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 2022

The board of directors (the "**Board**") of Tang Palace (China) Holdings Limited (the "**Company**") hereby announces 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 2022 (the "**Period**"), together with comparative figures for the six months ended 30 June 2021 as follows:

HIGHLIGHTS

	For the six months ended 30 June		Change in
	2022	2021	%
Revenue *(RMB'000)*	**444,417**	714,453	(37.8%)
Gross profit *(RMB'000)* [(1)]	**265,996**	441,069	(39.7%)
Gross profit margin	**59.9%**	61.7%	(1.8%)
(Loss)/Profit for the Period attributable to owners of the Company *(RMB'000)*	**(85,305)**	32,375	
Basic (loss)/earnings per share *(RMB cents)*	**(7.94)**	3.01	
Interim special dividend per share *(HK cents)*	—	2.50	
Number of restaurants (self-owned)	**47**	52	
Number of restaurants (joint ventures)	**14**	12	

(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 2022

	Notes	Six months ended 30 June 2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4	**444,417**	714,453
Other income	4	**17,244**	17,512
Cost of inventories consumed		**(178,421)**	(273,384)
Staff costs		**(207,904)**	(226,243)
Depreciation of items of property, plant and equipment		**(23,207)**	(22,353)
Depreciation of right-of-use assets		**(34,570)**	(42,075)
Utilities and consumables		**(28,041)**	(39,740)
Rental and related expenses		**(10,649)**	(13,027)
Other expenses	5	**(54,815)**	(56,229)
Finance costs		**(7,714)**	(9,961)
Change in fair value of a financial asset at fair value through profit or loss		**602**	—
Share of profits and losses of joint ventures		**(1,329)**	365
(LOSS)/PROFIT BEFORE TAX	5	**(84,387)**	49,318
Income tax expense	6	**(2,097)**	(16,802)
(LOSS)/PROFIT FOR THE PERIOD		**(86,484)**	32,516
Attributable to:			
Owners of the Company		**(85,305)**	32,375
Non-controlling interests		**(1,179)**	141
		(86,484)	32,516
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted (RMB cents)		**(7.94)**	3.01

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(86,484)**	32,516
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	**1,311**	(71)
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	**—**	(1,547)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**1,311**	(1,618)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(85,173)**	30,898
Attributable to:		
Owners of the Company	**(83,994)**	30,757
Non-controlling interests	**(1,179)**	141
	(85,173)	30,898

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**97,370**	120,510
Right-of-use assets		**151,507**	186,197
Intangible assets		**493**	771
Investments in joint ventures		**11,221**	11,257
Financial asset at fair value through other comprehensive income		**23,301**	23,301
Financial asset at fair value through profit or loss		**29,760**	28,521
Prepayments and deposits	*9*	**35,860**	36,794
Deferred tax assets		**17,684**	18,386
Total non-current assets		**367,196**	425,737
CURRENT ASSETS			
Inventories		**41,161**	52,067
Trade and other receivables and prepayments	*9*	**58,907**	51,514
Due from joint ventures		**843**	955
Tax recoverable		**743**	—
Pledged time deposits		**81,558**	80,728
Time deposits		**—**	20,000
Cash and cash equivalents		**371,537**	403,004
Total current assets		**554,749**	608,268
CURRENT LIABILITIES			
Trade and other payables	*10*	**335,588**	327,666
Due to related companies		**727**	292
Interest-bearing bank borrowings		**54,782**	52,234
Lease liabilities		**70,970**	73,822
Tax payable		**13**	4,184
Total current liabilities		**462,080**	458,198

	As at 30 June 2022 *RMB'000* (unaudited)	As at 31 December 2021 *RMB'000* (audited)
NET CURRENT ASSETS	**92,669**	150,070
TOTAL ASSETS LESS CURRENT LIABILITIES	**459,865**	575,807
NON-CURRENT LIABILITIES		
Lease liabilities	**120,792**	150,150
Deferred tax liabilities	**7,322**	8,734
Total non-current liabilities	**128,114**	158,884
NET ASSETS	**331,751**	416,923
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**45,821**	45,821
Reserves	**284,931**	368,924
	330,752	414,745
Non-controlling interests	**999**	2,178
Total equity	**331,751**	416,923

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022

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 2021.

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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (the "**HKFRSs**") for the first time for the current Period's financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment — Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual improvements to HKFRSs 2018–2020	*Amendments to HKFRS 1, HKFRS 9, illustrative Examples accompanying HKFRS 16, and HKAS 41*

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 loss/profit, which is a measure of adjusted operating loss/profit before tax. The adjusted loss/profit before tax is measured consistently with the Group's loss/profit before tax except that certain interest income, share of profits and 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

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									
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	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	**111,678**	204,535	**163,779**	294,516	**101,971**	146,365	**66,989**	69,037	**444,417**	714,453
Inter-segment sales	**—**	—	**22,532**	33,445	**—**	—	**—**	—	**22,532**	33,445
	111,678	204,535	**186,311**	327,961	**101,971**	146,365	**66,989**	69,037	**466,949**	747,898
Reconciliation:										
Elimination of inter-segment sales									**(22,532)**	(33,445)
Revenue									**444,417**	714,453
Segment results	**(12,734)**	22,853	**(27,334)**	30,421	**(24,574)**	(960)	**6,647**	15,172	**(57,995)**	67,486
Reconciliation:										
Interest income									**5**	46
Share of profits and losses of joint ventures									**(1,329)**	365
Change in fair value of a financial asset at fair value through profit or loss									**602**	—
Unallocated expenses									**(25,056)**	(17,705)
Finance costs (other than interest on lease liabilities)									**(614)**	(874)
(Loss)/profit before tax									**(84,387)**	49,318

3. **OPERATING SEGMENT INFORMATION *(Continued)***

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	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers		
External customers	**444,417**	714,453
Inter-segment sales	**22,532**	33,445
	466,949	747,898
Inter-segment adjustments and eliminations	**(22,532)**	(33,445)
Total revenue from contracts with customers	**444,417**	714,453

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	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Restaurant operations	**111,028**	154,602

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, credit card settlement and in connection with settlement through payment platforms. The credit period is generally less than one month.

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**2,302**	2,180
Commission income#	**7,327**	11,670
Government grants*	**6,934**	2,994
Others	**681**	668
	17,244	17,512

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

* During the current interim period, under the Covid-19-related subsidies provided by the Hong Kong government, the Group recognised government grants of RMB2,591,000 (six months ended 30 June 2021: RMB1,260,000), of which RMB1,867,000 (six months ended 30 June 2021: RMB1,260,000) and RMB724,000 (six months ended 30 June 2021: Nil) are related to Subsidy Schemes under Anti-epidemic Fund and Employment Support Scheme, respectively. The remaining amounts of government grants represent the incentive subsidies received from the Mainland China for the business activities carried out by the Group. There are no specific conditions attached to the grants.

5. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Directors' emoluments*	**8,244**	3,985
Other staff costs	**177,160**	201,172
Pension scheme contributions	**22,500**	21,086
Total staff costs	**207,904**	226,243
Depreciation of items of property, plant and equipment	**23,207**	22,353
Depreciation of right-of-use assets	**34,570**	42,075
Amortisation of intangible assets#	**278**	305
Impairment of property, plant and equipment#	**8,500**	—
Advertisement and promotion expenses#	**9,069**	9,946
Restaurants operating expenses and charges#	**19,579**	24,072
Sanitation and maintenance expenses#	**8,784**	12,387
Travelling, carriage and freight#	**4,357**	4,334

* Including share award plan expenses in total of RMB3,017,000 (six months ended 30 June 2021: Nil).

\# 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 2021: 25%).

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current — PRC		
Charge for the period	**1,583**	13,959
(Overprovision)/underprovision in prior periods	**(269)**	936
Current — Hong Kong		
Change for the period	**10**	11
PRC withholding tax on dividend income	**1,460**	621
Deferred	**(687)**	1,275
	2,097	16,802

7. DIVIDEND

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interim special dividend — Nil (six months ended 30 June 2021: HK2.50 cents per ordinary share (the "**Shares**"))	**—**	22,328

After considering the Group's operating and development capital needs, the Board has resolved not to declare any interim dividend for the six months ended 30 June 2022.

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

The calculation of the basic (loss)/earnings per share amount for the Period is based on the loss for the Period of RMB85,305,000 (six months ended 30 June 2021: profit of RMB32,375,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,074,626,561 Shares (six months ended 30 June 2021: 1,076,027,500 Shares) in issue.

The Group had no potentially dilutive Shares in issue during the Period and six months ended 30 June 2021. Accordingly, there was no diluted earnings per share amounts for the Period and six months ended 30 June 2021.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group's trading terms with its customers are mainly credit card settlement and in connection with bills settled through payment platforms with credit period generally 30 days.

	As at 30 June 2022	As at 31 December 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**11,935**	12,137
Prepayments	**33,450**	32,903
Deposits and other receivables	**49,382**	43,268
	94,767	88,308
Less: Prepayments and deposits classified as non-current assets	**(35,860)**	(36,794)
	58,907	51,514

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 2022 ***RMB'000*** **(unaudited)**	As at 31 December 2021 *RMB'000* (audited)
Trade receivables:		
Within 30 days	**10,703**	10,859
31 to 60 days	**645**	78
61 to 90 days	**103**	905
Over 90 days	**484**	295
	11,935	12,137

10. TRADE AND OTHER PAYABLES

	As at 30 June 2022 ***RMB'000*** **(unaudited)**	As at 31 December 2021 *RMB'000* (audited)
Trade payables	**65,910**	64,752
Other payables and accruals	**34,909**	24,652
Salary and welfare payables	**22,959**	24,836
Contract liabilities	**211,810**	213,426
	335,588	327,666

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 2022 ***RMB'000*** **(unaudited)**	As at 31 December 2021 *RMB'000* (audited)
Trade payables:		
Within 30 days	**36,123**	52,278
31 to 60 days	**15,783**	3,515
61 to 90 days	**4,339**	2,475
91 to 180 days	**5,973**	3,508
Over 180 days	**3,692**	2,976
	65,910	64,752

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2022, the world was affected by a new wave of severe acute respiratory syndrome coronavirus type 2-Omicron variant (the "**Pandemic**"), which continued to spread to different regions, reaching its peak in the second quarter. The local government in Mainland China launched a series of preventive and control management measures to stop the spread of the Pandemic. In particular, Shanghai encountered a rapid increase in COVID-19 cases, which caused the local government to tighten crowd control, leading to a near economic shutdown. Given that Shanghai is the largest city in the PRC in terms of economic value, the preventive control and measures enforced had a huge impact on the economy in Mainland China. Meanwhile, other cities of significant economic importance were also affected by the Pandemic, which had a huge influence on the country's overall economy. In addition, the Ukraine crisis also resulted in a change of international environment, which led to rising oil price and inflation and created an uncertain economic environment. According to the National Bureau of Statistics of China, in the first half of 2022, the GDP in the PRC amounted to RMB56.2 trillion, representing a year-on-year increase of 2.5%. It is worth noting that GDP growth in the second quarter was only 0.4% year-over-year, which was much lower than the 4.8% growth rate in the first quarter, indicating that the impact of the Pandemic in the second quarter was far more significant than that of the first quarter. The catering industry was heavily hit by crowd control measures. In the first half of 2022, the catering industry recorded a nation-wide revenue of RMB2,004 billion, down by 7.7% year-on-year, with national catering revenue falling from positive year-on-year growth in the first quarter to a double-digit percentage decline in the second quarter, indicating the severity of the challenges the catering industry was facing.

BUSINESS REVIEW

The branches of the Group are mainly located in five major areas, namely Northern China, Eastern China, Guangdong, Chengdu and Hong Kong. The region most severely affected by the Pandemic was Shanghai in Eastern China, which is also one of the main business segments of the Group. Since late March, some restaurants in the region had to suspend operation in response to the Pandemic preventive measures. In April, as the Pandemic showed no signs of subsiding, the local government imposed a whole city lockdown to effectively contain the Pandemic, which resulted in the suspension of business of all restaurants in Shanghai. In June, while the restaurants were able to resume operation, only takeaways were allowed, but dine-in was still banned. As such, the business in Shanghai region was unable to operate in a normal manner for four months, and the Group's revenue was hugely affected in the first half of 2022. Despite the difficult challenges, the Group took a proactive approach in the Eastern China region. With each restaurant organising their ingredients in-store and through staff deployment, a list of measures rolled out, including promoting WeChat group marketing, community group buying and live pre-sales promotions aimed to strive for business under the limited conditions. Another core business area, Northern China, was also facing challenges. As Beijing hosted the 2022 Winter

Olympics, some branches had to close for two months in accordance with government arrangements. In addition, given that Beijing was once again hit by the Pandemic in May, the government tightened its anti-pandemic measures to prevent the Pandemic from spreading among crowds during the May Labour Day Holiday. All branches in Beijing had to suspend their dine-in services and could only provide takeaways. During the period of dine-in suspension, the branches in Beijing focused on online and community group purchase and marketing. Targeting the holidays in May, including the May Labour Day Holiday, Mother's Day, and 520 Valentine's Day, special holiday products such as seafood packages, vegetable gift baskets, and seasonal fruit gift boxes were launched. Guangdong also faced challenges, where individual branches were required to be occasionally closed or dine-in services to be temporarily suspended in response to the preventive and control measures of the Pandemic, which affected the customer flow and operation of the restaurants. As the Pandemic was relatively more contained in Chengdu, the overall business was relatively stable in the first half of 2022, with a slight growth compared to the first half of 2021, although individual branches were affected by sporadic cases and had to suspend business in line with the government's Pandemic prevention measures. In comparison, Hong Kong experienced a greater impact under the new wave of Pandemic in the first quarter, at once reaching tens of thousands of cases per day. All dine-in services were suspended starting from January. Not until late April, normal operation resumed. Still, the business took a big hit due to the prolonged effect of the Pandemic and the occurrence of the restriction on number of dine-in customers allowed. Under the impact of the repeated Pandemic in Mainland China and Hong Kong, for the six months ended 30 June 2022 (the "**Period**"), the revenue of the Group's overall business amounted to RMB444.4 million (30 June 2021: RMB714.5 million), representing a year-on-year decrease of 37.8%.

While the Pandemic poses a huge challenge to the Group during the Period, the Group was still proactively seeking a breakthrough. Given the new norm under the Pandemic, online sales have become an important core channel for us. According to the data published by the National Bureau of Statistics of China, online retail sales of physical goods in the country increased by 5.6% year-on-year, of which the food category grew by more than 15%. The Group reckons that in such extraordinary times, online interaction with clients is more important than ever, especially in times when dine-in services are not allowed in restaurants. As such, online exposure, online marketing, after-sales follow-up service and continuous interaction with clients are extremely important. Therefore, during the Period, the Group set up a special department to maintain the relationship with customers. Membership activities and online marketing were designated as special key projects. During the Period, the Group focused on the upgrade of membership benefits. Through the renewal of membership recharge and points redemption, the Group has successfully attracted new members and encouraged existing members to top up, while frequently launching various member-exclusive benefits to consolidate member loyalty. Since the launch of electronic membership in the second half of 2021, the accumulated number of the Group's members exceeded 780,000. With innovative promotions brought forth continuously, the number of members keeps rising. On the other hand, the Group has successfully developed its own mini-program live streaming business model last year, making sales more vivid and direct to enhance customers' purchase desire and convenience. During the Period, the Group also organized the multi-region live-streaming event, where the Group secured a respectable transaction amount within a few hours, proving the development potential of online marketing and pathing the way for the Group to explore different business models. Aside from actively developing the public domain segment, the Group focused on providing members with more valuable experiences during the Period, realizing more comprehensive interactions with members, and created member exclusive takeaway mini program and interactive retail communities. Takeaway mini program was able to provide brand new marketing activities and exclusive products, which contributed to more than two times the amount of consumption per order of public domain platforms. At the same time, the Group adhered to the changes in consumption habits and promoted the sales of retail products through membership exclusive communities. As compared with traditional channels, social marketing is more targeted, with more instant and convenient interaction, and a wider range of products being provided with good value, which has become popular among customers. The current community size of the Group has reached 12,000 people and has continued to grow.

2022 marks the 30th anniversary of the Group. The Group has always paid the utmost core attention to the "human" aspect and the well-being of the employees, especially in a time of raging Pandemic when people's lives are greatly disrupted. The Humanity Wellness Department was set up during the Period with an aim to create a happy working environment for employees through the mechanism of which centered on four principles, namely "Care, Connection, Praise, Growth". During the most severe period of the Pandemic, the Group was determined to accompany its colleagues to tide over the difficulties together, and the Humanity Wellness Department took the lead in implementing various caring programmes for its employees, such as providing donations and showing sympathy to colleagues and their families, who were affected by the Pandemic, delivering gratitude and blessings through video recordings and family letters, as well as encouraging colleagues to participate in charity services such as Tanggong charity meals, so as to bring positive influences to the society. The Group believes that making employees happy is the most important part of staff development, talent retention, as well as business development. The Group reconstructed its value of "Safety, Kindness, Consideration and Contribution" and its work mission of "bringing humanistic care to customers" this year. The Group believes that the reconstructed value and work mission will better stabilize and maintain the long-term relation with customers.

PROSPECTS

Given the recurrence of the Pandemic in 2022 and the uncertainty of the international economic and geopolitical situation, the Group expects the second half of 2022 to be even more challenging. If the Pandemic worsens in the second half of 2022, any implementation of more stringent measures to curb the Pandemic such as restricting social gatherings, shortening restaurant business hours and banning dine-in operations may cause serious impact to the catering industry. As a catering company that is closely related to people's livelihood, the Group will continue to adhere to high standards of Pandemic prevention and control measures in order to provide safety assured dining environment and cuisine for the customers. The Group will also remain highly vigilant and adjust its product structure and operational strategies flexibly at any time in response to the market and economic environment. At the same time, the Group will adhere to customers' demands and market changes, timely adjusting the brand strategy and deployment of restaurants, accelerating the business expansion in the South West region, enhancing research of second-tier cities with potential, strengthening strategic cooperation with high-quality catering brands. Meanwhile, the Group will continue to expand online business, optimize product portfolio, channels and promotion models and increase the business of food trading, in order to facilitate the steady development of the Group. On the other hand, the Group will also continue to enhance customer satisfaction by adhering to the values of safety, care, compassion and commitment. In the wake of our 30th anniversary, the Group would like to start again by embracing the mission of "making our employees happy". The Group hopes to make its employees happy and further spread the happiness to the customers whom the Group wishes to show the humanistic care of Tang Palace's 30 years of inheritance.

FINANCIAL REVIEW

As at 30 June 2022, the Group was operating 47 self-owned restaurants and invested in 14 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	
	2022	2021	**2022**	2021
Tang's Cuisine	**1**	1	**4.1%**	2.4%
Tang Palace*	**30**	30	**81.0%**	80.6%
Social Place	**6**	8	**10.0%**	9.7%
Canton Tea Room	**2**	3	**1.7%**	3.6%
Pepper Lunch	**6**	10	**2.3%**	3.0%
Soup Delice	**1**	—	**0.2%**	—
PappaRich	**1**	—	**0.1%**	—

* *including Tang Palace Seafood Restaurant and Tang Palace*

As mentioned above, the Group's overall revenue for the Period decreased by 37.8% to RMB444.4 million, while the overall gross profit margin decreased to 59.9% (2021: 61.7%).

During the Period, the Group's share award scheme expense calculated at market price amounted to approximately RMB3.0 million (2021: nil). By excluding this expense item, the Group's staff costs amounted to approximately RMB204.9 million, representing a decrease of approximately RMB21.3 million or approximately 9.4% from RMB226.2 million for the six months ended 30 June 2021. Such decrease was mainly attributable to the adoption of control measures on staff costs by the Group during the Period in response to the impact of the Pandemic.

Utility expenses and consumables expenses of the Group for the Period amounted to approximately RMB28.0 million (2021: RMB39.7 million), while other expenses amounted to approximately RMB54.8 million (2021: RMB56.2 million), representing a decrease of approximately RMB11.7 million or approximately 29.5% and approximately RMB1.4 million or approximately 2.5%, respectively. Such decrease was mainly attributable to the effectiveness of control measures on operating costs adopted by the Group during the Period.

Rental and related expenses were mostly categorized as depreciation of right-of-use assets and finance costs according to HKFRS 16. During the Period, depreciation of right-of-use assets of approximately RMB34.6 million (2021: approximately RMB42.1 million), finance costs of approximately RMB7.7 million (2021: approximately RMB10.0 million) and rental and related expenses of approximately RMB10.6 million (2021: approximately RMB13.0 million) were recorded. Rental and related expenses recorded a decrease of approximately RMB2.4 million. Such decrease was mainly attributable to the successful application of the Group to the landlords to waive certain lease payments, management fees and promotion fees during the Pandemic.

Due to the effect of decline in revenue as a result of the Pandemic, the loss attributable to owners of the Company for the Period amounted to approximately RMB85.3 million (2021: the profit attributable to owners of the Company amounted to approximately RMB32.4 million).

Cash flow

Cash and cash equivalents decreased by RMB31.5 million from RMB403.0 million as at 31 December 2021 to RMB371.5 million as at 30 June 2022.

Net cash of RMB19.3 million was used in operating activities during the Period. Net cash from investing activities amounted to RMB14.4 million during the Period, including a cash outflow on purchase of property, plant and equipment amounting to RMB6.3 million and a cash inflow of RMB20.0 million from decrease in time deposits. Net cash used in financing activities amounted to RMB29.0 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 RMB453.1 million as at 30 June 2022 (31 December 2021: RMB503.7 million). As at 30 June 2022, the Group's total assets, net current assets and net assets were RMB921.9 million (31 December 2021: RMB1,034.0 million), RMB92.7 million (31 December 2021: RMB150.1 million) and RMB331.8 million (31 December 2021: RMB416.9 million), respectively.

As at 30 June 2022, the Group had bank borrowings of RMB54.8 million (31 December 2021: RMB52.2 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 16.5% as at 30 June 2022 (31 December 2021: 12.5%).

As at 30 June 2022, the current ratio (calculated as current assets divided by current liabilities) was 1.2 (31 December 2021: 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 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 of the Group may have a financial impact to the Group.

As at 30 June 2022, 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 2022, the Group had over 3,400 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 RMB19.7 million as at 30 June 2022 (31 December 2021: RMB7.5 million).

CHARGES ON GROUP'S ASSETS

As at 30 June 2022, the Group had pledged time deposit of RMB81.6 million (31 December 2021: RMB80.7 million) for a banking facility amounting to RMB76.3 million (31 December 2021: RMB72.7 million).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities.

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, the trustee of the share award scheme adopted on 1 April 2021 by the Company, pursuant to the terms of the trust deed of the aforesaid scheme, purchased on the Stock Exchange a total of 4,998,000 Shares with a total consideration of approximately RMB3.0 million equivalent, together with the 2,000 Shares originally held by the trustee of the share award scheme, a total of 5,000,000 Shares were fully granted and vested during the Period to the grantees under the share award scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

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 DIVIDEND

The Board resolved not to declare any interim dividend for six months ended 30 June 2022 (six months ended 30 June 2021: interim special dividend of HK2.50 cents per share).

A final dividend of HK2.50 cents per share for the year ended 31 December 2021, equivalent to approximately RMB22,059,000 were approved by the shareholders at the annual general meeting held on 10 June 2022. These dividends have been distributed out of the Company's retained earnings and paid to the owners of the Company in July 2022.

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, 26 August 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*