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唐宮(中國)控股有限公司

TANG PALACE (CHINA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1181)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024 (the “**Period**”), together with comparative figures for the six months ended 30 June 2023 as follows:

HIGHLIGHTS	For the six months ended		Change in
	30 June	2023	
Revenue (RMB'000)	527,309	588,305	-10.4%
Gross profit (RMB'000) ⁽¹⁾	349,196	390,443	-10.6%
Gross profit margin	66.2%	66.4%	-0.2%
Profit for the Period attributable to owners of the Company (RMB'000)	3,379	41,564	
Basic earnings per share (RMB cents)	0.31	3.86	
Interim dividend/Interim special dividend per share (HK cents)	—	2.50	
Number of restaurants (self-owned)	33	37	
Number of restaurants (joint ventures)	17	17	

(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 2024

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Revenue	4	527,309	588,305
Other income	4	11,799	16,946
Cost of inventories consumed		(178,113)	(197,862)
Staff costs		(216,109)	(216,004)
Depreciation of items of property, plant and equipment		(17,357)	(18,019)
Depreciation of right-of-use assets		(27,325)	(25,530)
Utilities and consumables		(25,948)	(27,232)
Rental and related expenses		(14,016)	(15,195)
Other expenses	5	(46,064)	(51,823)
Finance costs		(5,503)	(5,646)
Share of profits/(losses) of joint ventures		205	(2,069)
PROFIT BEFORE TAX	5	8,878	45,871
Income tax expense	6	(5,230)	(3,994)
PROFIT FOR THE PERIOD		<u>3,648</u>	<u>41,877</u>
Attributable to:			
Owners of the Company		3,379	41,564
Non-controlling interests		269	313
		<u>3,648</u>	<u>41,877</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted (RMB cents)		<u>0.31</u>	<u>3.86</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	<u>3,648</u>	<u>41,877</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>242</u>	<u>1,216</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>242</u>	<u>1,216</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>3,890</u>	<u>43,093</u>
Attributable to:		
Owners of the Company	3,621	42,780
Non-controlling interests	<u>269</u>	<u>313</u>
	<u>3,890</u>	<u>43,093</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024	As at 31 December 2023
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		86,086	79,754
Right-of-use assets		184,926	205,855
Intangible assets		—	—
Investments in joint ventures		20,949	17,906
Financial asset at fair value through other comprehensive income		24,274	24,274
Financial asset at fair value through profit or loss		24,409	26,209
Prepayments and deposits	<i>9</i>	28,290	41,400
Deferred tax assets		19,393	20,062
		<hr/>	<hr/>
Total non-current assets		388,327	415,460
CURRENT ASSETS			
Inventories		24,794	27,070
Trade and other receivables and prepayments	<i>9</i>	37,779	39,920
Due from joint ventures		1,649	1,649
Tax recoverable		62	264
Time deposits		10,000	—
Cash and cash equivalents		316,367	321,374
		<hr/>	<hr/>
Total current assets		390,651	390,277
CURRENT LIABILITIES			
Trade and other payables	<i>10</i>	323,729	331,458
Due to related companies		668	658
Lease liabilities		61,498	55,439
Tax payable		1,205	600
		<hr/>	<hr/>
Total current liabilities		387,100	388,155

	As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
NET CURRENT ASSETS	<u>3,551</u>	<u>2,122</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>391,878</u>	<u>417,582</u>
NON-CURRENT LIABILITIES		
Lease liabilities	142,046	171,640
Deferred tax liabilities	<u>4,991</u>	<u>4,991</u>
Total non-current liabilities	<u>147,037</u>	<u>176,631</u>
NET ASSETS	<u><u>244,841</u></u>	<u><u>240,951</u></u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	45,821	45,821
Reserves	<u>197,384</u>	<u>193,763</u>
	243,205	239,584
Non-controlling interests	<u>1,636</u>	<u>1,367</u>
Total equity	<u><u>244,841</u></u>	<u><u>240,951</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024

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 D2 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 2023.

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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

3. OPERATING SEGMENT INFORMATION

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted operating profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that certain interest income, share of 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									
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	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	133,431	143,536	189,242	210,072	140,598	159,769	64,038	74,928	527,309	588,305
Inter-segment sales	—	—	37,418	32,016	—	—	—	—	37,418	32,016
	133,431	143,536	226,660	242,088	140,598	159,769	64,038	74,928	564,727	620,321
Reconciliation:										
Elimination of inter-segment sales									(37,418)	(32,016)
Revenue									527,309	588,305
Segment results	14,178	25,264	3,739	23,609	18,400	16,262	4,362	7,593	40,679	72,728
Reconciliation:										
Interest income									121	108
Share of profits/(losses) of joint ventures									205	(2,069)
Unallocated expenses									(32,127)	(24,735)
Finance costs (other than interest on lease liabilities)									—	(161)
Profit before tax									8,878	45,871

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	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
External customers	527,309	588,305
Inter-segment sales	37,418	32,016
	564,727	620,321
Inter-segment adjustments and eliminations	(37,418)	(32,016)
Total revenue from contracts with customers	527,309	588,305

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	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Restaurant operations	149,419	149,300

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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	1,215	1,405
Commission income [#]	8,781	9,570
Government grants [*]	752	4,868
Others	1,051	1,103
	<u>11,799</u>	<u>16,946</u>

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

^{*} 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. There are no unfulfilled condition or contingencies relating to these grants.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Directors' remuneration	8,211	4,156
Other staff costs	184,160	188,991
Pension scheme contributions	23,738	22,857
	<u>216,109</u>	<u>216,004</u>
Total staff costs		
	<u>216,109</u>	<u>216,004</u>
Depreciation of items of property, plant and equipment	17,357	18,019
Depreciation of right-of-use assets	27,325	25,530
Impairment of property, plant and equipment [#]	423	—
Advertisement and promotion expenses [#]	9,304	7,787
Restaurants operating expenses and charges [#]	20,959	21,106
Sanitation and maintenance expenses [#]	9,924	10,556
Travelling, carriage and freight [#]	3,406	4,124

[#] 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 2023: 25%).

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current — PRC		
Charge for the period	2,867	3,128
Underprovision/(overprovision) in prior periods	189	(9)
Current — Hong Kong		
Charge for the period	—	11
PRC withholding tax on dividend income	1,505	1,206
Deferred	669	(342)
	<u>5,230</u>	<u>3,994</u>

7. DIVIDEND

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interim dividend — Nil		
(six months ended 30 June 2023: Interim special dividend of HK2.50 cents per ordinary share (the “Shares”))	—	24,480
	<u> </u>	<u> </u>

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 2024.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount for the Period is based on the profit for the Period of RMB3,379,000 (six months ended 30 June 2023: RMB41,564,000) attributable to ordinary equity holders of the Company and the weighted average number of 1,076,027,500 Shares (six months ended 30 June 2023: 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 2023. Accordingly, there was no diluted earnings per share amounts for the Period and six months ended 30 June 2023.

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	As at
	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Trade receivables	8,412	13,270
Prepayments	24,048	25,301
Deposits and other receivables	33,609	42,749
	<u> </u>	<u> </u>
	66,069	81,320
Less: Prepayments and deposits classified as non-current assets	(28,290)	(41,400)
	<u> </u>	<u> </u>
	<u>37,779</u>	<u>39,920</u>

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 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
Trade receivables:		
Within 30 days	7,988	11,794
31 to 60 days	93	342
61 to 90 days	36	116
Over 90 days	295	1,018
	<u>8,412</u>	<u>13,270</u>

10. TRADE AND OTHER PAYABLES

	As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
Trade payables	42,365	52,255
Other payables and accruals	24,137	17,250
Salary and welfare payables	24,369	25,702
Contract liabilities	232,858	236,251
	<u>323,729</u>	<u>331,458</u>

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

	As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
Trade payables:		
Within 30 days	34,280	41,581
31 to 60 days	2,426	2,988
61 to 90 days	895	1,356
91 to 180 days	1,109	2,482
Over 180 days	3,655	3,848
	<u>42,365</u>	<u>52,255</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2024, the global economy continued to be affected by war, inflation, and other factors. Amid escalating trade tensions and rising policy uncertainties, there are unstable elements in global economic development. At the same time, Mainland China also faced challenges in economic transformation and structural adjustment on the macro economic level. In view of frequent changes in the domestic and international environment, Mainland China's economic growth slightly slowed down in the first half of 2024. Although the national GDP increased by 5.3% in the first quarter, there was a noticeable slowdown in the second quarter. The catering industry was similarly affected by the economic slowdown trend, with national catering revenue increasing by 7.9% year-on-year in the first half of 2024, a significant decrease as compared to the growth rate of over 21% in the same period in 2023. Quarterly data also showed that the growth rate gradually declined month by month from double-digit increases at the beginning of the year.

BUSINESS REVIEW

In the first half of 2024, Mainland China's economic growth was volatile due to short-term factors such as multiple natural disasters and insufficient growth in domestic demand. Additionally, global economic instability affected market investment sentiment, leading to a generally weak consumer market. This was particularly evident after the Chinese New Year holiday, when the trend of weakened consumption was gradually revealed in the second quarter, and consumers were more prudent on daily spending. Consequently, the number of customers and per capita spending at the Group's restaurants in Mainland China both declined. Furthermore, several restaurants of the Group were closed in the first half of 2024 because of renovations, brand adjustments, and other factors, which had a certain impact on revenue. At the same time, the business in Hong Kong was also affected by customers' outbound travel spending. As a result, the Group's revenue for the Period was RMB527.3 million, representing a decrease of 10.4% as compared to the same period in 2023. In response to the challenges posed by the market environment and changes in consumer behavior, the Group implemented several marketing strategies during the Period, including strengthening online platform promotions, enhancing commemorative banquet services, and strengthening members' loyalty. During the Period, despite the ongoing pressure of high operating costs in the catering market, the Group further utilized the enterprise resource planning (ERP) system launched last year, resulting in better control over the cost structure by optimizing the supply chain and the efficiency of management. The gross profit margin remained stable at 66.2% for the Period (2023: 66.4%).

The Group's self-operated business focuses on Chinese cuisine. Due to cautious consumer spending patterns and the increasing segmentation of dining options in recent years, competition has become particularly fierce. Therefore, the Group's marketing plan during the Period focused on increasing channels for exposure and boosting consumer desire. In recent years, e-commerce in Mainland China has developed rapidly, with online sales becoming the mainstream. Consequently, the Group adjusted its marketing strategies during the Period, consolidated resources to increase online exposure. In addition to continuously collaborating with major platforms such as Meituan and Dianping and regularly updating promotional activities to maintain high exposure rankings, the Group launched "check-in" giveaway campaign and Xiaohongshu KOLs recruitment to boost its popularity in different platforms. The Group also took advantage of major festivals and designed special projects such as themed marketing campaigns and exclusive packages to attract customers. These projects were launched on major platforms and promoted simultaneously on live streaming platforms to attract a wide audience. Furthermore, recognizing the potential of live streaming marketing, the Group collaborated with a media agency in the second quarter to operate its own online platform using professional management models. By leveraging its extensive self-media network and the large fan base of KOLs, through short videos or live streaming, the Group aimed to draw promotional attention and to increase online sales and attract new customers. Launching large-scale promotional activities through live streaming platform and listed on other online platforms simultaneously, the Group generated over RMB21 million in revenue just within a few months. This also led to an increase in customer traffic, demonstrating significant effectiveness and successfully establishing a new marketing model for the Group.

In recent years, the Group has focused on "creating consumption scenarios" as another means to increase customer repurchase rates. Therefore, it places great importance on commemorative banquets and themed events. By enhancing customer interaction opportunity and creating memorable experience, the Group aims to boost customers' loyalty and drive repeat purchases. During the Period, the Group further strengthened efforts in creating a pleasant atmosphere and managing customer relations before and after events. This included regularly arranging florists to decorate stores, personalized decoration for commemorative banquet, introducing host services, providing photo props, and hiring professional photographers to take and share instant photos for customers, which aimed to align with professional banquet services. For anniversary events, the Group elevated the activities to a creative level based on holiday themes, incorporating cultural experiences, floral and tea art, and parent-child interaction elements etc. Membership management is another channel to retain customers and encourage repeat purchases. The Group's self-operated restaurants in Mainland China and Hong Kong have had membership programs for many years. As of 30 June 2024, the Group had over 1.4 million members in Mainland China and Hong Kong. Maintaining a stable and loyal customer base was the primary task of membership management during the Period. Therefore, the Group increased member-exclusive benefits and promotions, such as the "Lobster Festival", and frequently updated member reward benefits to maintain members' engagement and repurchase intentions. This also served as an effective promotional channel for offline events.

Joint Venture Businesses

In addition to its own strengths in Cantonese cuisine restaurant operation, the Group has expanded into different types of cuisines through joint ventures, with each brand's business as being stable. In the first quarter of 2024, the Group made a new attempt by collaborating with a well-known Beijing cuisine group from the Mainland China. The Group recognizes the development potential for cuisines incorporating cultural element and will closely explore the possibility of further development in the local market and overseas expansion.

PROSPECT

The Group expects that the catering market in Mainland China and Hong Kong will continue to face challenges posed by weak consumer demand and high operating costs in the second half of 2024. Therefore, it will continue to flexibly adjust its operating model with customer-oriented strategies, striving to improve operational efficiency and enhancing marketing strategies to increase revenue. In light of the success of live-stream marketing, the Group will enhance its management in the second half of the year, optimizing various aspects such as meal set combinations, sales techniques, and promotional approaches to launch more diverse marketing activities and increase sales. Additionally, more online sales channels will be explored. Furthermore, the Group will enhance customer interaction activities, incorporating cross-industry and cross-brand themed events to elevate lifestyle quality. With a continuous innovative attitude and warm service, the Group aims to further enhance brand awareness and attract customers who pursue quality. The Group will maintain a cautiously optimistic attitude, actively seek expansion opportunities, create new marketing models, strictly control costs, and continuously improve operational efficiency to ensure a healthier and more stable future development.

FINANCIAL REVIEW

As at 30 June 2024, the Group was operating 33 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	
	2024	2023	2024	2023
Tang's Cuisine	1	2	4.0%	3.7%
Tang Palace*	26	26	81.6%	79.4%
Social Place	5	6	11.8%	12.7%
Canton Tea Room	—	1	0.6%	2.1%
Pepper Lunch	—	—	—%	0.2%
Soup Delice	1	1	1.2%	1.2%
PappaRich	—	1	—%	0.2%

* including Tang Palace Seafood Restaurant, Tang Palace and Tang Palace He Yuan

As mentioned above, the Group's overall revenue for the Period decreased by 10.4% to approximately RMB527.3 million, while the overall gross profit margin remained stable at 66.2% (2023: 66.4%).

During the Period, the Group's share award scheme expense calculated at market price amounted to approximately RMB1.8 million (2023: Nil). By excluding this expense item, the Group's percentage of revenue on staff costs was 40.6% (2023: 36.7%). In addition, percentage of revenue on depreciation of items of property, plant and equipment was 3.3% (2023: 3.1%) and utility and consumables expenses was 4.9% (2023: 4.6%). 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 5.2% (2023: 4.3%), percentage of revenue on finance costs was 1.0% (2023: 1.0%) and percentage of revenue on rental and related expenses was 2.7% (2023: 2.6%).

During the Period, income tax expense was approximately RMB5.2 million (2023: approximately RMB4.0 million), which included withholding tax on dividend income of approximately RMB1.5 million (2023: approximately RMB1.2 million) and deferred tax expense of approximately RMB0.7 million (2023: deferred tax credit of approximately RMB0.3 million). Profit attributable to owners of the Company for the Period amounted to approximately RMB3.4 million (2023: approximately RMB41.6 million).

Cash flow

Cash and cash equivalents decreased by approximately RMB5.0 million from approximately RMB321.4 million as at 31 December 2023 to approximately RMB316.4 million as at 30 June 2024. Net cash of approximately RMB56.9 million was generated from operating activities during the Period. Net cash used in investing activities amounted to approximately RMB33.8 million during the Period, mainly due to the purchase of property, plant and equipment of approximately RMB24.0 million, increase in time deposit of approximately RMB10.0 million and advance of a loan/capital injection to joint ventures of approximately RMB2.8 million, offset by interest received of approximately RMB3.0 million. Net cash used in financing activities amounted to approximately RMB28.1 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 deposits, in aggregate, of approximately RMB326.4 million as at 30 June 2024 (31 December 2023: approximately RMB321.4 million). As at 30 June 2024, the Group's total assets, net current assets and net assets were approximately RMB779.0 million (31 December 2023: approximately RMB805.7 million), approximately RMB3.5 million (31 December 2023: approximately RMB2.1 million) and approximately RMB244.8 million (31 December 2023: approximately RMB241.0 million), respectively.

As at 30 June 2024, the Group had no bank borrowings (31 December 2023: Nil). The gearing ratio (calculated as bank borrowings divided by total equity) was nil as at 30 June 2024 (31 December 2023: Nil).

As at 30 June 2024, the current ratio (calculated as current assets divided by current liabilities) was 1.0 (31 December 2023: 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 2024, the Group had over 2,700 employees. The Group recognises the importance of human resources to its success, and 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 RMB1.4 million as at 30 June 2024 (31 December 2023: RMB5.9 million).

CHARGES ON GROUP'S ASSETS

As at 30 June 2024 and 31 December 2023, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 30 June 2024, 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 of the Company (adopted on 1 April 2021), pursuant to the terms of the trust deed of the aforesaid scheme, purchased on the Stock Exchange a total of 5,000,000 Shares with a total consideration of approximately RMB1.8 million equivalent.

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 C1 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 C3 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 DIVIDEND

The Board resolved not to declare any interim dividend for six months ended 30 June 2024 (six months ended 30 June 2023: interim special dividend of HK2.50 cents per share).

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, 28 August 2024

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*