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 2023

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 2023 (the "**Period**"), together with comparative figures for the six months ended 30 June 2022 as follows:

HIGHLIGHTS

	For the six months ended 30 June		Change in
	2023	2022	%
Revenue *(RMB'000)*	**588,305**	444,417	32.4%
Gross profit *(RMB'000)* [1]	**390,443**	265,996	46.8%
Gross profit margin	**66.4%**	59.9%	6.5%
Profit/(Loss) for the Period attributable to owners of the Company *(RMB'000)*	**41,564**	(85,305)	
Basic earnings/(loss) per share *(RMB cents)*	**3.86**	(7.94)	
Interim special dividend per share *(HK cents)*	**2.50**	—	
Number of restaurants (self-owned)	**37**	47	
Number of restaurants (joint ventures)	**17**	14	

(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 2023

	Notes	Six months ended 30 June 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	4	**588,305**	444,417
Other income	4	**16,946**	17,244
Cost of inventories consumed		**(197,862)**	(178,421)
Staff costs		**(216,004)**	(207,904)
Depreciation of items of property, plant and equipment		**(18,019)**	(23,207)
Depreciation of right-of-use assets		**(25,530)**	(34,570)
Utilities and consumables		**(27,232)**	(28,041)
Rental and related expenses		**(15,195)**	(10,649)
Other expenses	5	**(51,823)**	(54,815)
Finance costs		**(5,646)**	(7,714)
Change in fair value of a financial asset at fair value through profit or loss		**—**	602
Share of losses of joint ventures		**(2,069)**	(1,329)
PROFIT/(LOSS) BEFORE TAX	5	**45,871**	(84,387)
Income tax expense	6	**(3,994)**	(2,097)
PROFIT/(LOSS) FOR THE PERIOD		**41,877**	(86,484)
Attributable to:			
Owners of the Company		**41,564**	(85,305)
Non-controlling interests		**313**	(1,179)
		41,877	(86,484)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted (RMB cents)		**3.86**	(7.94)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**41,877**	(86,484)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,216**	1,311
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**1,216**	1,311
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**43,093**	(85,173)
Attributable to:		
Owners of the Company	**42,780**	(83,994)
Non-controlling interests	**313**	(1,179)
	43,093	(85,173)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**67,330**	82,869
Right-of-use assets		**124,073**	134,586
Intangible assets		**211**	211
Investments in joint ventures		**20,280**	22,044
Financial asset at fair value through other comprehensive income		**22,678**	22,678
Financial asset at fair value through profit or loss		**25,596**	26,664
Prepayments and deposits	*9*	**39,757**	29,933
Deferred tax assets		**18,161**	17,627
Total non-current assets		**318,086**	336,612
CURRENT ASSETS			
Inventories		**29,315**	39,333
Trade and other receivables and prepayments	*9*	**38,459**	48,976
Due from joint ventures		**1,301**	969
Tax recoverable		**971**	1,546
Pledged time deposits		**—**	70,682
Cash and cash equivalents		**377,383**	254,987
Total current assets		**447,429**	416,493
CURRENT LIABILITIES			
Trade and other payables	*10*	**319,693**	312,752
Due to related companies		**1,709**	1,125
Interest-bearing bank borrowings		**—**	25,830
Lease liabilities		**72,814**	58,795
Tax payable		**1,273**	836
Total current liabilities		**395,489**	399,338

	As at 30 June 2023 *RMB'000* (unaudited)	As at 31 December 2022 *RMB'000* (audited)
NET CURRENT ASSETS	**51,940**	17,155
TOTAL ASSETS LESS CURRENT LIABILITIES	**370,026**	353,767
NON-CURRENT LIABILITIES		
Lease liabilities	**77,483**	104,509
Deferred tax liabilities	**3,713**	3,521
Total non-current liabilities	**81,196**	108,030
NET ASSETS	**288,830**	245,737
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**45,821**	45,821
Reserves	**241,901**	199,121
	287,722	244,942
Non-controlling interests	**1,108**	795
Total equity	**288,830**	245,737

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023

1. CORPORATE INFORMATION

Tang Palace (China) Holdings Limited (the "**Company**") was incorporated in the Cayman Islands under the Companies Act 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 2022.

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 2022, 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.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

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 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									
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	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	**143,536**	111,678	**210,072**	163,779	**159,769**	101,971	**74,928**	66,989	**588,305**	444,417
Inter-segment sales	**—**	—	**32,016**	22,532	**—**	—	**—**	—	**32,016**	22,532
	143,536	111,678	**242,088**	186,311	**159,769**	101,971	**74,928**	66,989	**620,321**	466,949
Reconciliation:										
Elimination of inter-segment sales									**(32,016)**	(22,532)
Revenue									**588,305**	444,417
Segment results	**25,264**	(12,734)	**23,609**	(27,334)	**16,262**	(24,574)	**7,593**	6,647	**72,728**	(57,995)
Reconciliation:										
Interest income									**108**	5
Share of losses of joint ventures									**(2,069)**	(1,329)
Change in fair value of a financial asset at fair value through profit or loss									**—**	602
Unallocated expenses									**(24,735)**	(25,056)
Finance costs (other than interest on lease liabilities)									**(161)**	(614)
Profit/(loss) before tax									**45,871**	(84,387)

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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers		
External customers	**588,305**	444,417
Inter-segment sales	**32,016**	22,532
	620,321	466,949
Inter-segment adjustments and eliminations	**(32,016)**	(22,532)
Total revenue from contracts with customers	**588,305**	444,417

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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Restaurant operations	**149,300**	111,028

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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**1,405**	2,302
Commission income#	**9,570**	7,327
Government grants*	**4,868**	6,934
Others	**1,103**	681
	16,946	17,244

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

* During the prior 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 2023: Nil), of which RMB1,867,000 (six months ended 30 June 2023: Nil) and RMB724,000 (six months ended 30 June 2023: 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. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Directors' emoluments*	**4,156**	8,244
Other staff costs	**188,991**	177,160
Pension scheme contributions	**22,857**	22,500
Total staff costs	**216,004**	207,904
Depreciation of items of property, plant and equipment	**18,019**	23,207
Depreciation of right-of-use assets	**25,530**	34,570
Amortisation of intangible assets#	**—**	278
Impairment of property, plant and equipment#	**—**	8,500
Advertisement and promotion expenses#	**7,787**	9,069
Restaurants operating expenses and charges#	**21,106**	19,579
Sanitation and maintenance expenses#	**10,556**	8,784
Travelling, carriage and freight#	**4,124**	4,357

* No share award scheme expenses is incurred for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB3,017,000).

\# 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 2022: 25%).

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current — PRC		
Charge for the period	**3,128**	1,583
Overprovision in prior periods	**(9)**	(269)
Current — Hong Kong		
Charge for the period	**11**	10
PRC withholding tax on dividend income	**1,206**	1,460
Deferred	**(342)**	(687)
	3,994	2,097

7. DIVIDEND

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interim special dividend — HK2.50 cents (six months ended 30 June 2022: Nil) per ordinary share (the "**Shares**")	**24,480**	—

On 24 August 2023, 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 RMB41,564,000 (six months ended 30 June 2022: loss of RMB85,305,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,076,027,500 Shares (six months ended 30 June 2022: 1,074,626,561 Shares) in issue.

The Group had no potentially dilutive Shares in issue during the Period and six months ended 30 June 2022. Accordingly, there was no diluted earnings per share amounts for the Period and six months ended 30 June 2022.

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 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**8,767**	10,468
Prepayments	**29,786**	34,526
Deposits and other receivables	**39,663**	33,915
	78,216	78,909
Less: Prepayments and deposits classified as non-current assets	**(39,757)**	(29,933)
	38,459	48,976

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

The 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:

	As at 30 June 2023 ***RMB'000*** **(unaudited)**	As at 31 December 2022 *RMB'000* (audited)
Trade receivables:		
Within 30 days	**7,873**	9,371
31 to 60 days	**525**	484
61 to 90 days	**37**	171
Over 90 days	**332**	442
	8,767	10,468

10. TRADE AND OTHER PAYABLES

	As at 30 June 2023 ***RMB'000*** **(unaudited)**	As at 31 December 2022 *RMB'000* (audited)
Trade payables	**49,880**	43,114
Other payables and accruals	**19,560**	30,716
Salary and welfare payables	**24,885**	20,555
Contract liabilities	**225,368**	218,367
	319,693	312,752

An ageing 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 2023 ***RMB'000*** **(unaudited)**	As at 31 December 2022 *RMB'000* (audited)
Trade payables:		
Within 30 days	**35,202**	31,127
31 to 60 days	**4,130**	5,234
61 to 90 days	**1,870**	2,526
91 to 180 days	**3,790**	2,912
Over 180 days	**4,888**	1,315
	49,880	43,114

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

With the Mainland China starting to lift most of its epidemic prevention measures by the end of 2022 and gradually resuming international transportation, Hong Kong also lifted mandatory testing and quarantine measures. In early 2023, Mainland China and Hong Kong resumed cross-border travel, and the business environment in both places gradually returned to normal. Therefore, in the first half of 2023, China's GDP grew by 5.5% year-on-year, reflecting an accelerated rate as compared to the 3% growth in the first half of 2022. The catering industry, closely related to consumption, also experienced a recovery as a result. Nationwide, the revenue of the catering industry reached RMB2,432.9 billion, a year-on-year increase of 21.4%, showing a significant improvement compared to the year-on-year decline in the first half of 2022.

BUSINESS REVIEW

The Group's main businesses are in Mainland China and Hong Kong. In 2022, impacted by various factors such as the pandemic, supply chain tensions, and limited travelling, the Group's operations in different regions were not able to achieve full efficiency, resulting in overall business being significantly affected. With China lifting most of the epidemic prevention measures in Mainland in late 2022, transportation and economic activities gradually resumed in all regions, and driven by the festive vibe of the Lunar New Year at the beginning of the year, the Group's business in different regions of Mainland China recorded significant improvements, and an increase in customer traffic across various areas as a result. On the other hand, cross-border travels resumed between Hong Kong and Mainland at the beginning of the year. Coupled with the accelerated resumption of international flights, the food and beverage industry in Hong Kong also became active. Consequently, the Group's business in the Hong Kong region experienced noticeable improvements. For the six months ended 30 June 2023 (the "**Period**"), the Group's revenue reached RMB588.3 million, increased by 32.4% as compared to the revenue of RMB444.4 million for the six months ended 30 June 2022.

In the first half of the year 2023, apart from the favorable market conditions that contributed to an increase in customer traffic across various regions in the Mainland, the Group achieved revenue growth during the Period through various effective strategies as well, including the adjustment of focus in marketing planning. The past three years' unique living environment has brought significant changes in consumer behavior. The Group believes that the current society is increasingly inclined towards a qualitative improvement in consumption. People in general attach a greater importance to enhancing their quality of life. With dine-in consumption gradually returning to normal and people becoming more active in social activities, the Group deliberately emphasizes on enhancing the festive atmosphere, organizing small-scale banquets, and creating different commemorative banquets with memorable experiences for customers in dine-in businesses. The aim is to create high-quality consumption scenarios. The Group has established a dedicated team to create opportunities for personalized banquets or events actively. Activities are now planned more systematically, from creative planning, professional arrangements, to team rehearsals. The commemorative events launched during the Period, such as Goddess Festival and environmental protection events, have received positive responses. The value-added services beyond regular dining are both creative and unique, successfully attracting customers through offering a distinctive dining experience.

Creating desirable consumption scenarios indeed helps to increase customer traffic. The continuous improvement of food quality, on the other hand, is the key. In order to tap into the refined modern dining culture, the Group specifically developed new signature dishes to become hero products during the Period. Trained employees would recommend these dishes when they propose menu and provide on-site guidance, aiming at increasing the exposure of the hero products. The professional skills of the staff were also comprehensively enhanced, including optimizing the order of serving and conducting simulated scenario training, allowing customers to experience our expertise more fully. The improvement of the dining ambience and food quality deepens customers' impression of the Group's brand. Another effective strategy to encourage repetitive spending and establish a stable customer base is encouraging customers to take our branded products home. During the Period, the Group continued to increase the variety of retail products, expanding product diversity and achieving significant sales growth. In addition to creating consumption scenarios and hero products, the comprehensive brand upgrade initiated by the Group last year is also widely appreciated by customers during the Period. The fresh image of the food, services, and environment has successfully made a favorable impression in the minds of customers and garnered positive word-of-mouth, resulting in improved operational performance.

On the other hand, the Group strategically optimized its online marketing activities during the Period. Since 2022, the Group has been conducting online promotions through its own platform. With the growing popularity of livestream marketing, the Group also places great importance on this sales channel. Initially introduced as an experimental initiative in various regions, the Group also launched multi-region broadcasts in last year. During the Period, the Group integrated livestreaming business into dedicated management, officially designated it as a long-term planning project and pursued more professional management by formulating a yearly plan to carry out regular livestreaming promotional activities which aligned with the seasons, traditional holidays, and products offered at the stores. This helps maintain online exposure. In addition to directly generating revenue, livestreaming sales also serve as a means to drive traffic to offline dine-in services through online sales.

The Group employs various strategies to strengthen its dine-in business, among which, members' consumption plays a crucial role. The Group aims to maintain and nurture customer relationships by enhancing interactions with members, thus maintaining a steady customer base. Consequently, as the Group's electronic membership system matures, continuous optimization of member benefits becomes a key development direction. Since last year, the Group has focused on upgrading member privileges. This involves regularly updating exclusive member offers and points redemption to incentivize existing members to continue their consumption. Additionally, periodic top-up promotions are introduced to encourage members to top up their accounts. As of 30 June 2023, the total number of members reached nearly 950,000, representing a 10% increase compared to the end of 2022. Members' top-up amounts reached RMB150 million, showing a year-on-year growth of over 30%. These upgrade and optimization measures have led to increased customer traffic and higher average spending across the Group's restaurants in Mainland China. With the full resumption of dine-in services, the out-of-home consumption during the first half of this year has vastly improved as compared to the same period in last year, resulting a decline in the Group's takeaway business. However, recognizing that food delivery is a habitual consumption behavior in modern society, the Group considers it a long-term development project. Therefore, the Group continues to implement strategies such as dedicated personnel management, regular menu updates, and online promotions, which were implemented earlier. The launch of the Group's self-owned takeaway mini-program has increased management flexibility and customer targeting. As a result, the takeaway business during the Period has maintained a reasonable level of revenue and sales percentage.

CORPORATE CULTURE

The values of "Altruistic Operation, Relentless Efforts, and Conveying Happiness" have always served as the driving forces when setting development goals within the Group. The Group has transformed the concept of "Create Happiness" into tangible strategies and initiatives, integrating them into its business management. During the Period, the Group continues to promote positive mindfulness among employees through traditional cultural training programs, aiming to deepen their personal cultivation. Additionally, various internal activities are implemented to enhance employee happiness, such as optimization projects for dormitories and staff meals, gratitude-themed events focusing on filial piety, happy stories sharing and Happiness Credit Points Programme redemption activities. On the other hand, the Group adopts the goal of "delivering the humanistic touch to customers" as the main theme in its work mission. This concept is woven into daily service processes and is put into practice through marketing campaigns and member activities aimed at enhancing customer happiness.

PROSPECT

There are uncertainties surrounding the global economic recovery in the second half of 2023, as the international situation remains unclear. In light of this, the Group's main strategy for the second half of the year will focus on strengthening existing businesses. The Group plans to expand new stores with a prudent approach, explore optimization opportunities within current sales channels, and strive to improve operational efficiency. Furthermore, the Group is pleased with the performance of the two joint-venture restaurants established in the first half of the year, which met expectations. With an open mindset, the Group will continue to seek new business opportunities and pursue diversified development goals by exploring different business models.

FINANCIAL REVIEW

As at 30 June 2023, the Group was operating 37 self-owned restaurants and invested in 17 other restaurants under joint ventures. The table below illustrates the number of 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	
	2023	2022	**2023**	2022
Tang's Cuisine	**2**	1	**3.7%**	4.1%
Tang Palace*	**26**	30	**79.4%**	81.0%
Social Place	**6**	6	**12.7%**	10.0%
Canton Tea Room	**1**	2	**2.1%**	1.7%
Pepper Lunch	—	6	**0.2%**	2.3%
Soup Delice	**1**	1	**1.2%**	0.2%
PappaRich	**1**	1	**0.2%**	0.1%

* *including Tang Palace Seafood Restaurant and Tang Palace*

As mentioned above, the Group's overall revenue for the Period increased by 32.4% to approximately RMB588.3 million, while the overall gross profit margin increased to 66.4% (2022: 59.9%).

During the Period, the Group had no share award scheme expense (2022: RMB3.0 million). By excluding this expense item, the Group's percentage of revenue on staff costs was 36.7% (2022: 46.1%). In addition, percentage of revenue on depreciation of items of property, plant and equipment was 3.1% (2022: 5.2%) and utility and consumables expenses was 4.6% (2022: 6.3%). Rental and related expenses were categorised 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 4.3% (2022: 7.8%), percentage of revenue on finance costs was 1.0% (2022: 1.7%) and percentage of revenue on rental and related expenses was 2.6% (2022: 2.4%). Due to the increase in revenue as a result of the removal of most pandemic control measures (like banning dine-in and restricting the movement of people) by the Chinese government in December 2022, the percentage of revenue on expenses resumed back to normal compared to prior period.

During the Period, income tax expense was approximately RMB4.0 million, which included withholding tax on dividend income of approximately RMB1.2 million and deferred tax credit of approximately RMB0.3 million.

As a result of the foregoing, the profit attributable to owners of the Company for the Period amounted to approximately RMB41.6 million (2022: the loss attributable to owners of the Company amounted to approximately RMB85.3 million).

Cash flow

Cash and cash equivalents increased by approximately RMB122.4 million from approximately RMB255.0 million as at 31 December 2022 to approximately RMB377.4 million as at 30 June 2023.

Net cash of approximately RMB101.7 million was generated from operating activities during the Period. Net cash from investing activities amounted to approximately RMB70.1 million during the Period, including a cash outflow on purchase of property, plant and equipment amounting to approximately RMB3.3 million and a decrease of approximately RMB70.7 million in pledged time deposits. Net cash used in financing activities amounted to approximately RMB50.6 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 approximately RMB377.4 million as at 30 June 2023 (31 December 2022: approximately RMB325.7 million). As at 30 June 2023, the Group's total assets, net current assets and net assets were approximately RMB765.5 million (31 December 2022: RMB753.1 million), RMB51.9 million (31 December 2022: RMB17.2 million) and RMB288.8 million (31 December 2022: RMB245.7 million), respectively.

As at 30 June 2023, the Group had no bank borrowings (31 December 2022: approximately RMB25.8 million). The gearing ratio (calculated as bank borrowings divided by total equity) was nil as at 30 June 2023 (31 December 2022: 10.5%).

As at 30 June 2023, the current ratio (calculated as current assets divided by current liabilities) was 1.1 (31 December 2022: 1.0).

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 may have a financial impact to the Group.

During the Period, the Group did not use financial instruments for hedging purposes. The Group continues to manage and monitor these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

OTHER INFORMATION

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2023, the Group had over 3,000 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 RMB16.1 million as at 30 June 2023 (31 December 2022: RMB13.8 million).

CHARGES ON GROUP'S ASSETS

As at 30 June 2023, the Group did not have any charges on its assets (31 December 2022: the Group had pledged deposits of approximately RMB70.7 million for banking facilities amounting to approximately RMB25.8 million).

CONTINGENT LIABILITIES

As at 30 June 2023, 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

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. Chan Kin Shun, 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 (2022: Nil) per ordinary share for the Period to shareholders whose names appear on the register of members of the Company on 15 September 2023. The interim special dividend is expected to be paid on 17 November 2023.

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, 15 September 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 14 September 2023.

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, 24 August 2023

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. CHAN Kin Shun*