唐宮(中國)控股有限公司

TANG PALACE (CHINA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1181)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the "**Board**") of Tang Palace (China) Holdings Limited (the "**Company**") hereby announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022 (the "**Year**"), together with comparative figures for the year ended 31 December 2021 as follows:

HIGHLIGHTS

	For the year ended 31 December		
	2022	2021	Change in %
Revenue *(RMB'000)*	**941,964**	1,361,296	(30.8%)
Gross profit *(RMB'000)* [1]	**573,492**	846,829	(32.3%)
Gross profit margin	**60.9%**	62.2%	(1.3%)
(Loss)/profit for the year attributable to owners of the Company *(RMB'000)*	**(150,934)**	40,570	(472.0%)
Net (loss)/profit margin [2]	**(16.2%)**	2.9%	
Basic (loss)/earnings per share *(RMB cents)*	**(14.04)**	3.77	(472.4%)
Dividend per ordinary share			
— Interim special dividend *(HK cents)*	—	2.50	
— Proposed final dividend *(HK cents)*	**2.50**	2.50	
Number of restaurants (self-owned)	**40**	49	
Number of restaurants (joint ventures)	**14**	13	

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

(2) Net (loss)/profit margin represents the percentage of (loss)/profit on the Group's revenue for the year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	3	**941,964**	1,361,296
Other income	3	**34,707**	38,459
Cost of inventories consumed		**(368,472)**	(514,467)
Staff costs		**(418,053)**	(448,055)
Depreciation of items of property, plant and equipment		**(44,989)**	(45,488)
Depreciation of right-of-use assets		**(66,427)**	(83,169)
Utilities and consumables		**(64,809)**	(76,401)
Rental and related expenses		**(18,491)**	(26,535)
Other expenses		**(126,710)**	(122,211)
Finance costs	5	**(13,906)**	(18,621)
Change in fair value of a financial asset at fair value through profit or loss		**(3,658)**	2,973
Share of losses of joint ventures		**(2,417)**	(196)
(LOSS)/PROFIT BEFORE TAX	6	**(151,261)**	67,585
Income tax expense	7	**(1,056)**	(27,562)
(LOSS)/PROFIT FOR THE YEAR		**(152,317)**	40,023
Attributable to:			
Owners of the Company		**(150,934)**	40,570
Non-controlling interests		**(1,383)**	(547)
		(152,317)	40,023
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted *(RMB cents)*		**(14.04)**	3.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(152,317)**	40,023
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**4,733**	(463)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Financial asset at fair value through other comprehensive income:		
Changes in fair value	**(623)**	9,681
Income tax effect	**155**	(2,075)
	(468)	7,606
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**4,265**	7,143
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(148,052)**	47,166
Attributable to:		
Owners of the Company	**(146,669)**	47,713
Non-controlling interests	**(1,383)**	(547)
	(148,052)	47,166

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**82,869**	120,510
Right-of-use assets		**134,586**	186,197
Intangible assets		**211**	771
Investments in joint ventures		**22,044**	11,257
Financial asset at fair value through other comprehensive income		**22,678**	23,301
Financial asset at fair value through profit or loss		**26,664**	28,521
Prepayments and deposits	*10*	**29,933**	36,794
Deferred tax assets		**17,627**	18,386
Total non-current assets		**336,612**	425,737
CURRENT ASSETS			
Inventories		**39,333**	52,067
Trade and other receivables and prepayments	*10*	**48,976**	51,514
Due from joint ventures		**969**	955
Tax recoverable		**1,546**	—
Pledged time deposits		**70,682**	80,728
Time deposits		**—**	20,000
Cash and cash equivalents		**254,987**	403,004
Total current assets		**416,493**	608,268
CURRENT LIABILITIES			
Trade and other payables	*11*	**312,752**	327,666
Due to related companies		**1,125**	292
Interest-bearing bank borrowings		**25,830**	52,234
Lease liabilities		**58,795**	73,822
Tax payable		**836**	4,184
Total current liabilities		**399,338**	458,198
NET CURRENT ASSETS		**17,155**	150,070
TOTAL ASSETS LESS CURRENT LIABILITIES		**353,767**	575,807
NON-CURRENT LIABILITIES			
Lease liabilities		**104,509**	150,150
Deferred tax liabilities		**3,521**	8,734
Total non-current liabilities		**108,030**	158,884
NET ASSETS		**245,737**	416,923
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**45,821**	45,821
Reserves		**199,121**	368,924
		244,942	414,745
Non-controlling interests		**795**	2,178
Total equity		**245,737**	416,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

During the year, the Group was principally engaged in restaurant operations and food productions.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 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 nature and impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

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

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. REVENUE AND OTHER INCOME

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

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Restaurant operations	**941,964**	1,361,296

3. REVENUE AND OTHER INCOME *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Type of goods or services		
Revenue from Chinese restaurant operations and total revenue from contracts with customers	**941,964**	1,361,296
Geographical markets		
Northern China	**245,396**	383,436
Eastern China	**349,862**	548,408
Southern China	**224,442**	302,266
Western China	**122,264**	127,186
Total revenue from contracts with customers	**941,964**	1,361,296
Timing of revenue recognition		
At a point in time	**941,964**	1,361,296

(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.

	2022	2021
	RMB'000	*RMB'000*
Other income		
Bank interest income	**4,488**	5,308
Commission income#	**15,129**	22,857
Government grants*	**11,877**	6,602
Others	**3,213**	3,692
	34,707	38,459

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

* During the year, under the Covid-19-related subsidies provided by the Hong Kong government, the Group recognised government grants of RMB3,791,000 (2021: RMB1,250,000), of which RMB1,935,000 (2021: RMB1,250,000) and RMB1,856,000 (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. There are no unfulfilled condition or contingencies relating to these grants.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on geographical areas and has four reportable operating segments as follows:

(i) the Southern China region;

(ii) the Eastern China region;

(iii) the Northern China region; and

(iv) the Western China region.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/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

There was no revenue from customers individually contributing over 10% to the total revenue of the Group.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment information about the business is presented below:

	Northern China		Eastern China		Southern China		Western China		Total	
	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
Segment revenue										
Sales to external customers	**245,396**	383,436	**349,862**	548,408	**224,442**	302,266	**122,264**	127,186	**941,964**	1,361,296
Inter-segment sales	**—**	—	**53,807**	71,423	**—**	—	**—**	—	**53,807**	71,423
	245,396	383,436	**403,669**	619,831	**224,442**	302,266	**122,264**	127,186	**995,771**	1,432,719
Reconciliation:										
Elimination of inter-segment sales									**(53,807)**	(71,423)
Revenue									**941,964**	1,361,296
Segment results	**(15,632)**	42,686	**(39,953)**	43,904	**(37,884)**	(4,223)	**1,090**	24,390	**(92,379)**	106,757
Reconciliation:										
Interest income									**438**	58
Share of losses of joint ventures									**(2,417)**	(196)
Change in fair value of a financial asset at fair value through profit or loss									**(3,658)**	2,973
Unallocated expenses									**(52,059)**	(40,313)
Finance costs (other than interest on lease liabilities)									**(1,186)**	(1,694)
(Loss)/profit before tax									**(151,261)**	67,585
Other segment information:										
Depreciation of items of property, plant and equipment	**6,891**	7,995	**14,930**	15,502	**16,166**	17,318	**7,002**	4,673	**44,989**	45,488
Depreciation of right-of-use assets	**17,896**	21,558	**25,856**	30,142	**19,924**	29,212	**2,751**	2,257	**66,427**	83,169
Impairment of property, plant and equipment	**—**	786	**1,059**	—	**12,474**	1,233	**—**	—	**13,533**	2,019
Impairment of right-of-use assets	**—**	2,351	**3,382**	—	**—**	1,937	**1,311**	—	**4,693**	4,288
Impairment of intangible asset	**232**	—	**—**	—	**—**	—	**—**	—	**232**	—
Amortisation of intangible assets	**42**	92	**250**	500	**—**	—	**—**	—	**292**	592
Capital expenditure*	**616**	1,572	**2,157**	21,643	**5,139**	16,668	**14,778**	1,037	**22,690**	40,920

* Capital expenditure represents additions to property, plant and equipment and intangible assets.

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

The Group's revenue arises from restaurant operations and food productions.

Geographical information

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Interest on bank loans	**1,186**	1,694
Interest on lease liabilities	**12,720**	16,927
	13,906	18,621

6. (LOSS)/PROFIT BEFORE TAX

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

	2022 *RMB'000*	2021 *RMB'000*
Directors' remuneration	**13,141**	7,834
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**358,556**	395,798
Pension scheme contributions (defined contribution schemes)^	**46,356**	44,423
Total staff costs	**418,053**	448,055
Depreciation of items of property, plant and equipment	**44,989**	45,488
Depreciation of right-of-use assets	**66,427**	83,169
Amortisation of intangible assets#	**292**	592
Loss on disposal of items of property, plant and equipment#	**2,301**	2,037
Loss on disposal of intangible assets#	**36**	40
Impairment of property, plant and equipment#	**13,533**	2,019
Impairment of intangible asset#	**232**	—
Impairment of right-of-use assets#	**4,693**	4,288
Foreign exchange differences, net#	**1,728**	(696)
Change in fair value of a financial asset at fair value through profit or loss	**3,658**	(2,973)

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

Items are included in "Other expenses" in the consolidated statement of profit or loss.

7. INCOME TAX

The Company's subsidiaries in Mainland China are subject to income tax at the rate of 25% (2021: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022	2021
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**569**	21,519
Underprovision in prior years	**84**	788
Current — Hong Kong		
Charge for the year	**24**	21
PRC withholding tax on dividend income	**4,678**	2,941
Deferred	**(4,299)**	2,293
Total tax charge for the year	**1,056**	27,562

8. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Interim special dividend — nil (2021: HK2.50 cents) per ordinary share	**—**	22,328
Proposed final dividend — HK2.50 cents (2021: HK2.50 cents) per ordinary share	**24,211**	22,059
	24,211	44,387

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,075,332,788 (2021: 1,076,027,500) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculations	**(150,934)**	40,570

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculations	**1,075,332,788**	1,076,027,500

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**10,468**	12,137
Prepayments	**34,526**	32,903
Deposits and other receivables	**33,915**	43,268
	78,909	88,308
Less: Prepayments and deposits classified as non-current assets	**(29,933)**	(36,794)
	48,976	51,514

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 less than 30 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

An ageing analysis of the trade receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**9,371**	10,859
31 to 60 days	**484**	78
61 to 90 days	**171**	905
Over 90 days	**442**	295
	10,468	12,137

11. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**43,114**	64,752
Other payables and accruals	**30,716**	24,652
Salary and welfare payables	**20,555**	24,836
Contract liabilities	**218,367**	213,426
	312,752	327,666

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

	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**31,127**	52,278
31 to 60 days	**5,234**	3,515
61 to 90 days	**2,526**	2,475
91 to 180 days	**2,912**	3,508
Over 180 days	**1,315**	2,976
	43,114	64,752

The trade and other payables are non-interest-bearing and are normally settled on terms of 30 days to 90 days.

12. ISSUED CAPITAL

	As at 31 December 2022		As at 31 December 2021	
	HK$'000	***RMB'000 equivalent***	*HK$'000*	*RMB'000 equivalent*
Authorised:				
4,000,000,000 ordinary shares of HK$0.05 each	**200,000**		200,000	
Issued and fully paid:				
1,076,027,500 ordinary shares of HK$0.05 each	**53,801**	**45,821**	53,801	45,821

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The year 2022 was an extraordinary one, as the geopolitical instability, persistently high energy prices, inflation and the recurring global pandemic kept the global economic recovery weak and unstable. The pandemic, which lasted for more than three years, continued to have a severe impact on Mainland China's economy in 2022, with repeated ups and downs, especially the large-scale outbreak of the pandemic in many places in China in the second quarter, resulting in stringent prevention and control management and crowd control measures imposed by regional governments to curb the pandemic, and economic activities in several cities were severely hit. With the relatively stable pandemic in the third quarter and the normalization of economic activity, the Gross Domestic Product (GDP) of the Mainland China achieved quarter-on-quarter growth of 3.9% in the third quarter, significantly improving from negative quarter-on-quarter growth in the second quarter. However, in the fourth quarter, the pandemic outbreak recurred and spread rapidly to large-scale infections, and the impact was particularly significant at the end of the year. Due to the resurgence of the pandemic and the instability of economic environment, Mainland China's GDP growth in 2022 was only 3% over that in 2021. Affected by the economic downturn and weak consumption, the total retail sales of consumer goods decreased by 0.2% year-on-year, while the income of catering decreased by 6.3% year-on-year.

BUSINESS REVIEW

Affected by the infection control measures taken by the Mainland China's government, the Group's business in the Mainland China did not maintain a sufficient level of operations in many important regions in the first half of 2022. Since March 2022, affected by local conditions, all of the Group's restaurants in Shanghai were suspended for operation for up to two months, and only limited operations thereafter, resulting in the failure of the normal operation in Shanghai for up to four months in the first half of 2022, which significantly affected the revenue. The restaurants in Beijing, Chengdu and Guangdong, the other three major regions of the Group, were also required to be closed or not fully operate from time to time due to the sporadic outbreak of the pandemic. In the first half of the year, Hong Kong reached the peak of the pandemic, and the dine-in operation was restricted for a relatively long period of time, and normal operations were not resumed for more than four months, which had a significant impact on the business. The catering market started to slowly recover to a relatively normal level until the Hong Kong government began to relax restrictions on seating capacity in the second half of the year, distributed consumption voucher and gradually relaxed entry restrictions. In the second half of 2022, the pandemic in Mainland China ushered in a massive outbreak at the end of the year, directly affecting the operations of various industries in the society. The Group's restaurants in the Mainland China were hugely affected, staffing arrangements were relatively tight due to the pandemic and operational capacity was not fully utilised. Due to the impact of the pandemic and the closure of the Group's restaurants in various regions as a result of the expiry of leases or the failure to meet the operational target, the

Group's revenue for the Year was significantly affected. As of 31 December 2022, the Group recorded a revenue of RMB942.0 million, a decrease of 30.8% from the same period last year.

The pandemic represents an uncontrollable and difficult challenge. Under the weak consumption and various costs pressure in the past year, the Group is still committed to the primitive development goal of "creating happiness in dining and providing values to its customers". We believe that maintaining quality and taking care of the needs of our customers are the right directions for our business. The pandemic has drastically changed the consumption pattern of the society, and takeaway sales have become an integral part of the business. The Group has continuously optimized takeaway business by taking into account the needs of its customers. With the development of exclusive takeaway menus and enhanced publicity and promotion on takeaway platforms in the early years and dedicated staff to follow up on the business in recent years, the takeaway business has continued to grow. In the light of a huge change in the consumption scene, we adjusted and optimized the classification of online meals in the Year, making it easier to search and prompting lead sales and increasing the number of clicks. Moreover we specially launched "a good meal for one person" takeaway menu, from the appetizer to the main course and side dishes, providing more sophisticated options to a rapidly growing number of individual dining customers responding to the new daily routine on pandemic prevention. In response to the growing takeaway business, the Group targeted its large customer base in the hope that it could be transformed into loyal customers. Thus, at the end of 2021, it prepared and launched its own delivery mini-program in the private domain, thereby diverting customers from the public domain platform to its own platform, so as to better manage and strengthen the customer relationship. As a result of these efforts, the takeaway business managed to maintain a similar revenue of RMB165.6 million in 2022 amid weak consumption sentiment.

As mentioned above, the pandemic has greatly changed the living and consumption patterns, and the catering industry has transformed with more flexible online interaction. The Group attached importance to this business in the Year, and developed the restaurant community and community group purchase through social platforms. The advantage of these communities include enabling restaurants to independently carry out sales activities that are more suitable for the surrounding office workers or families and follow up logistics arrangements in a timely manner with more detailed services. The promotional activities of the restaurants can also be sent directly to customers and followed up at any time, which is very popular among customers. At the same time, by inviting new customers to become members, we can also achieve the objective of expanding our customer base. At present, there are more than 10,000 customers in the community.

On the other hand, at present, the most important strategy of the Group is to strengthen customer loyalty. Meanwhile, the Group observed that the frequency and amount of consumption of members are higher than those of non-members, which proves the confidence of customers in the Group. The Group believes that stabilizing the consumption of members can bring stable source of income to the Group. Therefore, members marketing is the core marketing strategy of the Group. Through the monthly change of the membership value promotion and the regular launch of various promotions, we can attract members to continue to make deposits and enhance their loyalty. In 2022, the number of members in the Mainland China business area exceeded 860,000, and the deposit value of members exceeded RMB200 million. Hong Kong has also focused on membership promotion and launched in the early days of the pandemic to help spread the message directly to customers, and has successfully attracted more than 80,000 members through the regular launch of various membership promotion and credit points redemption programs. In addition to developing online business and strengthening member spending, the Group also attaches great importance to the dine-in business strategy. During the Year, the Group upgraded the brand "Tang Palace" all-round, making comprehensive upgrade reforms from the menu, services to the environment, providing our customers with brand new dining experience. Such brand new image was highlighted by the brand "Tang's Cuisine" stores which were newly opened in Shenzhen at the end of 2021 and in Chengdu this year. The comprehensive upgrade campaign has also resulted in an increase in overall customers' spending.

The year 2022 marked the 30th anniversary of the founding of the Group. We have a great aspiration of "creating happiness together" at this milestone moment, and making employees happy is one of its core elements. This year, we set up the Humanity Wellness Department to actively promote the four principles of "Care, Connection, Praise, Growth" to create a happy working environment for our staff. While celebrating its 30th anniversary, the Group invited 30 members of its staff, customers and partners, to share their happiness stories with Tang Palace through 30 documentary clips, which were uploaded on the official channels and shared with all staff and the public. At the same time, we encouraged our staff to share their happy stories around them so as to motivate and learn from each other. Talents are an asset of the Group. Even during the year in which the pandemic was still raging, the Group continued to contribute to the personal development of our employees, and kept on optimizing the diversified talents cultivating program covering training and promotion, etc. In addition to enabling employees to improve their career-related skills, more importantly, the positive development of mental health. Despite the impact of the pandemic, the Group was able to enhance the skills of more than 1,000 employees through all-rounder training program, enabling them to excel in different positions, thus providing strong support for the development of the Group.

OUTLOOK

As we enter year 2023, the threat of pandemic has gradually weakened. With the gradual implementation of the policy of resumption for normal life and work in China and other countries around the world, trade relations between countries will gradually normalize. We believe that the economic development will usher in a new page. In the first quarter of 2023, the Group was pleased to see an improvement in its business in Mainland China due to the subsidence of the pandemic and the Chinese New Year's consumer sentiment. The Group will closely keep abreast with the market developments to consolidate and drive the growth of existing core businesses, to explore potential cities for layout, the Group will also increase its efforts in selling products through multiple channels, both online and offline, to broaden its revenue stream. At the same time, the Group will maintain its strategy of diversifying its food and beverage brands and to introduce more high quality brands of different cuisines. In the first quarter of 2023, the Group has entered into cooperation with an established Sichuan brand and jointly opened a Sichuan restaurant in Shenzhen, and opened a Huaiyang cuisine restaurant in Shanghai with another partner in the same quarter. Although the year 2023 will remain challenging, the Group is optimistic and will continue to seek good opportunities for breakthroughs and healthy growth.

FINANCIAL REVIEW

As at 31 December 2022, the Group was operating 40 restaurants and 14 other restaurants under joint ventures. The table below illustrates the number of restaurants by major brands, together with the average spending per customer and percentage of revenue to the Group:

	No. of restaurants as at 31 December		**Average spending per customer as at 31 December**		**Percentage of revenue contributed to the Group as at 31 December**	
Brand	**2022**	2021	**2022**	2021	**2022**	2021
			RMB	*RMB*		
Tang's Cuisine	**2**	2	**425.5**	352.8	**3.1%**	2.7%
Tang Palace*	**26**	31	**230.3**	199.7	**80.3%**	79.5%
Social Place	**6**	7	**154.2**	133.8	**11.2%**	10.7%
Canton Tea Room	**2**	2	**104.9**	91.2	**2.1%**	3.5%
Pepper Lunch	**2**	6	**48.9**	56.6	**1.8%**	2.7%
Soup Delice	**1**	1	**87.3**	82.4	**0.4%**	0.1%
PappaRich	**1**	—	**83.2**	—	**0.1%**	—

* including Tang Palace Seafood Restaurant and Tang Palace

As mentioned above, the Group's overall revenue for the Year decreased by 30.8% to approximately RMB942.0 million, while the overall gross profit margin decreased to 60.9% (2021: 62.2%).

During the Year, the Group's share award scheme expense calculated at market price amounted to approximately RMB3.0 million (2021: Nil). After deducting such expense, the Group's staff costs amounted to approximately RMB415.1 million, representing a decrease of approximately RMB33.0 million or approximately 7.4% from RMB448.1 million for the year ended 31 December 2021. Such decrease was mainly attributed to the adoption of control measures on staff cost by the Group during the Year in response to the impact of the pandemic.

Utility expenses and consumables expenses of the Group for the Year amounted to approximately RMB64.8 million (2021: RMB76.4 million) representing a decrease of approximately RMB11.6 million or approximately 15.2%. Such decrease was mainly attributed to the impact of pandemic on the number of business days during the year.

Rental and related expenses were mostly categorized as depreciation of right-of-use assets and finance costs according to HKFRS 16. During the Year, depreciation of right-of-use assets of approximately RMB66.4 million (2021: RMB83.2 million), finance costs of approximately RMB13.9 million (2021: RMB18.6 million) and rental and related expenses of approximately RMB18.5 million (2021: RMB26.5 million) were recorded. Rental and related expenses recorded a decrease of approximately RMB8.0 million. Such decrease was mainly attributed to the successful application of the Group to the landlords to waive certain lease payments and management fees during the pandemic.

During the Year, income tax expense was approximately RMB1.1 million (2021: approximately RMB27.6 million), which included withholding tax on dividend income of approximately RMB4.7 million (2021: approximately RMB2.9 million) and deferred tax credit of approximately RMB4.3 million (2021: deferred tax expense of approximately RMB2.3 million). The decrease in income tax expense was mainly attributable to the decrease in the profit made for the Year. The loss attributable to owners of the Company for the year amounted to approximately RMB150.9 million (2021: profit attributable to owners of the Company amounted to approximately RMB40.6 million).

Cash flow

Cash and cash equivalents decreased by approximately RMB148.0 million from approximately RMB403.0 million as at 31 December 2021 to approximately RMB255.0 million as at 31 December 2022.

Net cash of approximately RMB44.3 million was used in operating activities during the Year. Net cash used in investing activities amounted to approximately RMB0.5 million during the Year, of which approximately RMB22.7 million was related to the purchase of property, plant and equipment, approximately RMB15.6 million was related to advance of a loan/capital injection to joint ventures offset by approximately RMB30.0 million decrease in time and pledged time deposits. Net cash used in financing activities amounted to approximately RMB108.7 million for the Year.

Liquidity and Financial Resources

The Group's funding and treasury activities are managed and controlled by the senior management. The Group maintained cash and cash equivalents and time deposits, in aggregate, of approximately RMB325.7 million as at 31 December 2022 (31 December 2021: approximately RMB503.7 million). As at 31 December 2022, the Group's total assets, net current assets and net assets were approximately RMB753.1 million (31 December 2021: approximately RMB1,034.0 million), approximately RMB17.2 million (31 December 2021: approximately RMB150.1 million) and approximately RMB245.7 million (31 December 2021: approximately RMB416.9 million), respectively.

As at 31 December 2022, the Group had bank borrowings of approximately RMB25.8 million (31 December 2021: approximately RMB52.2 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 10.5% as at 31 December 2022 (31 December 2021: 12.5%).

As at 31 December 2022, the current ratio (calculated as current assets divided by current liabilities) was 1.0 (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 the Mainland China with revenue and expenses of the Group's subsidiaries denominated mainly in RMB. The Group's cash and bank deposits were denominated mainly in RMB, with some denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact to the Group.

As at 31 December 2022, the directors considered the Group's foreign exchange risk to be insignificant. During the Year, the Group did not use any financial instruments for hedging purposes.

OTHER INFORMATION

Number and Remuneration of Employees

As at 31 December 2022, the Group had around 3,000 employees in Hong Kong and the PRC (31 December 2021: 3,800). Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis, which is in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes, share awards and performance related bonus.

Capital Commitment

The Group's capital commitment was approximately RMB13.8 million and RMB7.5 million as at 31 December 2022 and 31 December 2021, respectively.

Charges on Group Assets

As at 31 December 2022, the Group had pledged deposits of approximately RMB70.7 million (31 December 2021: approximately RMB80.7 million) for banking facilities amounting to approximately RMB25.8 million (31 December 2021: approximately RMB72.7 million).

Contingent Liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities (31 December 2021: Nil).

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the Year, there was no material acquisition or disposal of subsidiaries, associates and joint ventures of the Company.

Purchase, Sale or Redemption of Listed Securities of the Company

During the Year, the trustee of the share award scheme (adopted on 1 April 2021) of 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.

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 Year.

Compliance with Corporate Governance Code

The Board is committed to maintaining a high standard of corporate governance practices to safeguard the interests of the Company and its shareholders and to enhance corporate value and accountability. The Company has complied with all the code provisions as set out in Appendix 14 (Corporate Governance Code) to the Rules Governing the Listing of securities on the Stock Exchange (the "**Listing Rules**") throughout the Year.

Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted its own code for securities transactions by directors on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all of the directors and all of the directors confirmed that they have complied with the required standards set out in the Model Code during the Year.

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young ("**EY**"), to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by EY in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by EY on the preliminary announcement.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference (as amended or supplemented) in compliance with the Corporate Governance Code. The Audit Committee comprises all the three independent non-executive directors, namely Mr. KWONG Ping Man, Mr. KWONG Chi Keung and Mr. CHEUNG Kin Ting Alfred.

The Audit Committee has reviewed the Company's consolidated financial statements for the Year.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting will be held on 9 June 2023 (the "**AGM**"). A formal notice of the AGM will be published and dispatched to shareholders of the Company (the "**Shareholders**") as required by the Listing Rules in due course.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK2.50 cents per ordinary share (2021: HK2.50 cents), payable to Shareholders whose names appear on the register of members of the Company on 16 June 2023. The above proposed dividend has already taken into account the Group's sufficiency in its working capital and business development requirements.

Subject to the approval of the Shareholders at the forthcoming AGM to held on 9 June 2023, the final dividend is expected to be paid on 28 July 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from 5 June 2023 to 9 June 2023 (both days inclusive), during which period no transfer of share(s) will be effected. In order to be eligible to attend and vote at the AGM, all transfers documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 2 June 2023.

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the AGM. For the purpose of determining the entitlement of the Shareholders to the final dividend for the year ended 31 December 2022 (if approved), the register of members of the Company will be closed on 16 June 2023, during which no transfer of share(s) will be effected. To be entitled to the final dividend for the year ended 31 December 2022 (if approved), all transfers documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 15 June 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tanggong.cn).

The Group's annual report, containing the information required by the Listing Rules, will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

By Order of the Board
Tang Palace (China) Holdings Limited
WENG Peihe
Chairman

Hong Kong, 28 March 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. CHEUNG Kin Ting Alfred*