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## **TAI HING GROUP HOLDINGS LIMITED**

### **太興集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6811)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

### **UNAUDITED RESULTS OF THE GROUP**

The board of directors (the “Board”) of Tai Hing Group Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021 as follows:

#### **FINANCIAL HIGHLIGHTS**

- Revenue decreased by approximately 20.6% to HK\$1,217.6 million in 1H2022 (1H2021: HK\$1,532.7 million).
- Gross profit margin increased 0.5 percentage points to 72.3% (1H2021: 71.8%).
- Loss attributable to owners of the Company for the six months ended 30 June 2022 was HK\$52.5 million (1H2021: profit attributable to owners of the Company of HK\$33.4 million).
- Basic loss per share were HK5.23 cents (1H2021: basic earnings per share of HK3.34 cents).
- Maintain a healthy and liquid financial position with cash and cash equivalents of HK\$311.8 million as at 30 June 2022.
- The Board has declared the payment of an interim dividend of HK2.50 cents per share (1H2021: HK2.50 cents per share) for the six months ended 30 June 2022.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>REVENUE</b>	4	<b>1,217,561</b>	1,532,667
Cost of materials consumed		<u>(337,768)</u>	<u>(431,745)</u>
Gross profit		<b>879,793</b>	1,100,922
Other income and gains, net	4	<b>55,235</b>	40,679
Staff costs		<b>(466,687)</b>	(534,375)
Depreciation and amortisation		<b>(69,383)</b>	(80,816)
Amortisation of right-of-use assets, rental and related expenses		<b>(204,303)</b>	(251,564)
Other operating expenses, net		<b>(240,182)</b>	(213,677)
Finance costs	5	<u>(14,920)</u>	<u>(20,314)</u>
<b>(LOSS)/PROFIT BEFORE TAX</b>	6	<b>(60,447)</b>	40,855
Income tax credit/(expense)	7	<u>7,056</u>	<u>(9,028)</u>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<u><b>(53,391)</b></u>	<u>31,827</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		<b>(52,485)</b>	33,441
Non-controlling interests		<u>(906)</u>	<u>(1,614)</u>
		<u><b>(53,391)</b></u>	<u>31,827</u>
<b>(LOSS)/EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE</b>			
<b>TO OWNERS OF THE COMPANY</b>			
Basic	9	<u><b>(HK5.23 cents)</b></u>	<u>HK3.34 cents</u>
Diluted	9	<u><b>(HK5.23 cents)</b></u>	<u>HK3.33 cents</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2022*

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(53,391)</b>	31,827
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(13,025)</u>	<u>4,410</u>
	<u>(13,025)</u>	<u>4,410</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>	<u><b>(66,416)</b></u>	<u>36,237</u>
Attributable to:		
Owners of the Company	<u>(65,256)</u>	37,785
Non-controlling interests	<u>(1,160)</u>	<u>(1,548)</u>
	<u><b>(66,416)</b></u>	<u>36,237</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		<b>30 June 2022</b>	31 December 2021
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment and right-of-use assets	10	<b>1,766,389</b>	1,781,055
Investment properties		<b>60,872</b>	52,778
Intangible assets		–	–
Prepayments, deposits and other receivables		<b>118,439</b>	138,582
Deferred tax assets		<b>36,641</b>	30,560
		<hr/>	<hr/>
Total non-current assets		<b>1,982,341</b>	2,002,975
<b>CURRENT ASSETS</b>			
Inventories		<b>82,569</b>	96,854
Trade receivables	11	<b>19,865</b>	28,087
Prepayments, deposits and other receivables		<b>169,187</b>	154,547
Tax recoverable		<b>1,741</b>	3,717
Cash and cash equivalents		<b>311,845</b>	452,607
		<hr/>	<hr/>
Total current assets		<b>585,207</b>	735,812
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>69,817</b>	106,376
Other payables and accruals		<b>231,393</b>	241,256
Contract liabilities		<b>44,713</b>	73,359
Lease liabilities		<b>375,672</b>	400,647
Tax payable		<b>31,226</b>	30,859
		<hr/>	<hr/>
Total current liabilities		<b>752,821</b>	852,497
<b>NET CURRENT LIABILITIES</b>		<b>(167,614)</b>	(116,685)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,814,727</b>	1,886,290
		<hr/>	<hr/>

		<b>30 June</b>	31 December
		<b>2022</b>	2021
		<b>(Unaudited)</b>	(Audited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>800,535</b>	755,405
Other payables and accruals		<b>28,845</b>	29,925
Deferred tax liabilities		<b>5,458</b>	5,782
		<hr/>	<hr/>
Total non-current liabilities		<b>834,838</b>	791,112
		<hr/>	<hr/>
Net assets		<b>979,889</b>	1,095,178
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	<i>13</i>	<b>10,036</b>	10,036
Reserves		<b>969,369</b>	1,083,498
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>979,405</b>	1,093,534
		<b>484</b>	1,644
		<hr/>	<hr/>
Total equity		<b>979,889</b>	1,095,178
		<hr/>	<hr/>

## 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 period, the Group was engaged in the operation and management of restaurants and sale of food products.

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.

### 2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 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 of Hong Kong Limited (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”).

### 2.2 BASIS OF PRESENTATION

As at 30 June 2022, the Group had net current liabilities of HK\$167,614,000 which included the current portion of lease liabilities of HK\$375,672,000. 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.

### 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 2021, 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  
Amendments to HKAS 16

Amendments to HKAS 37  
*Annual Improvements to  
HKFRSs 2018-2020*

*Reference to the Conceptual Framework  
Property, Plant and Equipment: Proceeds before  
Intended Use  
Onerous Contracts – Cost of Fulfilling a Contract  
Amendments to HKFRS 1, HKFRS 9, Illustrative  
Examples accompanying HKFRS 16, and HKAS 41*

The adoption of the above revised HKFRSs has had no significant financial effect on these financial statements.

### **3. OPERATING SEGMENT INFORMATION**

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

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 and finance costs other than interest on lease liabilities 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 tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

## Geographical information

For the periods ended 30 June 2022 and 2021

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
<b>Segment revenue</b>						
Sales to external customers*	968,521	1,177,108	249,040	355,559	1,217,561	1,532,667
Intersegment sales	–	–	26,439	52,534	26,439	52,534
<b>Revenue</b>	<b>968,521</b>	<b>1,177,108</b>	<b>275,479</b>	<b>408,093</b>	<b>1,244,000</b>	<b>1,585,201</b>
<i>Reconciliation:</i>						
Elimination of intersegment sales					(26,439)	(52,534)
					<b>1,217,561</b>	<b>1,532,667</b>
<b>Segment results</b>	<b>6,142</b>	<b>55,144</b>	<b>(66,220)</b>	<b>(12,404)</b>	<b>(60,078)</b>	<b>42,740</b>
Elimination of intersegment results					(369)	(859)
Finance costs (other than interest on lease liabilities)					–	(1,026)
(Loss)/profit before tax					<b>(60,447)</b>	<b>40,855</b>

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

As at 30 June 2022 and 31 December 2021

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
<b>Segment assets</b>	<b>1,618,051</b>	<b>1,527,728</b>	<b>599,270</b>	<b>724,175</b>	<b>2,217,321</b>	<b>2,251,903</b>
<i>Reconciliation:</i>						
Corporate and other unallocated assets					350,227	486,884
Total assets					<b>2,567,548</b>	<b>2,738,787</b>
<b>Segment liabilities</b>	<b>1,158,710</b>	<b>1,120,256</b>	<b>392,265</b>	<b>486,712</b>	<b>1,550,975</b>	<b>1,606,968</b>
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities					36,684	36,641
Total liabilities					<b>1,587,659</b>	<b>1,643,609</b>

## Information about major customers

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



#### 4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Revenue from contracts with customers</b>		
<b>(i) Disaggregated revenue information</b>		
<b>Types of goods or services</b>		
Revenue from restaurant operations	1,178,281	1,483,588
Revenue from the sale of food products	39,280	49,079
	<u>1,217,561</u>	<u>1,532,667</u>
Total revenue from contracts with customers	<u>1,217,561</u>	<u>1,532,667</u>
<b>Geographical markets</b>		
Hong Kong, Macau and Taiwan	968,521	1,177,108
Mainland China	249,040	355,559
	<u>1,217,561</u>	<u>1,532,667</u>
Total revenue from contracts with customers	<u>1,217,561</u>	<u>1,532,667</u>
<b>Timing of revenue recognition</b>		
At a point in time	<u>1,217,561</u>	<u>1,532,667</u>

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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue recognised that was included in the contract liabilities at the beginning of the period		
– Restaurant operations	<u>34,112</u>	<u>43,973</u>

(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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>Other income and gains, net</b>		
Bank interest income	394	1,181
Rental income	1,002	691
Royalty income	171	290
Subsidies received from utility companies for purchases of items of property, plant and equipment*	1,460	1,673
Government grants*	47,758	30,727
Foreign exchange differences, net	1,023	(78)
Others	3,427	6,195
	<u>55,235</u>	<u>40,679</u>

\* Government grants during the periods ended 30 June 2022 and 2021 included COVID-19 relief subsidies received. 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.

**5. FINANCE COSTS**

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on bank borrowings	–	1,026
Interest on lease liabilities	14,920	19,288
	<u>14,920</u>	<u>20,314</u>

## 6. (LOSS)/PROFIT BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b> <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Cost of materials consumed	<b>337,768</b>	431,745
Depreciation of items of property, plant and equipment	<b>69,383</b>	80,738
Amortisation of intangible assets	–	78
Amortisation of right-of-use assets*	<b>207,934</b>	218,906
Covid-19-related rent concessions from lessors*	<b>(17,058)</b>	(10,931)
Employee benefit expenses (including directors' and chief executive's remuneration):		
Salaries, allowances and benefits in kind***	<b>427,000</b>	498,058
Equity-settled share option expenses	<b>805</b>	1,055
Pension scheme contributions****	<b>38,882</b>	35,262
	<b>466,687</b>	534,375
Foreign exchange differences, net**	<b>(1,023)</b>	78
Impairment of right-of-use assets****	<b>26,870</b>	10,122
Impairment of items of property, plant and equipment****	<b>12,750</b>	1,749
Loss on disposal of items of property, plant and equipment****	<b>7,033</b>	7,419
Utilities expenses****	<b>53,585</b>	55,669
Packing and consumables****	<b>14,645</b>	27,865
Cleaning expenses****	<b>14,220</b>	17,012
Transportation and logistics****	<b>15,725</b>	14,392

\* These are included in "Amortisation of right-of-use assets, rental and related expenses" in profit or loss.

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

\*\*\* Employment support scheme subsidies from HKSAR Government during the period ended 30 June 2022 were included in "Staff costs" in profit or loss.

\*\*\*\* These items are included in "Other operating expenses, net" in profit or loss.

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

## 7. INCOME TAX

Pursuant to the rules and regulation 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% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong (Credit)/charge for the period	(963)	5,349
Current – Elsewhere	237	2,742
Deferred tax	(6,330)	937
	<u>(7,056)</u>	<u>9,028</u>
Total tax (credit)/charge for the period	<u>(7,056)</u>	<u>9,028</u>

## 8. DIVIDEND

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividends declared after the end of the reporting period — HK2.50 cents (2021: HK2.50 cents) per ordinary share	<u>25,135</u>	<u>25,090</u>

## 9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount for the period ended 30 June 2022 is based on the loss for the period attributable to owners of the Company of HK\$52,485,000 (2021: profit for the period attributable to owners of the Company of HK\$33,441,000) and the weighted average number of ordinary shares in issue of 1,003,596,000 (2021: 1,001,873,000).

No adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2022 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of diluted earnings per share amount for the period ended 30 June 2021 was based on the profit for the period attributable to owners of the Company of HK\$33,441,000. The weighted average number of ordinary shares used in the calculation was 1,001,873,000 ordinary shares in issue during that period, as used in the basic earnings per share calculation, and the weighted average number of 3,362,096 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 2022, the Group acquired property, plant and equipment of approximately HK\$43 million (six months ended 30 June 2021: approximately HK\$79 million).

As at 30 June 2022, the Group had certain property, plant and equipment and right-of-use assets with an aggregate net carrying amount of HK\$234.3 million (31 December 2021: HK\$239.0 million) which were pledged to secure bank facilities granted to the Group.

## 11. TRADE RECEIVABLES

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Trade receivables	<b>19,865</b>	28,087

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:

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Within 1 month	<b>13,803</b>	21,775
1 to 2 months	<b>4,384</b>	4,116
2 to 3 months	<b>975</b>	980
Over 3 months	<b>703</b>	1,216
	<b>19,865</b>	28,087

## 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:

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Within 1 month	<b>62,860</b>	91,609
1 to 2 months	<b>1,842</b>	10,749
2 to 3 months	<b>1,497</b>	426
Over 3 months	<b>3,618</b>	3,592
	<b><u>69,817</u></b>	<u>106,376</u>

## 13. ISSUED CAPITAL

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
<b>Authorised:</b>		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
As at 1 January 2021	1,001,873,000	10,019
Share options exercised ( <i>note a</i> )	<u>1,723,000</u>	<u>17</u>
As at 31 December 2021, 1 January 2022 and 30 June 2022 ( <i>note b</i> )	<u>1,003,596,000</u>	<u>10,036</u>

### Notes

- (a) During the year ended 31 December 2021, the subscription rights attaching to 1,723,000 share options were exercised at the subscription price of HK\$0.45 per share, resulting in the issue of 1,723,000 shares for a total cash consideration, before expenses, of approximately HK\$775,000. An amount of HK\$3,874,000 was transferred from the share option reserve to share premium upon the exercise of the share options.
- (b) Subsequent to 30 June 2022, the subscription rights attaching to 1,803,000 share options were exercised at the subscription price of HK\$0.45 per share, resulting in the issue of 1,803,000 shares for a total cash consideration, before expenses, of approximately HK\$811,000.

## 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.

There were 1,803,000 (31 December 2021: 1,863,000) outstanding share options under the Pre-IPO Share Option Scheme as at 30 June 2022. During the six months ended 30 June 2022, the Group recognised equity-settled share option expenses of approximately HK\$805,000 (period ended 30 June 2021: HK\$1,055,000) in staff costs in the consolidated statement of profit or loss.

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

During the six months ended 30 June 2022, 60,000 share options had been forfeited under the Pre-IPO Share Option Scheme.

### (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.

Since the adoption date of the Post-IPO Share Option Scheme and up to 30 June 2022, no share options of the Company were granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Performance

The Board of Directors (the “Board”) of Tai Hing Group Holdings Limited (the “Company”), together with its subsidiaries (“Tai Hing Group” or the “Group”), announces the Group’s interim results for the six months ended 30 June 2022 (“1H2022” or the “Review Period”), together with the comparative figures for the corresponding period of 2021 (“1H2021”).

During the Review Period, the flare-up of the new COVID-19 pandemic wave impeded economic recovery. In particular, the outbreak of the fifth wave of the pandemic at the beginning of the year, spurred the HKSAR Government to tighten pandemic prevention measures in January 2022, including banning evening dine-in services at restaurants and tightened social distancing restrictions. Many companies’ business operations were hindered as their employees were forced to undergo isolation due to suspected infection or were in close contact with infected persons. Major cities in Mainland China, such as Shanghai and Beijing, implemented strict lockdown measure or closed-loop management systems in order to curb the spread of the pandemic. Such strict pandemic prevention restrictions led to an increasingly tough business environment, and the catering industry was the first to bear the brunt. However, the Mainland China and Hong Kong governments began to gradually relax the pandemic prevention restrictions at the end of the second quarter in response to the easing of the pandemic. Moreover, the HKSAR Government disbursed the first round of HK\$5,000 in electronic consumption vouchers and introduced subsidies, such as the Anti-epidemic Fund, to stimulate local consumption sentiment. As a result of these measures, the catering industry market gradually stabilised.

The Group has forged ahead and endeavoured to optimise internal operations and its restaurant network while stringently controlling costs. It also promptly adopted countermeasures to mitigate the business disruptions caused by the pandemic, including enhancing its delivery and takeaway operations to offset the negative impact of the pandemic on dine-in customer traffic. Amidst the inevitable effects of the pandemic, the Group strived to strengthen the resilience of its business model to prepare for post-pandemic recovery. During the Review Period, the Group recorded revenue of HK\$1,217.6 million (1H2021: HK\$1,532.7 million). Gross profit was approximately HK\$879.8 million (1H2021: HK\$1,100.9 million) and gross profit margin remained stable at 72.3% (1H2021: 71.8%). Loss attributable to the owners of the Company during 1H2022 amounted to HK\$52.5 million (profit attributable to owners of the Company in 1H2021: HK\$33.4 million). Basic loss per share attributable to the owners of the Company were HK5.23 cents (basic earnings per share attributable to owners of the Company in 1H2021: HK3.34 cents).

The Group maintains a healthy financial position with sufficient cash and steady operating cash flows, which has helped to weather ongoing adversity and drive stable business growth. As at 30 June 2022, the Group had cash and cash equivalents of HK\$311.8 million (as at 31 December 2021: HK\$452.6 million).



## Operating Costs

### *Cost of Material Consumed*

During the Review Period, cost of materials consumed amounted to HK\$337.8 million (1H2021: HK\$431.7 million). The Group's factories in Hong Kong and Mainland China complement each other. The Group has made good use of the two food factories to carry out the food processing procedures and the production of seasonings, so as to reduce its reliance on external suppliers and gradually create greater economies of scale in production capacity. Moreover, through obtaining greater bulk purchase, the Group effectively curbed the rising costs. Meanwhile, the Group adjusted the menu on a timely basis and added easy-to-cook dishes to mitigate ingredient costs. With a multi-pronged approach, the Group has effectively offset fluctuation of food costs. During the Review Period, the ratio of material cost to revenue was controlled at 27.7% (1H2021: 28.2%).

### *Staff Costs*

During the Review Period, the Group actively adjusted the deployment of human resources management, for instance, implementing flexible working arrangements, taking leave during non-peak periods and so forth. Moreover, the Group shortened restaurant operating hours according to the actual situation during the severe pandemic period, and expedited the investment and application of digital tools and systems to effectively simplify its front-line and back-office work processes, thereby reducing manpower pressure and optimising costs. In addition, the Group received pandemic-related relief subsidies from the HKSAR Government, including HK\$18.1 million from the "Employment Support Scheme", which was directly used to pay employees' salaries and wages, thus helping to relieve staff cost pressure of the Group. Staff costs dropped to HK\$466.7 million in 1H2022 (1H2021: HK\$534.4 million), with a staff costs to revenue ratio of 38.3% (1H2021: 34.9%).

### *Rental and Related Expenses/Amortisation of Right-of-use Assets*

In 1H2022, the Group's rental and related expenses/amortisation of right-of-use assets amounted to HK\$204.3 million (1H2021: HK\$251.6 million). In the face of operating pressure due to the pandemic, the Group continued to actively negotiate with landlords for rent reduction and transitional concessions, totalling HK\$17.1 million. At the same time, the Group has an internal team dedicated to conduct detailed internal analysis on the leasing arrangements and the locations of restaurants in its network, so as to rent shop premises in prime locations at more affordable prices and reduce rental and related expenses.

## **Industry and Geographical analysis**

As Hong Kong faced the fifth wave of the pandemic, the HKSAR Government has implemented the most stringent pandemic prevention measures, including banning evening dine-in services at restaurants and reducing seating to two persons per table, which severely affected the catering industry. To comply with the HKSAR Government's policy of reducing dining out and changes in consumption pattern, the Group actively promoted takeaway and delivery services, and worked closely with third-party electronic platforms to launch special promotional offers in order to offset the sharp drop in customer flow in relation to customers dining in restaurants. In 1H2022, revenue from takeaway services occupied around 40.1% of total revenue from restaurant operations. Since the end of April 2022, the HKSAR Government has gradually relaxed social distancing restrictions, launched a new round of the electronic consumption voucher scheme and offered subsidies, including Anti-epidemic Fund, to relieve financial burden of citizens and enterprises. As the pandemic eased and consumer sentiment in Hong Kong gradually improved, the Group's operating performance in June has been recovering.

Since March 2022, there have been numerous outbreaks of COVID-19 pandemic in Mainland China. Relevant authorities have implemented lockdowns or closed-loop management to contain the spread of the Coronavirus Disease. Business operations in catering industry have been significantly affected and the Group is no exception. During the Review Period, the Group focused on integrating and adjusting stores in Mainland China after carefully considering the location, rent and leasing conditions, with the aim to maximising store efficiency prudently. Among them, the Greater Bay Area is the key development area of the Group.

## **Business Segment Analysis**

Tai Hing Group is a multi-brand casual dining restaurant group rooted and boasting a presence of 33 years in Hong Kong. Apart from its flagship "Tai Hing (太興)" brand, the Group has launched, acquired and licensed multiple brands. The names in its extensive brand portfolio include: "Tai Hing (太興)", "Men Wah Bing Teng (敏華冰廳)", "TeaWood (茶木)", "Asam Chicken Rice (亞參雞飯)", "Trusty Congee King (靠得住)", "Phở Lê (錦麗)", "Dao Cheng (稻埕飯店)", "Dimpot (點煲)", "Dumpling Station (餃子馱)", "King Fong Bing Teng (瓊芳冰廳)", "Peppercorn (花椒子)", "Tommy Yummy", "Tori Yoichi (鳥世一)", etc., offering customers a diverse choice of menus.

As at 30 June 2022, the Group had a network of 205 restaurants (as at 31 December 2021: 217 restaurants) in Hong Kong, Mainland China and Macau.

Revenue of the “Men Wah Bing Teng” brand was approximately HK\$324.8 million (1H2021: HK\$345.0 million) during the Review Period, accounting for 26.7% of the Group’s total revenue in 1H2022 (1H2021: 22.5%), and remained as the Group’s second-largest revenue contributor. To celebrate the third anniversary of the “Men Wah Bing Teng” brand entering into the Mainland China market, a series of marketing and promotion activities will be unveiled, including appointing the first brand ambassador, and promoting new products by arranging fan gatherings to further enhance brand awareness and product sales. In order to maintain the favourable momentum of the brand, “Men Wah Bing Teng” in Hong Kong and Mainland will continue to work together to develop new products, and will implement marketing strategies to create synergies and strengthen competitive advantages. The Group has also adjusted its menu, including adding new dishes, to boost customer flow and revenue during dinner hours, thereby optimising the operating capacity of the stores at different times.

During the Review Period, “Tai Hing”, the Group’s flagship brand, recorded a revenue of approximately HK\$513.1 million (1H2021: HK\$734.3 million), accounting for 42.1% (1H2021: 48.0%). It remained as the Group’s largest revenue source. In the last financial year, it cooperated with high-profile celebrities to promote the brand, generating satisfactory market response. In the second half of the year, the Group will continue to invest in online and offline advertising, including inviting brand ambassadors and rising music stars in Hong Kong to work on the “Tai Hing Milk Tea” advertisement series in order to consolidate the image of the brand and raise awareness.

The Group’s other ancillary brands also performed stably during the Review Period. Among them, the revenue of “TeaWood” reached about HK\$116.6 million (1H2021: HK\$178.7 million), accounting for 9.6% of the Group’s total revenue (1H2021: 11.7%). In order to ensure that it can cater for the youth demographic and stand out in the market, the Group is re-shaping its brand image and positioning in an expedited progress. In June 2022, “TeaWood” stores with a new concept featuring new tea store makeover in Kowloon Bay and Whampoa, Hong Kong have been put into service.

In addition, the “Asam Chicken Rice” brand is one of the Group’s new growth drivers, with revenue amounting to approximately HK\$79.2 million (1H2021: HK\$57.4 million), which represents a significant increase of 38.0% as compared with that in the same period last year. It provides universal menu options and streamlines its manpower, which gives rise to an operation model of strong competitive advantage and huge development potential. There are 14 and 1 branches in Hong Kong and Mainland China, respectively, which are located principally in the core business and residential districts to satisfy the dining needs of consumers in those locations currently. “Asam Chicken Rice” will also introduce new seasonal dishes and durian desserts to appeal to customers.

The Group has adopted a multi-brand strategy targeting the casual dining business and introduced several new trendy brands in the second quarter of this year, including “Tommy Yummy”, “Peppercorn” and “Tori Yoichi”, which offer medium to high-end dining experiences to expand customer base. By simultaneously operating and launching new concept brands and developing core catering business, the Group will be able to realise more diversified development in the future. It will also strive to nurture these brands to ensure that they can unleash their full potential and create a new landscape for the catering market in Mainland China and Hong Kong.

## Prospects

2022 marks the 33rd anniversary of Tai Hing. Looking back by taking advantage of the multi-brand business model, the Group continued to expand its business network not only to different districts in Hong Kong, but also to major cities and districts in Mainland China and Macau. It believes that this proven business strategy will continue to be the key to future business development of the Group. Therefore, the Group will continue to uphold this strategic approach and strengthen the development of existing core brands while introducing new trendy brands, hoping to satisfy the tastes and preferences of different customers, expand its customer base and inject new vigour into the catering market. It is noteworthy that the Group plans to operate a Michelin recommended brand, “Sing Kee Seafood Restaurant”, in Central in the second half of this year to provide customers with a more diversified dining experience.

To cope with the ever-changing and highly competitive catering market in Mainland China, the Group will re-examine the market and operating requirements of provinces and cities and continue to actively integrate and optimise its store network in the coming year. In the short term, the Group’s Mainland China business will focus on the adjacent Greater Bay Area market. The Group expects that Mainland China’s catering industry will gradually return to normal after the lockdown measures are lifted, and it is optimistic about the post-pandemic recovery in its business.

The Group will also step up its investment in digital technologies, including enhancing the maturity and stability of existing IT systems and expanding the application of automated operations to more departments to improve operational efficiency and the customer dining experience. It is worth mentioning that to keep in pace with the “new normal” in consumption, the Group will soon launch its first integrated mobile APP in the second half of this year. The platform will provide customers with one-stop convenient services, including pre-order, self pick up and food delivery service, the purchase of packaged products as well as e-vouchers. The Group will also publish promotion information and offers via the APP on a regular basis, in order to increase interactions with customers and foster customer loyalty to its brands.

In spite of the uncertainties brought to the business environment due to the COVID-19 pandemic, the Group remains cautiously optimistic about the prospects in the second half of this year. The Group will plan ahead and will step up marketing efforts to seize the post-pandemic market recovery momentum and will also focus on strengthening internal operations, optimising the restaurant network and dining experience and raising brand value. Drawing on its solid business foundation, the Group is confident of navigating market challenges and creating higher value for shareholders as the market conditions improve.

## **INTERIM DIVIDEND**

The Board has declared the payment of an interim dividend of HK2.50 cents per share (six months ended 30 June 2021: HK2.50 cents per share) for the six months ended 30 June 2022 payable to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on Wednesday, 12 October 2022. The dividend warrants of the interim dividend are expected to be despatched to the Shareholders on or before Thursday, 3 November 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend for the six months ended 30 June 2022, the register of members of the Company will be closed from Monday, 10 October 2022 to Wednesday, 12 October 2022, 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 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 7 October 2022.

## **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 the listing of the Company’s shares on the Stock Exchange on 13 June 2019 (the “**Listing**”). As at 30 June 2022, the Group’s cash and cash equivalents were approximately HK\$311.8 million (31 December 2021: approximately HK\$452.6 million). The 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 2022, the Group’s total current assets and current liabilities were approximately HK\$585.2 million (31 December 2021: approximately HK\$735.8 million) and approximately HK\$752.8 million (31 December 2021: approximately HK\$852.5 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 2021: approximately 0.9 times). After excluding current portion of lease liabilities, the net current assets were approximately HK\$208.1 million as at 30 June 2022 (31 December 2021: HK\$284.0 million), while the adjusted current ratio (calculated by dividing total current assets by total current liabilities excluding current portion of lease liabilities at the end of respective periods) was approximately 1.6 times (31 December 2021: approximately 1.6 times).

The Group did not have interest-bearing bank borrowings as at 30 June 2022 (31 December 2021: Nil). During the six-month period ended 30 June 2022, there were no financial instruments used for hedging purposes.

As at 30 June 2022, the gearing ratio of the Group (calculated by dividing the interest-bearing bank borrowings by equity attributable to owners of the Company) was 0% (31 December 2021: 0%).

### **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.

### **Contingent Liabilities**

As at 30 June 2022, the Group had contingent liabilities of approximately HK\$57.8 million (31 December 2021: approximately HK\$48.5 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 2022, the Group had certain property, plant and equipment and right-of-use assets with an aggregate net carrying value of approximately HK\$234.3 million (31 December 2021: HK\$239.0 million) pledged to secure the bank facilities granted to the Group.

### **MATERIAL ACQUISITIONS AND DISPOSALS**

Save as disclosed herein, for the six months ended 30 June 2022, the Group did not make any material acquisitions and disposals of subsidiaries, significant investments nor capital commitment.

### **EMPLOYEES**

The Group had approximately 5,900 employees as at 30 June 2022 (31 December 2021: approximately 6,700). 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.

### **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 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 of the Company dated 30 May 2019. During the six months ended 30 June 2022, 60,000 share options granted under the Pre-IPO Share Option Scheme were lapsed. There were 1,803,000 outstanding share options of the Company under the Pre-IPO Share Option Scheme as at 30 June 2022. No share options were granted under the Post-IPO Share Option Scheme from the date of Listing and up to 30 June 2022.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **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 2022 and up to the date of this announcement.

## **AUDIT COMMITTEE REVIEW AND REVIEW OF INTERIM RESULTS**

The audit committee of the Company 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 2022).

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 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.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2022.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.taihing.com](http://www.taihing.com)). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 August 2022

As at the date of this announcement, 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*