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 2023

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 2023 (the "**Year**"), together with comparative figures for the year ended 31 December 2022 as follows:

HIGHLIGHTS

	For the year ended 31 December		Change in
	2023	2022	%
Revenue *(RMB'000)*	**1,122,911**	941,964	19.2%
Gross profit *(RMB'000)* (1)	**744,219**	573,492	29.8%
Gross profit margin	**66.3%**	60.9%	5.4%
Profit/(loss) for the year attributable to owners of the Company *(RMB'000)*	**41,692**	(150,934)	127.6%
Net profit/(loss) margin (2)	**3.8%**	(16.2%)	
Basic earnings/(loss) per share *(RMB cents)*	**3.87**	(14.04)	127.6%
Dividend per ordinary share			
— Interim special dividend *(HK cents)*	**2.50**	—	
— Proposed final dividend *(HK cents)*	**1.50**	2.50	
Number of restaurants (self-owned)	**35**	40	
Number of restaurants (joint ventures)	**16**	14	

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	3	**1,122,911**	941,964
Other income	3	**33,167**	34,707
Cost of inventories consumed		**(378,692)**	(368,472)
Staff costs		**(437,306)**	(418,053)
Depreciation of items of property, plant and equipment		**(33,862)**	(44,989)
Depreciation of right-of-use assets		**(52,231)**	(66,427)
Utilities and consumables		**(55,741)**	(64,809)
Rental and related expenses		**(33,412)**	(18,491)
Other expenses		**(104,299)**	(126,710)
Finance costs	5	**(10,774)**	(13,906)
Change in fair value of a financial asset at fair value through profit or loss		**2,065**	(3,658)
Share of losses of joint ventures		**(3,572)**	(2,417)
PROFIT/(LOSS) BEFORE TAX	6	**48,254**	(151,261)
Income tax expense	7	**(5,990)**	(1,056)
PROFIT/(LOSS) FOR THE YEAR		**42,264**	(152,317)
Attributable to:			
Owners of the Company		**41,692**	(150,934)
Non-controlling interests		**572**	(1,383)
		42,264	(152,317)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted *(RMB cents)*		**3.87**	(14.04)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 *RMB'000*	2022 *RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**42,264**	(152,317)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**175**	4,733
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Financial asset at fair value through other comprehensive income:		
Changes in fair value	**1,596**	(623)
Income tax effect	**(399)**	155
	1,197	(468)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,372**	4,265
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**43,636**	(148,052)
Attributable to:		
Owners of the Company	**43,064**	(146,669)
Non-controlling interests	**572**	(1,383)
	43,636	(148,052)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**79,754**	82,869
Right-of-use assets		**205,855**	134,586
Intangible assets		**—**	211
Investments in joint ventures		**17,906**	22,044
Financial asset at fair value through other comprehensive income		**24,274**	22,678
Financial asset at fair value through profit or loss		**26,209**	26,664
Prepayments and deposits	*10*	**41,400**	29,933
Deferred tax assets		**20,062**	17,627
Total non-current assets		**415,460**	336,612
CURRENT ASSETS			
Inventories		**27,070**	39,333
Trade and other receivables and prepayments	*10*	**39,920**	48,976
Due from joint ventures		**1,649**	969
Tax recoverable		**264**	1,546
Pledged time deposits		**—**	70,682
Cash and cash equivalents		**321,374**	254,987
Total current assets		**390,277**	416,493
CURRENT LIABILITIES			
Trade and other payables	*11*	**331,458**	312,752
Due to related companies		**658**	1,125
Interest-bearing bank borrowings		**—**	25,830
Lease liabilities		**55,439**	58,795
Tax payable		**600**	836
Total current liabilities		**388,155**	399,338
NET CURRENT ASSETS		**2,122**	17,155
TOTAL ASSETS LESS CURRENT LIABILITIES		**417,582**	353,767
NON-CURRENT LIABILITIES			
Lease liabilities		**171,640**	104,509
Deferred tax liabilities		**4,991**	3,521
Total non-current liabilities		**176,631**	108,030
NET ASSETS		**240,951**	245,737
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**45,821**	45,821
Reserves		**193,763**	199,121
		239,584	244,942
Non-controlling interests		**1,367**	795
Total equity		**240,951**	245,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

The 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**") 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. The 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 2023. 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 the related assets (including goodwill), liabilities, any non-controlling interest and exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
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 nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in the consolidated financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's consolidated financial statements.

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

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have material impact on the consolidated financial statements of the Group.

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. REVENUE AND OTHER INCOME

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Restaurant operations	**1,122,911**	941,964

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Type of goods or services		
Revenue from Chinese restaurant operations and total revenue from contracts with customers	**1,122,911**	941,964
Geographical markets		
Northern China	**275,293**	245,396
Eastern China	**391,659**	349,862
Southern China	**316,056**	224,442
Western China	**139,903**	122,264
Total revenue from contracts with customers	**1,122,911**	941,964
Timing of revenue recognition		
At a point in time	**1,122,911**	941,964

3. REVENUE AND OTHER INCOME *(Continued)*

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Restaurant operations

The performance obligation is satisfied when the catering services have been provided to customers. The Group's trading terms with its customers are mainly on cash, credit card settlement and in connection with settlement through payment platforms. The credit period is generally less than one month.

	2023	2022
	RMB'000	*RMB'000*
Other income		
Bank interest income	**3,461**	4,488
Commission income#	**18,784**	15,129
Government grants*	**8,756**	11,877
Others	**2,166**	3,213
	33,167	34,707

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

* During the year, there was no government grants recognised by the Group in relation to the Covid-19 related subsidies provided by the Hong Kong government (2022: RMB3,791,000). 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	
	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*
Segment revenue										
Sales to external customers	**275,293**	245,396	**391,659**	349,862	**316,056**	224,442	**139,903**	122,264	**1,122,911**	941,964
Inter-segment sales	**—**	—	**87,098**	53,807	**—**	—	**—**	—	**87,098**	53,807
	275,293	245,396	**478,757**	403,669	**316,056**	224,442	**139,903**	122,264	**1,210,009**	995,771
Reconciliation:										
Elimination of inter-segment sales									**(87,098)**	(53,807)
Revenue									**1,122,911**	941,964
Segment results	**38,097**	(15,632)	**27,610**	(39,953)	**29,704**	(37,884)	**7,082**	1,090	**102,493**	(92,379)
Reconciliation:										
Interest income									**360**	438
Share of losses of joint ventures									**(3,572)**	(2,417)
Change in fair value of a financial asset at fair value through profit or loss									**2,065**	(3,658)
Unallocated expenses									**(52,929)**	(52,059)
Finance costs (other than interest on lease liabilities)									**(163)**	(1,186)
Profit/(loss) before tax									**48,254**	(151,261)
Other segment information:										
Depreciation of items of property, plant and equipment	**4,154**	6,891	**11,445**	14,930	**11,680**	16,166	**6,583**	7,002	**33,862**	44,989
Depreciation of right-of-use assets	**17,051**	17,896	**21,738**	25,856	**10,922**	19,924	**2,520**	2,751	**52,231**	66,427
Impairment of property, plant and equipment	**—**	—	**—**	1,059	**—**	12,474	**3,314**	—	**3,314**	13,533
Impairment of right-of-use assets	**—**	—	**—**	3,382	**—**	—	**—**	1,311	**—**	4,693
Impairment of intangible asset	**—**	232	**—**	—	**—**	—	**—**	—	**—**	232
Amortisation of intangible assets	**—**	42	**—**	250	**211**	—	**—**	—	**211**	292
Capital expenditure*	**9,821**	616	**17,307**	2,157	**3,439**	5,139	**4,985**	14,778	**35,552**	22,690

* 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:

	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans	**163**	1,186
Interest on lease liabilities	**10,611**	12,720
	10,774	13,906

6. PROFIT/(LOSS) BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Directors' remuneration	**8,681**	13,141
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**379,940**	358,556
Pension scheme contributions (defined contribution schemes)^	**48,685**	46,356
Total staff costs	**437,306**	418,053
Depreciation of items of property, plant and equipment	**33,862**	44,989
Depreciation of right-of-use assets	**52,231**	66,427
Amortisation of intangible assets#	**211**	292
Loss on disposal of items of property, plant and equipment#	**249**	2,301
Loss on disposal of intangible assets#	**—**	36
Impairment of property, plant and equipment#	**3,314**	13,533
Impairment of intangible asset#	**—**	232
Impairment of right-of-use assets#	**—**	4,693
Impairment of an investment in a joint venture#	**1,573**	—
Impairment of an amount due from a joint venture#	**461**	—
Foreign exchange differences, net#	**584**	1,728
Change in fair value of a financial asset at fair value through profit or loss	**(2,065)**	3,658

^ 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% (2022: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2023	2022
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**5,657**	569
Underprovision in prior years	**99**	84
Current — Hong Kong		
Charge for the year	**23**	24
PRC withholding tax on dividend income	**1,575**	4,678
Deferred	**(1,364)**	(4,299)
Total tax charge for the year	**5,990**	1,056

8. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Interim special dividend — HK2.50 cents (2022: nil) per ordinary share	**24,211**	—
Proposed final dividend — HK1.50 cents (2022: HK2.50 cents) per ordinary share	**14,688**	24,211
	38,899	24,211

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

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,076,027,500 (2022: 1,075,332,788) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

	2023	2022
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculations	**41,692**	(150,934)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculations	**1,076,027,500**	1,075,332,788

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**13,270**	10,468
Prepayments	**25,301**	34,526
Deposits and other receivables	**42,749**	33,915
	81,320	78,909
Less: Prepayments and deposits classified as non-current assets	**(41,400)**	(29,933)
	39,920	48,976

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:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**11,794**	9,371
31 to 60 days	**342**	484
61 to 90 days	**116**	171
Over 90 days	**1,018**	442
	13,270	10,468

11. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**52,255**	43,114
Other payables and accruals	**17,250**	30,716
Salary and welfare payables	**25,702**	20,555
Contract liabilities	**236,251**	218,367
	331,458	312,752

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

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**41,581**	31,127
31 to 60 days	**2,988**	5,234
61 to 90 days	**1,356**	2,526
91 to 180 days	**2,482**	2,912
Over 180 days	**3,848**	1,315
	52,255	43,114

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 2023		As at 31 December 2022	
	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

In the year 2023, which marked the economic recovery after the COVID-19 pandemic, the Mainland Chinese government focused on macroeconomic control strategies to expand domestic demand and boost the internal circulation of the economy. Production across various industries returned to normal gradually. Data released by the National Bureau of Statistics of China indicates that the overall economy rebounded at a faster pace in 2023 as compared to 2022. In 2023, the Gross Domestic Product (GDP) of the country grew by 5.2% as compared to the previous year, a significant increase from the 3% in 2022. Driven by economic recovery, the revenue of the national catering industry achieved a 20.4% year-on-year increase in 2023. Additionally, this year has been benefited from the full resumption of cross-border travel between Mainland China and Hong Kong, as well as various stimulus measures introduced by the Hong Kong government. As a result, in 2023, the total revenue of Hong Kong's restaurants sector surged by over 26% compared to 2022. Despite significant improvements in the dining and consumption market over the past two years, customer consumption habit has undergone irreversible changes. The industry now faces greater challenges due to factors such as technological innovations, the pursuit of value for money and intense competition.

BUSINESS REVIEW

Despite the gradual improvement in the economic environment in both Mainland China and Hong Kong, the continued weakness in the real estate market, energy crises, and geopolitical uncertainties presented several challenges persisting in the business landscape. As at 31 December 2023, the Group operates a total of 51 self-owned and joint-venture restaurants. In 2023, the Group focused on stabilising its business by increasing its exposure through closer engagement with customers, creating remarkable experiences, and organising commemorative events. Additionally, it enhanced customer satisfaction by offering exquisite products, warm and personalised services, and customised banquets, ultimately leading to an increase in customer repurchase rates. The Group's strategy of fortifying its businesses has led to an increase of revenue for the year ended 31 December 2023 (the "**Year**"), which reached RMB1,122.9 million, representing a 19.2% growth compared to the revenue of RMB942.0 million for the year ended 31 December 2022. The Group places significant emphasis on improving internal management efficiency. During the Year, the Group meticulously analysed various costs using the recently implemented enterprise resource planning (ERP) system. This detailed analysis allowed the Group to optimise cost structures for menus, personnel, and other operational expenses. As a result, the Group gained better control over overall efficiency. The Group's proactive policies aimed at enhancing efficiency have significantly boosted its gross profit margin during the Year, rising from 60.9% in 2022 to 66.3% for the Year.

"Tang Palace" is a core business brand of the Group and serves as a major source of revenue. Its branches located in Northern China, Eastern China, Chengdu, and Guangdong. The customer base primarily consists of middle-income families and business gatherings. In recent years, due to the pandemic's impact on business environments, the Group adjusted its operations in 2022 and 2023. It closed down restaurants that reached the end of their lease terms and did not meet operational targets, and in the meantime, it optimised and improved the remaining operational branches during the Year. Facing the macro shift in consumer behavior, "Tang Palace" focused on strengthening dine-in experiences and encouraging repeat spending from its members. The Group adjusted dine-in marketing strategies since the first half of the year by organising holiday events, positioning itself as banquet experts, and creating memorable occasions for customers to boost customer flow. Meanwhile, the Group encouraged member to top-up through intensive promotion, exclusive discounts, rebates, elevated services and special event invitations to lock in their consumptions. Another key strategy was menu optimisation, through upgrading ingredients and culinary techniques, while emphasising the brand's competitive advantages by recreating classic dishes, providing onsite cooking and ensuring consistency in the quality of food to meet the widespread demand for quality-for-money. These measures successfully stabilised and enhanced our business. As at 31 December 2023, "Tang Palace" brand had a total of 26 branches, with double-digit overall revenue growth as compared to 2022.

The Group's other brands have also achieved commendable results. "Tang's Cuisine" is a brand that the Group has extensively enhanced in recent years to create a refined dining experience. The restaurant under this brand pays meticulous attention to details such as decor, menu offerings, tableware, service, and specialty tasting events. Thanks to its excellent reputation for both food quality and service, there are currently two branches — one in Shenzhen and the other in Chengdu. These branches have seen continuous growth in revenue, customer volume, and average spending per customer. Notably, the Shenzhen branch, which has been opened for over a year, continues to deliver a remarkable 40% growth in revenue. The Chengdu branch, which has not been opened for a full year yet, also shows a promising upward trend. Another brand, "Soup Delice", represents the Group's recent innovative business model. Strategically located at Shanghai Hongqiao Airport, this brand offers a minimalist decor, quick-service dining, and a refreshing selection of Hong Kong-style soups and dim sum combos to busy travelers. The high-quality fast-casual concept has received positive feedback from busy travelers and benefits from the favorable factors related to the recovery of domestic travel. In comparison to 2022, the revenue from this brand has seen a significant increase for the Year. The Group's self-created modern Chinese restaurant, "Social Place", its stores mainly located in Hong Kong. As the Hong Kong economy gradually rebounds and with the distribution of government consumer vouchers and the introduction of other economic stimulus measures, the overall revenue for this business has grown by nearly 60% compared to 2022.

In terms of joint ventures, the Group currently collaborates with various partners to operate multiple brands in Mainland China, Hong Kong, Taiwan, and Singapore. These brands explore different regional and customer segments by offering diverse cuisines such as Sichuan, Huaiyang, Cantonese, Southeast Asian, Japanese, and Western. Currently, the business operations of these brands are stable, and it is believed that they will provide appropriate resources for the Group's further expansion. The Group actively seeks opportunities and has recently partnered with a well-known Mainland Chinese modern Beijing-style hotpot brand. The first branch opened in Hong Kong in the first quarter of 2024, and it has already received positive recognition from Hong Kong customers, demonstrating the success of the Group's diversification strategy.

CORPORATE CULTURE

The Group's corporate culture has always been rooted in the transmission of values. During the Year, there has been a deeper commitment to practise the concept of "co-creating happiness". This concept has been translated into tangible goals and work initiatives, seamlessly integrated into daily management. The Group continues to reinforce positive thinking among employees through traditional cultural training courses based on Chinese studies. Additionally, for the first time this year, it organised free public courses on traditional culture to promote filial piety, which received widespread acclaim from participants. Simultaneously, the Group strives to enhance employee well-being. The Group implemented internal activities such as optimising dormitories and staff meals, hosting gratitude-themed events with an emphasis on filial piety, sharing stories of happiness, and introducing a happiness points redemption system. To better address the specific needs of employees, the Group conducted an employee satisfaction survey, aimed at optimising care initiatives, streamlining job processes, and enhancing the diverse talent training system tailored to their needs. With the hope to stimulate innovative thoughts and fresh ideas and new knowledge gained by its employees, it facilitates learning exchanges, offers study tours, and seminars in various formats, for employees at different levels to broaden their horizons in business skills, management, and product innovation. During the Year, the Group initiated monthly "Innovation Sharing Sessions" at the stores, further promoting innovation and mutual learning. The Group also launched a new program, which involves backend employees' patronage as an on-site support from a customer's perspective, fostering the flow of innovative thinking and improving communication between departments. Furthermore, the Group's overarching mission is to "deliver a humanistic touch to customers", which permeates the daily service, marketing activities and membership events to foster customers' happiness.

PROSPECT

The international landscape in 2024 has become more complicated. Although the global economy appears to have emerged from the shadow of the pandemic in recent years, there are still many uncertainties. The Group will continue to plan for new store expansions in a prudent manner and further enhance operational efficiency. Leveraging on the ERP system, we will further refine our food cost analysis, strategically reduce procurement costs, and systematise inventory management to minimise wastage. Additionally, we aim to streamline workflow across departments and improve personnel allocation efficiency, contributing to the overall enhancement of the Group's effectiveness. Nonetheless, the Group is pleased to note that the performance of the joint venture restaurant business is in line with expectation, and will maintain an open-minded approach to explore new business opportunities through diverse business models to achieve the goal of multifaceted development.

FINANCIAL REVIEW

As at 31 December 2023, the Group was operating 35 restaurants and 16 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	**2023**	2022	**2023**	2022	**2023**	2022
			RMB	*RMB*		
Tang's Cuisine	**2**	2	**471.6**	425.5	**3.8%**	3.1%
Tang Palace*	**26**	26	**253.7**	230.3	**79.3%**	80.3%
Social Place	**5**	6	**182.1**	154.2	**13.1%**	11.2%
Canton Tea Room	**1**	2	**115.7**	104.9	**1.8%**	2.1%
Soup Delice	**1**	1	**90.7**	87.3	**1.3%**	0.4%

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

As mentioned above, the Group's overall revenue for the Year increased by 19.2% to approximately RMB1,122.9 million, while the overall gross profit margin increased to 66.3% (2022: 60.9%).

During the Year, the Group's share award scheme expense calculated at market price amounted to approximately RMB0.5 million (2022: approximately RMB3.0 million). By excluding this expense item, the Group's percentage of revenue on staff costs was 38.9% (2022: 44.1%). In addition, percentage of revenue on depreciation of items of property, plant and equipment was 3.0% (2022: 4.8%) and utility and consumables expenses was 5.0% (2022: 6.9%). Rental and related expenses were categorised as depreciation of right-of-use assets and finance costs according to HKFRS 16. During the Year, percentage of revenue on depreciation of right-of-use assets was 4.7% (2022: 7.1%), percentage of revenue on finance costs was 1.0% (2022: 1.5%) and percentage of revenue on rental and related expenses was 3.0% (2022: 2.0%). 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) in Mainland China since December 2022, the percentage of revenue on expenses resumed normal compared to prior year.

During the Year, income tax expense was approximately RMB6.0 million (2022: approximately RMB1.1 million), which included withholding tax on dividend income of approximately RMB1.6 million (2022: approximately RMB4.7 million) and deferred tax credit of approximately RMB1.4 million (2022: deferred tax credit of approximately RMB4.3 million). Profit attributable to owners of the Company for the Year amounted to approximately RMB41.7 million (2022: loss attributable to owners of the Company amounted to approximately RMB150.9 million).

Cash flow

Cash and cash equivalents increased by approximately RMB66.4 million from approximately RMB255.0 million as at 31 December 2022 to approximately RMB321.4 million as at 31 December 2023.

Net cash of approximately RMB147.8 million was generated from operating activities during the Year. Net cash generated from investing activities amounted to approximately RMB40.5 million during the Year, of which approximately RMB70.7 million was related to the decrease in pledged time deposit and approximately RMB6.3 million was related to interest received, offset by purchase of property, plant and equipment of approximately RMB35.6 million and advance of a loan/capital injection to joint ventures of approximately RMB0.9 million. Net cash used in financing activities amounted to approximately RMB122.1 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 RMB321.4 million as at 31 December 2023 (31 December 2022: approximately RMB325.7 million). As at 31 December 2023, the Group's total assets, net current assets and net assets were approximately RMB805.7 million (31 December 2022: approximately RMB753.1 million), approximately RMB2.1 million (31 December 2022: approximately RMB17.2 million) and approximately RMB241.0 million (31 December 2022: approximately RMB245.7 million), respectively.

As at 31 December 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 31 December 2023 (31 December 2022: 10.5%).

As at 31 December 2023, the current ratio (calculated as current assets divided by current liabilities) was 1.0 (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 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 2023, 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 2023, the Group had around 3,000 employees in Hong Kong and the PRC (31 December 2022: 3,000). 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 RMB5.9 million and RMB13.8 million as at 31 December 2023 and 31 December 2022, respectively.

Charges on Group Assets

As of 31 December 2023, the Group had neither a banking facility nor pledge of assets. (2022: Banking facilities amounting to RMB25,830,000 of which RMB25,830,000 had been utilised, secured by the pledge of certain of the Group's time deposits amounting to RMB70,682,000).

Contingent Liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities (31 December 2022: Nil).

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

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

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

Compliance with Corporate Governance Code

The Board is committed to maintaining a high standard of corporate governance practices to safeguard the interests of the Company and its shareholders and to enhance corporate value and accountability. The Company has complied with all the code provisions as set out in Appendix C1 (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 C3 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. CHAN Kin Shun.

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 7 June 2024 (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 HK1.50 cents per ordinary share (2022: HK2.50 cents), payable to Shareholders whose names appear on the register of members of the Company on 14 June 2024. 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 7 June 2024, the final dividend is expected to be paid on 26 July 2024.

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 3 June 2024 to 7 June 2024 (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 31 May 2024.

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 2023 (if approved), the register of members of the Company will be closed on 14 June 2024, during which no transfer of share(s) will be effected. To be entitled to the final dividend for the year ended 31 December 2023 (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 13 June 2024.

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 issued 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, 27 March 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*