.3 (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 in the Mainland China with revenue 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 2021, 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 2021, the Group had around 3,800 employees in Hong Kong and the PRC (31 December 2020: 3,800). 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 RMB7.5 million as at 31 December 2021 and 31 December 2020, respectively.

Charges on Group Assets

As at 31 December 2021, the Group had pledged deposits of RMB80.7 million (31 December 2020: RMB85.4 million) for banking facilities amounting to RMB72.7 million (31 December 2020: RMB74.8 million).

Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

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

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) (version up to 31 December 2021) to the Rules Governing the Listing of securities on the Stock Exchange (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 2021 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 2021.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting will be held on 10 June 2022 (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 HK2.50 cents per ordinary share (2020: HK3.00 cents), payable to Shareholders whose names appear on the register of members of the Company on 17 June 2022. 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 10 June 2022, the final dividend is expected to be paid on 29 July 2022.

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 6 June 2022 to 10 June 2022 (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 2 June 2022.

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 2021 (if approved), the register of members of the Company will be closed on 17 June 2022, during which no transfer of share(s) will be effected. To be entitled to the final dividend for the year ended 31 December 2021 (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 16 June 2022.

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, 24 March 2022

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*