

# TARGET

## Intelligence Report

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**TANG PALACE (CHINA) HOLDINGS LTD:  
IT IS NOT A GOOD IDEA TO TRY TO PUT  
ALL YOUR EGGS IN ONE BASKET, FOLKS**

**Because Not Everything Might Be Hunky-Dory !**

For the first time in the past five Financial Years, Tang Palace (China) Holdings Ltd (唐宮[中國]控股有限公司) (Code: 1181, Main Board, The Stock Exchange of Hongkong Ltd) has, in the rowing vernacular, struck a grab.

According to Page 216 of the 2022 Annual Report of Tang Palace (China) Holdings Ltd, in respect of the 2022 Financial Year, ended December 31, the Company reported to shareholders that (a) the Company's Revenue came in at RMB941,964,000.00 (a 30.80-percent depreciation, Year-On-Year) with Management, recording (b) a 2022-Year's Net Loss of RMB152,317,000.00, a Year-On-Year loss of 480.57 percent.

Ms Weng Pei He (翁培禾), the Chairperson and an Executive Director of Tang Palace (China) Holdings Ltd, explained, at Page Seven of the 2022 Annual Report, as she saw the situation at the Company:

*'In the past three years, under the shadow of the novel coronavirus disease (the "Pandemic"), the catering industry has been severely impacted and challenged. In view of various uncertainties, in addition to the phased suspension of businesses around various places, inflation pressure on rents and labor costs, changes in consumer lifestyles and consumption behaviors, Tang Palace, relying on the customer trust, industry reputation and corporate culture accumulated in the past 30 years, has convinced us that in the face of any challenge, as long as we maintain the original mission of "making employees and customers happy," we will integrate the concept of altruistic operation into the sustainable development strategy of the Group, which will surely help us overcome difficulties... '.*

At Pages 14 and 15 of the 2022 Annual Report of the Company, under the heading, '**INDUSTRY OVERVIEW**,' followed by '**BUSINESS REVIEW**,' respectively, one was apprised of the following intelligence:

## **‘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.'*

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