



2020 INTERIM REPORT

太興集團控股有限公司

TAI HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 6811



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Wing On (*Chairman*)
Mr. Yuen Chi Ming
Mr. Lau Hon Kee
Ms. Chan Shuk Fong

Non-Executive Director

Mr. Ho Ping Kee

Independent Non-Executive Directors

Mr. Mak Ping Leung
(alias: Mak Wah Cheung)
Mr. Wong Shiu Hoi Peter
Dr. Sat Chui Wan

AUDIT COMMITTEE

Dr. Sat Chui Wan (*Chairman*)
Mr. Mak Ping Leung
(alias: Mak Wah Cheung)
Mr. Wong Shiu Hoi Peter

REMUNERATION COMMITTEE

Mr. Mak Ping Leung (*Chairman*)
(alias: Mak Wah Cheung)
Mr. Chan Wing On
Ms. Chan Shuk Fong
Mr. Wong Shiu Hoi Peter
Dr. Sat Chui Wan

NOMINATION COMMITTEE

Mr. Chan Wing On (*Chairman*)
Ms. Chan Shuk Fong
Mr. Mak Ping Leung
(alias: Mak Wah Cheung)
Mr. Wong Shiu Hoi Peter
Dr. Sat Chui Wan

COMPANY SECRETARY

Mr. Wong Kin Pong Edmond

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
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Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:

Deacons

As to Cayman Islands law:

Conyers Dill & Pearman

COMPLIANCE ADVISER

BOCOM International (Asia) Limited

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Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

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FINANCIAL HIGHLIGHTS

	Six-months ended		Change
	30 June		
	2020 (Unaudited)	2019 (Unaudited)	
Revenue (HK\$'000)	1,316,937	1,639,447	(19.7%)
Hong Kong, Macau and Taiwan	1,135,499	1,308,096	(13.2%)
Mainland China	181,438	331,351	(45.2%)
Gross profit margin (%)	70.5%	71.9%	(1.4) percentage points
Profit attributable to owners of the Company (HK\$'000)	8,405	50,276	(83.3%)
Basic earnings per share (HK cents)	0.84	6.49	(87.1%)
Number of restaurants	30 June 2020	31 December 2019	
Hong Kong	143	139	4
Mainland China	57	63	(6)
Macau	1	1	–
Taiwan	2	2	–
Total	203	205	(2)

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

The outbreak of the novel coronavirus in late 2019 (COVID-19) invariably had a detrimental effect on the Group during 1H2020, impacting its operations in Mainland China, Hong Kong, Macau and Taiwan. In Mainland China, the outbreak spurred the government to introduce public health measures across multiple provinces and municipalities following the Lunar New Year. Consequently, many of the Group's restaurants in the country were closed in February 2020, though some stores were gradually reopened in March 2020, and by April 2020, all were largely in operation, by which point sales performance had already been severely impaired however. In Hong Kong, social distancing policies implemented in April 2020 inevitably affected dine-in traffic across the city, though a surge in sales from the delivery and takeaway business helped to partly offset the impact.

Owing to the above developments, the Group's overall revenue contracted by 19.7% to HK\$1,316.9 million in 1H2020 (1H2019: HK\$1,639.4 million). While Hong Kong has continued to be the principal market of the Group, Hong Kong, Macau and Taiwan markets collectively contributed HK\$1,135.5 million in revenue in 1H2020 (1H2019: HK\$1,308.1 million), down 13.2% as compared with the same period last year. As for Mainland China, the market contributed HK\$181.4 million in revenue in 1H2020 (1H2019: HK\$331.4 million), down 45.3% as compared with 1H2019 due to the suspension of operations of most of the Group's restaurants in February 2020 and reduced customer traffics resulting from public health measures and lockdowns. However, through economy of scale achieved by operating two food factories – one in Hong Kong and one in Mainland China, as well as bulk purchase discounts obtained from suppliers, gross profit and gross profit margin recorded at HK\$928.4 million (1H2019: HK\$1,179.5 million) and 70.5% (1H2019: 71.9%) respectively. Though the Group has actively employed measures to control costs during 1H2020, some overhead costs could not be reduced in line with revenue significantly. With less revenue in 1H2020, the Group's profit attributable to owners of the Company during 1H2020 amounted to HK\$8.4 million (1H2019: HK\$50.3 million). Basic earnings per share attributable to owners of the Company were HK0.84 cent (1H2019: HK6.49 cents).

Presently, the Group's financial status remains healthy with sufficient cash and healthy operating cash inflow so as to allow it to weather the current headwinds and further its future development. As at 30 June 2020, the Group had cash and cash equivalents of HK\$629.2 million (As at 31 December 2019: HK\$711.1 million).

Measures Taken to Tackle COVID-19

Since the outbreak of COVID-19, the Group has taken swift action to mitigate its impact on operations, including the establishment of a "Committee on Emergency Management" to closely monitor market conditions and adjust its response strategies in a timely manner. It has also initiated measures to save costs and explore new income sources, including taking voluntary 20% salary cuts among executive directors and members of senior management for a period of three months, starting from 1 February 2020; offering flexible working hours so that less manpower is employed during non-peak seasons; encouraging back-office colleagues to take accumulated annual leave during off seasons; negotiating with landlords for rental reductions; seeking the most favourable terms with suppliers; and bolstering food delivery and takeaway services, including enhancing efforts in the areas of food delivery promotions and discounts on takeaway services.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE *(Continued)*

Measures Taken to Tackle COVID-19 *(Continued)*

Towards protecting the wellbeing of staff and customers alike, an “Epidemic Prevention Team” has been established to formulate relevant contingency measures. Such measures have included those aimed at drawing attention to the importance of maintaining proper hygiene among both frontline and back-office staff. In addition, efforts at keeping all restaurants clean have been redoubled, and involve the regular cleaning of carpets, door handles, dining tables, chairs and cashier counters with appropriate disinfectants. Furthermore, staff are required to wear masks (provided by the Company) when on duty, and employees and customers are required to take temperature checks before entering restaurants and the Group’s premises. Hand sanitizers are provided as well to promote good hygiene. The Group also strictly abides by the guidelines on infection control and prevention and related requirements set by the Hong Kong Government for the catering industry.

Government Subsidy and Financial Position

Following the COVID-19 outbreak, both the Hong Kong and Mainland China governments offered subsidies and relief solutions to express their support to companies and assist them in overcoming the difficult conditions. Such measures included offering preferential tax rates and postponing social security payments, which the Group believes can help in reducing existing pressure on catering companies. The Group has recognised part of such subsidies in the 1H2020 financial statement, and remaining will be reflected in the second half of the year.

OPERATING COST

Cost of Materials Consumed

The cost of materials consumed amounted to HK\$388.5 million (1H2019: HK\$460.0 million). With the operation of a Mainland China Food Factory since October 2018, coupled with contributions from the Hong Kong Food Factory, the two factories have steadily increased production output and efficiency, and allowed for greater economies of scale. Furthermore, the Group has derived benefit from larger discounts earned through bulk purchases.

Since the outbreak of COVID-19, the Group has maintained close contact with its suppliers and further negotiated with them for higher discounts or longer credit periods during this difficult juncture. Consequently, the Group has been able to effectively control food costs and mitigate fluctuations in the cost of various ingredients through timely adjustments of its menus.

Staff Costs

In the wake of COVID-19, all executive directors and members of senior management have voluntarily taken a 20% pay cut for a period of three months, commencing February 2020, in order to control costs. In addition, since March 2020, the Group has implemented flexible work arrangements. Without affecting operations, customers or service quality, staff can take leave during non-peak periods, thus optimising manpower. Consequently, staff costs declined to HK\$449.0 million in 1H2020 (1H2019: HK\$550.3 million), though the staff costs to revenue ratio slightly increased by 0.5 percentage point to 34.1% (1H2019: 33.6%) owing to a decrease in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING COST (Continued)

Rental and Related Expenses/Amortisation of Right-of-Use Assets

During 1H2020, the Group's rental and related expenses/amortisation of right-of-use assets amounted to HK\$218.3 million (1H2019: HK\$244.5 million) with related finance costs of HK\$19.7 million (1H2019: HK\$20.8 million). The Group continued to negotiate with landlords for rental reductions and the securing of transitional concessions following the COVID-19 outbreak, which helped to ease pressure on rental and related expenses.

INDUSTRY REVIEW

Hong Kong, like many parts of the world, has been severely impacted by the COVID-19 pandemic. Food and beverage and retail industries have especially suffered from the economic downturn, though the former less so as certain food and beverage items are deemed daily essentials. This has been reflected in the first quarter of 2020, during which the value of total retail sales decreased by 35.0% when compared with the same period in 2019, where sales of luxury products, including jewellery, watches and valuable gifts, which rely heavily on Mainland tourists, plummeted by 63.6%. While no less disappointing, the value of total receipts of the restaurant sector was estimated at HK\$21.7 billion in the first quarter of 2020 and HK\$21.2 billion in the second quarter of 2020, or a decrease of 31.2% and 25.9% over a year earlier respectively.

In Mainland China, after certain effective measures to contain the spread of COVID-19 in the first quarter, the local economy began to expand in the second quarter of 2020. Correspondingly, Mainland China's gross domestic product (GDP) grew by 3.2% from April through June 2020, compared with the same period last year – a sharp contrast with the first quarter when GDP contracted by 6.8% as the country struggled to deal with the COVID-19 crisis. As for the catering industry, revenue totalled RMB1,460.9 billion from January to June 2020, down by 32.8% from the corresponding period last year. However, according to National Bureau of Statistic of China, catering revenue began to recover, reaching RMB183.2 billion in March 2020 and RMB326.2 billion in June 2020, showing a 78% increase.

GEOGRAPHICAL ANALYSIS

In Hong Kong, the operating hours of many of the Group's restaurants were adjusted according to changes in customer traffic as well as government guidelines on prohibiting large group gatherings. Faced with reduced dine-in traffic due to social distancing measures, the Group placed greater effort on boosting sales from takeaway and home delivery services. Consequently, revenue from such services to total revenue for restaurant operations increased appreciably to over 30% during 1H2020, offsetting the drop in dine-in revenue.

With regard to Mainland China, many of the Group's restaurants suspended operations temporarily in February 2020 due to measures imposed by local governments to curb COVID-19. Though most of the Group's restaurants gradually reopened in March 2020, dine-in traffic nonetheless remain affected. Still, certain high-growth brands that cater for the mass market performed encouragingly, including "Men Wah Bing Teng". To capitalise on this favourable trend, the Group opened three more restaurants under the "Men Wah Bing Teng" brand in the country during 1H2020.

In Taiwan, reduced visitors due to travel restrictions invariably affected the two "Tai Hing" restaurants on the island, despite being situated in prime tourist locations. Moreover, as the restaurants only commenced operation in 2019, their revenue contributions had yet to be fully realised.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENT ANALYSIS

“Tai Hing” is a multi-brand casual dining restaurant group rooted in Hong Kong, with a market presence stretching over 30 years. Apart from its flagship “Tai Hing (太興)” brand, the Group has continued to expand its brand portfolio, comprising self-developed brands and acquired and licensed brands. Presently, this portfolio includes “TeaWood (茶木)”, “Trusty Congee King (靠得住)”, “Men Wah Bing Teng (敏華冰廳)”, “Phở Lê (錦麗)”, “Tokyo Tsukiji (東京築地食堂)”, “Fisher & Farmer (漁牧)”, “Rice Rule (飯規)”, “Hot Pot Couple (夫妻沸片)”, “King Fong Bing Teng (瓊芳冰廳)”, “Asam Chicken Rice (亞參雞飯)” and “Daocheng (稻埕飯店)”, bringing even more choices to customers. As at 30 June 2020, the Group had a network of 203 restaurants (as at 31 December 2019: 205 restaurants) in Hong Kong, Mainland China, Macau and Taiwan.

With regard to the Group’s “Tai Hing” signature brand, it has continued to generate stable revenue. True to its stature and maturity – with over 30 years of operating experience in Hong Kong and more than 15 years in Mainland China, “Tai Hing” has continued to be a key revenue contributor of the Group. During 1H2020, revenue totalling HK\$692.6 million (1H2019: HK\$986.8 million) was generated by the brand, which accounted for 52.6% of the Group’s total revenue. “Tai Hing” is an established name in the mass market, with the majority of its restaurants found in shopping malls or situated in well-populated communities, thus allowing it to satisfy strong household demand, particularly with the rising “work-from-home” trend.

As regards the “Men Wah Bing Teng” operation, it has remained a source of optimism for the Group, having outperformed the market during 1H2020. Representing one of its high-growth brands, the warm welcome that “Men Wah Bing Teng” received has translated into significant revenue growth of 85.6% to HK\$211.2 million (1H2019: HK\$113.8 million). It has become the second largest revenue contributor to the Group in 1H2020, and accounting for 16.0% (1H2019: 6.9%) of the Group’s total revenue in 1H2020. Owing to the observance of an affordable pricing strategy, “Men Wah Bing Teng” is popular among both Hong Kong and Mainland China customers, enabling it to be more resilient to the weak market sentiment than many of its peers. What is more, “Men Wah Bing Teng” has been ranked first in the “Cantonese Cuisine Ranking” and “The Most Popular Cuisine Ranking” in Hangzhou by Dianping.com (大眾點評), a testament to the successful development of “Men Wah Bing Teng” in Mainland China despite only opening the first restaurant in the country back in July last year. Consequently, the Group proceeded with the opening of four and three stores in Hong Kong and Mainland China respectively in 1H2020. To maintain its outstanding performance, the Group will further promote “Men Wah Bing Teng” in the Greater Bay Area as well as other potential markets, thus making Hong Kong’s traditional “bing sutt (冰室)” featuring Western-style fast food snacks a top choice among even more members of the general public.

“TeaWood” has remained as the top three revenue contributor of the Group, generating HK\$204.9 million (1H2019: HK\$274.7 million) in revenue, accounting for 15.6% (1H2019: 16.8%) of the Group’s total revenue in 1H2020. The Group will continue to respectively adjust the menus of its brand portfolio, implement marketing campaigns and strategies, and enhance the “T-Factory” mobile application to satisfy ever-changing consumption patterns. With reference to “Phở Lê” – a Vietnam beef noodle specialist introduced by the Group in 2017, it has continued to upgrade its menu to offer more options to customers. During 1H2020, “Phở Lê” was able to record revenue of HK\$51.6 million (1H2019: HK\$67.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENT ANALYSIS (Continued)

Having introduced several new brands in the preceding financial year, the Group is delighted to see that “Asam Chicken Rice”, which premiered in Central, Hong Kong, has received favourable market response; successfully capturing the interest of office workers in the district, particularly their strong demand for takeaway orders. “Asam Chicken Rice” provides Southeast Asian cuisine, such as Hainanese Chicken Rice, Singaporean Laksa, Penang Shrimp Noodles as well as Beef Rendang. During 1H2020, the Group opened two more “Asam Chicken Rice” restaurants in Hong Kong, located principally in core business districts, to cater for the dining needs of the respective locations.

Outside of its catering interests, the Group is also involved in canned products. In 1H2020, the Group launched six products, comprising braised pork with preserved vegetables, curry beef brisket, minced beef, meat sauce with mushroom, curry chicken, and spiced pork cubes. Since entering the market in April 2020, the products have received overwhelmingly favourable response, with the first batch of canned food products manufactured from the Group’s factories selling out quickly. The Group will explore more options, covering both food and beverages, as it planned to introduce a second assortment of canned food products to the market in the second half of 2020.

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE, EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES AND OTHERS

Liquidity and Financial Resources

The principal sources of funds for the Group are through a combination of internally generated cash flows, bank borrowings and proceeds received from Listing. As at 30 June 2020, the Group’s cash and cash equivalents were approximately HK\$629.2 million (31 December 2019: approximately HK\$711.1 million). Majority of the bank deposits and cash were denominated in Hong Kong dollars and Renminbi. The additional funds raised from Listing would be used for implementing the future expansion plan.

As at 30 June 2020, the Group’s total current assets and current liabilities were approximately HK\$872.1 million (31 December 2019: approximately HK\$925.5 million) and approximately HK\$1,074.2 million (31 December 2019: approximately HK\$1,137.0 million), respectively, while the current ratio of the Group (calculated by dividing total current assets by total current liabilities at the end of respective periods) was approximately 0.8 times (31 December 2019: approximately 0.8 times).

The Group had interest-bearing bank borrowings of approximately HK\$286.5 million as at 30 June 2020 (31 December 2019: approximately HK\$307.5 million). The interest-bearing bank borrowings were secured, denominated in Hong Kong dollars and Renminbi and subject to floating rate basis. During the six-month period ended 30 June 2020, there were no financial instruments used for hedging purposes.

As at 30 June 2020, the gearing ratio of the Group (calculated by dividing the interest-bearing bank borrowings by equity attributable to owners of the Company) was approximately 29.9% (31 December 2019: approximately 31.8%).

Foreign Currency Risk

The Group’s revenue and costs are mostly denominated in Hong Kong dollars and Renminbi. The change in value of the Renminbi against the Hong Kong dollars may fluctuate and is affected by changes in China’s political and economic conditions. The appreciation or devaluation of the Renminbi against Hong Kong dollars may affect the Group’s results. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. The Group will continue to closely monitor the foreign currency exposure and take appropriate measures to minimize the risk when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE, EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES AND OTHERS *(Continued)*

Contingent Liabilities

As at 30 June 2020, the Group had contingent liabilities of approximately HK\$33.4 million (31 December 2019: approximately HK\$23.6 million) in respect of bank guarantees given in favour of the landlords in lieu of rental deposits.

CHARGE ON GROUP ASSETS

As at 30 June 2020, the Group had certain property, plant and equipment and right-of-use assets with an aggregate net carrying value of approximately HK\$260.7 million (31 December 2019: HK\$262.6 million) was pledged to secure the bank borrowings granted to the Group.

MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed herein, for the six months ended 30 June 2020, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

EMPLOYEES

The Group had approximately 6,400 employees as at 30 June 2020. The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2020 and up to the date of this report.

PROSPECTS AND BUSINESS STRATEGIES

With a business history stretching over three decades, Tai Hing has undergone numerous economic cycles. In every instance, it has been able to prevail by leveraging an experienced and farsighted management team and a well-established multi-brand strategy. The management trusts that the Group can maintain this track record while also breaking new business ground through prudent development strategies. It will therefore make good use of current opportunities to review internal operations and production processes so as to lay a solid foundation for long-term development. At the same time, the management will leverage the Group's healthy position to further optimise its restaurant network and brand portfolio according to different market needs.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND BUSINESS STRATEGIES (Continued)

In the wake of COVID-19, the “home meal” trend has gathered momentum, driving demand for delivery and takeaway services. In this regard, the Group will redouble efforts to advance relevant businesses going forward. It will also continue co-operating with leading third-party food ordering platforms, both in Hong Kong and Mainland China, to increase its stake in the food delivery business. Having taken steps at bolstering the delivery operation in 2019, such steps highlight the Group’s optimism towards this business, particularly its capacity to address the rise in takeaway food orders driven by the coronavirus. To further sharpen its competitiveness, the Group will enhance its takeaway food business via different platforms not only offering convenience to customers, but also allows the Group to benefit from customer data collection, leading to the early detection of emerging trends and the prompt and effective adjustment of menus and marketing campaigns. Still another means of capitalising on the “home meal” trend will involve the Group’s canned food and beverage products. The Group will develop an even greater array of appealing products that suit the takeaway and delivery business, resulting in the effective tapping of this burgeoning segment.

Though the overall catering business has been affected by COVID-19, the Group as aforementioned, will use the opportunity to optimise its restaurant network through consolidation and relevant expansion. With the Group’s multi-brand business model and over 30 years of operating experience, it is well recognised by many landlords as a respected restaurant operator. Such respect and understanding has been rewarded with more preferential rental offers in view of the currently poor economic climate. What is more, the Group has been invited to open establishments in core shopping districts and high-traffic residential shopping malls, all of which will be carefully considered based on such factors as population density, local retail and business attractions, demographics, consumption patterns, etc. In this way, the Group can open suitable brands at the opportune time and location to meet customers’ tastes, all the while generating the best returns to the Group and its shareholders.

As the Group’s multi-brand strategy has been fundamental to its success, it will continue to introduce new brands in both Hong Kong and Mainland China according to market trends and customers’ needs. In Hong Kong, the Group will continue to introduce brands that target the masses, hence will offer food at affordable prices complemented by takeaway and delivery services. By end of August 2020, the Group has opened a new restaurant in Whampoa under the new brand name “White Little (小白條)”. The specialty restaurant serves wholesome, handmade and stone-milled rice noodles that are made fresh daily. “White Little” holds the potential to become another popular brand name among office workers in the district, particularly in meeting their takeaway food needs. With regard to Mainland China, the Group has opened a new restaurant in Shenzhen in early August 2020 under the new brand name “Winter Joy (冬悦)”. The restaurant specialises in Taiwanese-style spicy hotpot, hence is set to seize opportunities arising from the highly popular “Hot Pot Culture” in the country. The Group plans to introduce more new brands to the local market to attract a wider spectrum of food lovers, especially those seeking to broaden their cuisine horizons. And since the pandemic also presents the Group with opportunities for overseas expansion, it will duly explore both self-operation and partnership opportunities, as well as untapped geographical locations.

The Group will also further optimise manpower and its automated machineries deployment at the restaurant level in order to reduce the waiting time for the takeaway and delivery business, which is an area that the Group views highly favourably owing to strong demand and long-term development prospects. What is more, with growing concerns about food hygiene since COVID-19, the automated food processing equipment represents an important means of ensuring food safety. Worth noting as well that the Group’s Food Factory in Dongguan, Mainland China, has been operating at a high level of automation since opening in October 2018. The Group will continue to increase efficiency and capacity in order to meet rising demand for consistently high-quality food, and thus play an even greater role not only in meeting demand from the Group’s local restaurants, but also in providing additional income through the production of canned food products.

INDEPENDENT REVIEW REPORT



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To the board of directors of
Tai Hing Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 34, which comprises the condensed consolidated statement of financial position of Tai Hing Group Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

27 August 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	4	1,316,937	1,639,447
Cost of materials consumed		(388,549)	(459,991)
Gross profit		928,388	1,179,456
Other income and gains, net	4	39,077	7,812
Staff costs		(448,972)	(550,330)
Depreciation and amortisation		(78,234)	(76,234)
Amortisation of right-of-use assets, rental and related expenses		(218,279)	(244,518)
Other operating expenses, net		(183,153)	(194,353)
Finance costs	6	(24,698)	(29,188)
Listing expenses		–	(18,016)
PROFIT BEFORE TAX	5	14,129	74,629
Income tax expense	7	(6,595)	(24,355)
PROFIT FOR THE PERIOD		7,534	50,274
Profit for the period attributable to:			
Owners of the Company		8,405	50,276
Non-controlling interests		(871)	(2)
		7,534	50,274
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	9	HK0.84 cent	HK6.49 cents
Diluted	9	HK0.84 cent	HK6.48 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	7,534	50,274
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(3,778)	(1,138)
Reclassification adjustment for foreign operations deregistered during the period	–	(1,093)
	(3,778)	(2,231)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	3,756	48,043
Attributable to:		
Owners of the Company	4,594	48,045
Non-controlling interests	(838)	(2)
	3,756	48,043

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment and right-of-use assets	10	2,074,627	2,283,539
Investment properties		36,472	29,945
Intangible assets		1,089	1,167
Prepayments, deposits and other receivables		131,536	143,425
Deferred tax assets		20,752	21,174
Total non-current assets		2,264,476	2,479,250
CURRENT ASSETS			
Inventories		64,975	77,097
Trade receivables	11	24,050	24,503
Prepayments, deposits and other receivables		132,291	112,076
Tax recoverable		21,537	744
Cash and cash equivalents		629,235	711,079
Total current assets		872,088	925,499
CURRENT LIABILITIES			
Trade payables	12	85,631	120,611
Other payables and accruals		242,238	216,424
Contract liabilities		53,467	83,897
Interest-bearing bank borrowings		159,365	137,613
Lease liabilities		516,468	550,065
Tax payable		17,051	28,343
Total current liabilities		1,074,220	1,136,953
NET CURRENT LIABILITIES		(202,132)	(211,454)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,062,344	2,267,796

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Lease liabilities		930,413	1,081,188
Other payables and accruals		33,226	37,325
Interest-bearing bank borrowings		127,188	169,849
Deferred tax liabilities		8,544	8,580
Total non-current liabilities		1,099,371	1,296,942
Net assets		962,973	970,854
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	10,000	10,000
Reserves		949,678	956,721
Non-controlling interests		959,678	966,721
		3,295	4,133
Total equity		962,973	970,854

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

For the six months ended 30 June 2020

	Attributable to owners of the Company										
	Issued capital	Share premium	Capital reserve	Asset revaluation reserve	Exchange fluctuation reserve	Statutory reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020 (audited)	10,000	713,488	118,643	5,207	(28,518)	7,246	2,180	138,475	966,721	4,133	970,854
Profit for the period	-	-	-	-	-	-	-	8,405	8,405	(871)	7,534
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	(3,811)	-	-	-	(3,811)	33	(3,778)
Total comprehensive income for the period	-	-	-	-	(3,811)	-	-	8,405	4,594	(838)	3,756
Final 2019 dividends declared	-	-	-	-	-	-	-	(18,000)	(18,000)	-	(18,000)
Equity-settled share option arrangement (note 14(a))	-	-	-	-	-	-	6,363	-	6,363	-	6,363
At 30 June 2020 (unaudited)	10,000	713,488*	118,643*	5,207*	(32,329)*	7,246*	8,543*	128,880*	959,678	3,295	962,973

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

For the six months ended 30 June 2019

	Attributable to owners of the Company										
	Issued capital	Share premium	Capital reserve	Asset revaluation reserve	Exchange fluctuation reserve	Statutory reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (audited)	1	-	118,643	576	(15,789)	6,455	-	111,158	221,044	-	221,044
Profit for the period	-	-	-	-	-	-	-	50,276	50,276	(2)	50,274
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	(1,138)	-	-	-	(1,138)	-	(1,138)
Release of exchange reserve upon liquidation of a subsidiary	-	-	-	-	(1,093)	-	-	-	(1,093)	-	(1,093)
Total comprehensive income for the period	-	-	-	-	(2,231)	-	-	50,276	48,045	(2)	48,043
Issue of new shares pursuant to the capitalisation (note 13(b))	7,499	(7,499)	-	-	-	-	-	-	-	-	-
New shares issued pursuant to the share offer (note 13(c))	2,500	747,500	-	-	-	-	-	-	750,000	-	750,000
Share issuance cost	-	(26,513)	-	-	-	-	-	-	(26,513)	-	(26,513)
Equity-settled share option arrangement (note 14(a))	-	-	-	-	-	-	4,223	-	4,223	-	4,223
Contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	1,946	1,946
Special dividends (note 8)	-	-	-	-	-	-	-	(40,000)	(40,000)	-	(40,000)
At 30 June 2019 (unaudited)	10,000	713,488	118,643	576	(18,020)	6,455	4,223	121,434	956,799	1,944	958,743

* These reserve accounts comprise the consolidated reserves of HK\$949,678,000 (31 December 2019: HK\$956,721,000) in the condensed consolidated statements of financial position.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	297,365	294,715
Hong Kong profits tax paid	(39,160)	(7,261)
Overseas tax refunded/(paid)	506	(2,347)
Net cash flows from operating activities	258,711	285,107
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5,048	455
Purchases of items of property, plant and equipment and right-of-use assets	(66,671)	(93,426)
Purchase of investment properties	(7,106)	–
Purchase of intangible assets	–	(743)
Proceeds from disposal of items of property, plant and equipment	3,488	4,213
Proceeds from disposal of financial assets at fair value through profit or loss	–	955
Net cash flows used in investing activities	(65,241)	(88,546)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares, net of expenses	–	723,487
New bank borrowings	25,474	30,000
Repayment of bank borrowings	(46,394)	(57,241)
Principal portion of lease payments	(253,090)	(167,061)
Interest paid on bank borrowings	(4,985)	(8,366)
Dividends paid	–	(40,000)
Contribution from a non-controlling shareholder of a subsidiary	–	1,946
Net cash flows from/(used in) financing activities	(278,995)	482,765
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(85,525)	679,326
Cash and cash equivalents at beginning of period	711,079	242,162
Effect of foreign exchange rate changes, net	3,681	(568)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	629,235	920,920
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	250,236	220,920
Non-pledged time deposits with original maturity of less than three months when acquired	378,999	700,000
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	629,235	920,920

NOTES TO INTERIM FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 11 December 2017. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 13/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong.

The Company is an investment holding company. During the reporting periods, the subsidiaries now comprising the Group were engaged in the operation and management of restaurants and sale of food product.

In the opinion of the directors of the Company (the "Directors"), Chun Fat Company Limited ("Chun Fat"), a company incorporated in the British Virgin Islands (the "BVI") on 30 November 2017, is the immediate and ultimate holding company of the Company. The controlling shareholders of the Company and its subsidiaries are Mr. Chan Wing On, Mr. Yuen Chi Ming, Mr. Lau Hon Kee and Mr. Ho Ping Kee (the "Controlling Shareholders") immediately before and after the Reorganisation. Details of the Reorganisation are set out in the prospectus dated 30 May 2019 issued by the Company (the "Prospectus").

On 13 June 2019, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange and the Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial information does not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

The unaudited condensed consolidated interim financial information has been prepared under the historical cost convention and is presented in Hong Kong dollars ("HK\$") and all values are rounded to nearest thousand except when otherwise indicated.

2.2 BASIS OF PRESENTATION

As at 30 June 2020, the Group had net current liabilities of HK\$202,132,000 which included the current portion of lease liabilities of HK\$516,468,000. The Directors believe that the Group has sufficient cash flows from operations to meet its liabilities as and when they fall due. Therefore, the consolidated financial statements are prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect to these adjustments has not been reflected in the consolidated financial statements.

NOTES TO INTERIM FINANCIAL INFORMATION

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Other than as explained below regarding the impact of Amendment to HKFRS 16 *COVID-19-Related Rent Concessions*, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated interim financial information. The nature and impact of the new and revised HKFRSs are described below:

Amendment to HKFRS 16 COVID-19-Related Rent Concessions

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's restaurants have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted Amendment to HKFRS 16 on 1 January 2020 and elected not to apply lease modification accounting for all COVID-19 pandemic rent concessions granted by the lessors during the period ended 30 June 2020. Accordingly, COVID-19-related rent concessions of HK\$39,056,000 have been accounted for as a reduction in the variable lease payments by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020, and was included in "Amortisation of right-of-use assets, rental and related expenses in the consolidated statement of profit or loss".

NOTES TO INTERIM FINANCIAL INFORMATION

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the operation and management of restaurants.

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

- (i) the Hong Kong, Macau and Taiwan segment is engaged in the operation of restaurants, and sale of food products; and
- (ii) the Mainland China segment is engaged in the operation of restaurants, and sale of food products.

Management monitors the results of the Group's 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 before tax except that intersegment results, finance costs other than interest on lease liabilities, and listing expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, intangible assets and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

NOTES TO INTERIM FINANCIAL INFORMATION

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

For the periods ended 30 June 2020 and 2019

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment revenue						
Sales to external customers*	1,135,499	1,308,096	181,438	331,351	1,316,937	1,639,447
Intersegment sales	–	–	22,845	16,094	22,845	16,094
Revenue	1,135,499	1,308,096	204,283	347,445	1,339,782	1,655,541
<i>Reconciliation:</i>						
Elimination of intersegment sales					(22,845)	(16,094)
					1,316,937	1,639,447
Segment results**	71,296	106,139	(51,779)	(5,118)	19,517	101,021
Elimination of intersegment results					(403)	–
Finance costs (other than interest on lease liabilities)**					(4,985)	(8,376)
Listing expenses					–	(18,016)
Profit before tax					14,129	74,629

* The revenue information above is based on the locations of the customers.

** The segment results in the prior period have been restated to take into account of the interest on lease liabilities to conform with the current period presentation.

NOTES TO INTERIM FINANCIAL INFORMATION

3. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

As at 30 June 2020 and 31 December 2019

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,775,765	1,877,182	688,186	793,403	2,463,951	2,670,585
<i>Reconciliation:</i>						
Corporate and other unallocated assets					672,613	734,164
Total assets					3,136,564	3,404,749
Segment liabilities	1,395,493	1,511,198	465,950	578,312	1,861,443	2,089,510
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities					312,148	344,385
Total liabilities					2,173,591	2,433,895

Information about major customers

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

NOTES TO INTERIM FINANCIAL INFORMATION

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers		
(i) Disaggregated revenue information		
Types of goods or services		
Revenue from restaurant operations	1,278,225	1,591,687
Revenue from the sale of food products	38,712	47,760
Total revenue from contracts with customers	1,316,937	1,639,447
Geographical markets		
Hong Kong, Macau and Taiwan	1,135,499	1,308,096
Mainland China	181,438	331,351
Total revenue from contracts with customers	1,316,937	1,639,447
Timing of revenue recognition		
At a point in time	1,316,937	1,639,447

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue recognised that was included in the contract liabilities at the beginning of the period – Restaurant operations	50,446	39,662

NOTES TO INTERIM FINANCIAL INFORMATION

4. REVENUE, OTHER INCOME AND GAINS, NET *(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 and credit card settlement. The credit period is generally less than one month.

Sale of food products

The performance obligation is satisfied upon acceptance of the products by the customers with immediate payment. The Group's trading terms with its customers are mainly on cash, credit card settlement and on credit. The credit period is generally one to two months.

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Other income and gains, net		
Bank interest income	5,048	455
Rental income	542	180
Royalty income	780	2,750
Subsidies received from utility companies for purchases of items of property, plant and equipment*	1,489	1,384
Government grants*	29,337	175
Fair value gain on equity investments at fair value through profit or loss	–	104
Gain on deregistration of a subsidiary	–	1,093
Others	1,881	1,671
	39,077	7,812

* As at the end of each reporting period, there were no unfulfilled conditions or other contingencies attaching to the subsidies and government grants that had been recognised by the Group.

NOTES TO INTERIM FINANCIAL INFORMATION

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cost of materials consumed	388,549	459,991
Depreciation of items of property, plant and equipment	78,156	76,157
Amortisation of intangible assets	78	77
Amortisation of right-of-use assets*	216,449	160,323
Impairment of items of property, plant and equipment****	5,180	–
Impairment of right-of-use assets****	612	–
Minimum lease payments under operating leases*	4,024	37,924
Contingent rents under operating leases*	3,213	6,384
Employee benefit expenses (including directors' and chief executive's remuneration):		
Salaries, allowances and benefits in kind***	421,257	511,565
Equity-settled share option expenses	6,363	4,223
Pension scheme contributions	21,352	34,542
	448,972	550,330
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment property	14	67
Foreign exchange differences, net**	1,601	593
Loss on disposal of items of property, plant and equipment****	14,623	333
Fair value gain on financial assets at fair value through profit or loss	–	(104)
Listing expenses	–	18,016
Utilities expenses****	50,272	61,551
Packing and consumables****	24,130	24,493
Cleaning expenses****	17,671	20,010
Transportation and logistics****	12,185	17,989

* These items are included in "Amortisation of right-of-use assets, rental and related expenses" in profit or loss after netting off certain rent concessions.

** Foreign exchange differences, net are included in "Other income and gains, net" in profit or loss.

*** This item is net of employment support scheme subsidies from HKSAR Government and is included in "Staff costs" in profit or loss.

**** Impairment and loss on disposal of items of property, plant and equipment, impairment of right-of-use assets, utilities expenses, packing and consumables, cleaning expenses and transportation and logistics are included in "Other operating expenses, net" in profit or loss.

NOTES TO INTERIM FINANCIAL INFORMATION

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on bank borrowings	4,985	8,376
Interest on lease liabilities	19,713	20,812
	24,698	29,188

7. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2020 (2019: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) assessable profits of that subsidiary is taxed at 8.25% and the remaining assessable profits is taxed at 16.5%.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/ jurisdiction in which the Group operates.

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current – Hong Kong Charge for the period	6,763	22,725
Current – Elsewhere Charge for the period	218	2,125
Deferred tax	(386)	(495)
Total tax charge for the period	6,595	24,355

NOTES TO INTERIM FINANCIAL INFORMATION

8. DIVIDEND

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interim dividends declared after the end of the reporting period – HK1.30 cents (2019: HK3.24 cents) per ordinary share	13,000	32,428

During the six months ended 30 June 2019, in April 2019 and May 2019, special dividends of HK\$20,000,000 and HK\$20,000,000, respectively, were declared and paid by the Company to the then shareholders prior to the listing of the shares of the Company.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount for the period ended 30 June 2020 is based on the profit for the period attributable to owners of the Company of HK\$8,405,000 (2019: HK\$50,276,000) and the weighted average number of ordinary shares in issue of 1,000,000,000 (2019: 774,861,878).

The calculation of diluted earnings per share amount for the period ended 30 June 2020 is based on the profit for the period attributable to owners of the Company of HK\$8,405,000 (2019: HK\$50,276,000). The weighted average number of ordinary shares used in the calculation is 1,000,000,000 (2019: 774,861,878) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of 4,204,965 (2019: 1,175,831) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

For the six months ended 30 June 2020, the Group acquired property, plant and equipment and right-of-use assets of approximately HK\$61 million (six months ended 30 June 2019: approximately HK\$93 million) and had non-cash additions of right-of-use assets of HK\$104 million (six months ended 30 June 2019: approximately HK\$325 million).

As at 30 June 2020, the Group had certain property, plant and equipment and right-of-use assets with an aggregate net carrying amount of HK\$260.7 million (31 December 2019: HK\$262.6 million) which were pledged to secure bank borrowings granted to the Group.

As at 30 June 2020, the Group's management identified certain restaurants which continued to underperform and the estimated corresponding recoverable amounts of their right-of-use assets. Based on these estimates, impairment losses of HK\$5,180,000 and HK\$612,000 were recognised to write down the carrying amounts of these items of property, plant and equipment and right-of-use assets to their recoverable amount of nil as at 30 June 2020, respectively. The recoverable amount of the items of property, plant and equipment and right-of-use assets are determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining lease terms plus the anticipated renewal period approved by senior management. The pre-tax discount rate applied for the cash flow projection was 13%.

NOTES TO INTERIM FINANCIAL INFORMATION

11. TRADE RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade receivables	24,050	24,503

The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally a few days to two months. 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	17,545	18,356
1 to 2 months	3,284	4,418
2 to 3 months	835	287
Over 3 months	2,386	1,442
	24,050	24,503

NOTES TO INTERIM FINANCIAL INFORMATION

12. TRADE PAYABLES

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	71,793	82,969
1 to 2 months	10,484	22,409
2 to 3 months	370	4,781
Over 3 months	2,984	10,452
	85,631	120,611

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
As at 1 January 2019	38,000,000	380
Increase of authorised share capital with par value of HK\$0.01 each on 22 May 2019 (<i>Note a</i>)	9,962,000,000	99,620
As at 31 December 2019, 1 January 2020 and 30 June 2020	10,000,000,000	100,000

NOTES TO INTERIM FINANCIAL INFORMATION

13. SHARE CAPITAL (Continued)

	Number of shares	Share capital HK\$'000
Issued and fully paid:		
As at 1 January 2019	100,000	1
Capitalisation of shares (Note b)	749,900,000	7,499
Shares issued pursuant to the share offer (Note c)	250,000,000	2,500
As at 31 December 2019, 1 January 2020 and 30 June 2020	1,000,000,000	10,000

Notes:

- (a) On 22 May 2019, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 additional shares, each ranking pari passu in all respects with the Company's shares then in issue.
- (b) Pursuant to the written resolutions passed on 22 May 2019, the directors were authorised to capitalise a sum of HK\$7,499,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 749,900,000 ordinary shares of the Company upon the listing of the Company on the Main Board of the Stock Exchange on 13 June 2019.
- (c) The Company's shares were listed on the Main Board of the Stock Exchange on 13 June 2019, and 250,000,000 ordinary shares were issued at HK\$3.0 per share on 13 June 2019 in connection with the listing of the shares of the Company.

NOTES TO INTERIM FINANCIAL INFORMATION

14. SHARE OPTION SCHEMES

(a) Pre-IPO share option scheme

The Company operates a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Pre-IPO Share Option Scheme include senior management and employees of the Group. The Pre-IPO Share Option Scheme was approved and conditionally adopted by the shareholders of the Company on 22 May 2019 and, unless otherwise cancelled or amended, will remain in force for 10 years from the effective date of the Pre-IPO Share Option Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings of the Company.

There were 6,375,000 outstanding share options under the Pre-IPO share Option Scheme as at 30 June 2020. During the six months ended 30 June 2020, the Group recognised equity-settled share option expenses of approximately HK\$6,363,000 in staff costs in the consolidated statement of profit or loss.

(b) Post-IPO share option scheme

The Company operates a post-IPO share option scheme (the “Post-IPO Share Option Scheme”) for the purpose of motivating eligible persons to optimise their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain ongoing relationships with such eligible persons whose contributions are expected to be/will be beneficial to the Group. The Post-IPO Share Option Scheme was approved and conditionally adopted by the shareholders of the Company on 22 May 2019 and, unless otherwise cancelled or amended, will remain in force for 10 years commencing on the effective date of the Post-IPO Share Option Scheme.

No share options have been granted under the Post-IPO Share Option Scheme since it became effective. Therefore, no share options were exercised or cancelled or lapsed during the current period and no share options were outstanding under the Post-IPO Share Option Scheme as at 30 June 2020.

NOTES TO INTERIM FINANCIAL INFORMATION

15. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Contracted, but not provided for:		
Leasehold improvements and plant and machinery	22,827	25,274
Capital contribution payable to a subsidiary	2,684	–
	25,511	25,274

16. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the unaudited interim condensed consolidated financial information, the Group had the following transactions with related parties during the period:

	Six months ended 30 June 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Rental expenses paid to related companies	2,779	6,101

Rental expenses paid to related companies were paid for properties leased from related companies for restaurant operations and staff quarters based on rates and terms determined between the parties, which approximated to market rates. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

NOTES TO INTERIM FINANCIAL INFORMATION

16. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Short-term employee benefits	8,262	10,443
Post-employment benefits	62	94
	8,324	10,537

17. CONTINGENT LIABILITIES

As at 30 June 2020, the Group had contingent liabilities of HK\$33,424,000 (31 December 2019: HK\$23,618,000) in respect of bank guarantees given in favour of the landlords in lieu of rental deposits.

18. EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of COVID-19 in late 2019, the Mainland China and the Hong Kong Government have implemented a series of precautionary and control measures which have certain impact on the business and economic activities in the Mainland China and in Hong Kong.

The Group will monitor the development of the COVID-19 situation closely, assess and react actively to its impacts on the financial position and the operating results of the Group.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK1.30 cents per share for the six months ended 30 June 2020 payable to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Thursday, 15 October 2020. The dividend warrants of the interim dividend are expected to be despatched to the Shareholders on or before Thursday, 5 November 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended 30 June 2020, the register of members of the Company will be closed from Tuesday, 13 October 2020 to Thursday, 15 October 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend for the six months ended 30 June 2020, all transfer forms duly accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 12 October 2020.

USE OF NET PROCEEDS FROM LISTING

The Company successfully listed its shares on the Stock Exchange on 13 June 2019 (the "Listing Date") and issued a total of 250,000,000 ordinary shares of the Company by way of share offer at the offer price of HK\$3.00 on Listing. The net proceeds from the share offer in association with the Listing amounted to HK\$694.5 million.

The use of the net proceeds from the Listing Date to 30 June 2020 was as follows:

Use of net proceeds	Percentage of net proceeds	Net proceeds (in HK\$ million)	Amount utilised (in HK\$ million)	Amount remaining (in HK\$ million)	Expected timeline for utilization of the unused net proceeds
Opening new restaurants in Hong Kong and Mainland China	44.0%	305.6	95.7	209.9	On or before 31 December 2022
Enhancement and expansion of food factories in Hong Kong and Mainland China	35.0%	243.0	36.2	206.8	On or before 31 December 2023
Renovation of existing restaurants in Hong Kong and Mainland China	11.0%	76.4	24.8	51.6	On or before 31 December 2022
Additional working capital and other general corporate purposes	10.0%	69.5	69.5	0.0	
Total	100.0%	694.5	226.2	468.3	

By gradually implementing its business strategy of continuously developing of the brand portfolio, the Group has been expanding its restaurant network and renovating the existing restaurants in Hong Kong and Mainland China, while the net proceeds from the Listing allocated for such purpose has been utilised accordingly. In light of the persistently uncertain business environment and the outbreak of the COVID-19 pandemic, barring any unforeseen situations beyond the Group's control, it is expected that the unused net proceeds of approximately HK\$209.9 million for the opening of new restaurants and approximately HK\$51.6 million for the renovation of existing restaurants in Hong Kong and Mainland China as at 30 June 2020 will be fully utilised on or before 31 December 2022.

As of the date of this report, the Directors are not aware of any material change to the planned use of the proceeds as disclosed in the section under "Future Plans and Use of Proceeds" in the Prospectus.

OTHER INFORMATION

SHARE OPTION SCHEMES

The Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme of the Company (the “Share Option Schemes”) were approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 22 May 2019 (the “Adoption Date”) for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group.

The principal terms of the Share Option Schemes are set out in “Appendix V (Statutory and General Information – D. Share Option Schemes)” to the Prospectus. Since the Adoption Date and up to 30 June 2020, no share options of the Company were granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme, and there were 6,375,000 outstanding share options of the Company under the Pre-IPO Share Option Scheme as at 30 June 2020.

As at 30 June 2020, the movements of share options granted by the Company under the Pre-IPO Share Option Scheme are as follows:

Participants	Date of grant	Exercise price per share (HK\$)	Outstanding as at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2020	Exercise period
Senior Management									
Mr. Wong Kin Pong Edmond	22 May 2019	0.45	600,000	–	–	–	–	600,000	Notes
Ms. Zhou Yuewu	22 May 2019	0.45	600,000	–	–	–	–	600,000	Notes
Other Grantees									
Employees	22 May 2019	0.45	5,175,000	–	–	–	–	5,175,000	Notes
Total for the Pre-IPO Share Option Scheme			6,375,000	–	–	–	–	6,375,000	

Notes:

- (i) five years from the relevant exercisable date.
- (ii) no share options granted under the Pre-IPO Share Option Scheme shall become vested or exercisable before the first anniversary date of the Listing Date.
- (iii) on the first anniversary of the Listing Date (the “First Exercisable Date”), 30% of the Pre-IPO Share Options (the “First Batch Options”) granted to any individual grantee has become vested and exercisable by such grantee, and all unexercised First Batch Options shall lapse and be deemed as cancelled and voided on the fifth anniversary date of the First Exercisable Date.
- (iv) on the second anniversary of the Listing Date (the “Second Exercisable Date”), a further 30% of the Pre-IPO Share Options (the “Second Batch Options”) granted to any individual grantee shall become vested and exercisable by such grantee, and all unexercised Second Batch Options shall lapse and be deemed as cancelled and voided on the fifth anniversary date of the Second Exercisable Date.
- (v) on the third anniversary of the Listing Date (the “Third Exercisable Date”), the remaining 40% of the Pre-IPO Share Options (the “Third Batch Options”) granted to any individual grantee shall become vested and exercisable by such grantee, and all unexercised Third Batch Options shall lapse and be deemed as cancelled and voided on the fifth anniversary date of the Third Exercisable Date.

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30 June 2020, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the “SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

Long Position in the shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of issued ordinary shares (Note (i))
Mr. Chan Wing On ("Mr. Chan")	Interest of controlled corporation	538,449,500 (Note (ii))	53.84%
	Interest of spouse	965,000 (Note (ii))	0.09%
Ms. Chan Shuk Fong ("Ms. Chan")	Beneficial owner	11,450,000 (Note (iii))	1.15%

Notes:

- (i) The percentage of shareholding is calculated on the basis of the Company's total number of issued shares of 1,000,000,000 shares as at 30 June 2020.
- (ii) Chun Fat Company Limited (“Chun Fat” (俊發有限公司)), is directly owned as to approximately 70.67% by Mr. Chan. As at 30 June 2020, Chun Fat held 538,449,500 ordinary shares of the Company. Accordingly, Mr. Chan is deemed to be interested in 538,449,500 ordinary shares of the Company in which Chun Fat is interested. In addition, Ms. Leung Yi Ling (“Ms. Leung”), being the spouse of Mr. Chan, is beneficially interested in 965,000 ordinary shares of the Company. Therefore, Mr. Chan is deemed to be interested in 965,000 ordinary shares of the Company in which Ms. Leung is interested.
- (iii) Ms. Chan is beneficially interested in 11,450,000 ordinary shares of the Company.
- (iv) There is no pledging of shares by the controlling shareholders under Rule 13.21 of the Listing Rules.

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (Continued)

Interests in the shares of associated corporation of the Company

Name of associated corporation	Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of issued ordinary shares (Note)
Chun Fat	Mr. Chan	Beneficial owner	141,342	70.67%
Chun Fat	Mr. Lau Hon Kee	Beneficial owner	25,116	12.56%
Chun Fat	Mr. Ho Ping Kee	Beneficial owner	19,866	9.93%
Chun Fat	Mr. Yuen Chi Ming	Beneficial owner	13,676	6.84%

Note:

The percentage of shareholding is calculated on the basis of the total number of issued shares of Chun Fat of 200,000 shares as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, none of the directors, the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Schemes as disclosed above, at no time during the six months ended 30 June 2020 was the Company or any its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, underlying shares, the Company or any other body corporate.

OTHER INFORMATION

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the following parties (other than the directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long Position in the shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of issued ordinary shares (Note (i))
Chun Fat Company Limited ("Chun Fat", 俊發有限公司)	Beneficial owner	538,449,500	53.84%
Leung Yi Ling ("Ms. Leung")	Beneficial owner	965,000 (Note (ii))	0.09%
	Interest of spouse	538,449,500 (Note (ii))	53.84%

Notes:

- (i) The percentage of shareholding is calculated on the basis of the Company's total number of issued shares of 1,000,000,000 shares as at 30 June 2020.
- (ii) Ms. Leung, being the spouse of Mr. Chan, is deemed to be interested in 538,449,500 ordinary shares of the Company in which Mr. Chan is interested.

Save as disclosed above, as at 30 June 2020, there were no other parties (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

AUDIT COMMITTEE REVIEW AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") has reviewed with the management of the Company (the "Management") the accounting principles and practices adopted by the Group and discussed with the Management regarding the risk management and internal controls systems and financial reporting matters including a general review of the interim report (including unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020).

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 has also been reviewed by the Group's external auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2020.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 30 June 2020.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:

- Mr. Mak Ping Leung (alias: Mr. Mak Wah Cheung) has retired as an executive director of Hong Kong Economic Times Holdings Limited, a company listed on the Stock Exchange (Stock Code: 423), with effect from 1 May 2020.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Tai Hing Group Holdings Limited
Chan Wing On
Chairman

Hong Kong, 27 August 2020

As at the date of this report, the Board comprises:

Executive Directors

Mr. Chan Wing On (Chairman), Mr. Yuen Chi Ming, Mr. Lau Hon Kee and Ms. Chan Shuk Fong

Non-Executive Director

Mr. Ho Ping Kee

Independent Non-Executive Directors

Mr. Mak Ping Leung (alias: Mak Wah Cheung), Mr. Wong Shiu Hoi Peter and Dr. Sat Chui Wan