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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 2023

UNAUDITED RESULTS OF THE GROUP

The board of directors (the "Board") of Tai Hing Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022 as follows:

FINANCIAL HIGHLIGHTS

- The Group's revenue increased by approximately 28.8% to HK$1,568.2 million in 1H2023 (1H2022: HK$1,217.6 million) through continuous optimisation of restaurant network, stepping up efforts in product promotion and branding, and leveraging the relaxation of pandemic prevention restrictions.

- With the Group's on-going strict control over costs, profit attributable to owners of the Company for the period was HK$45.3 million (1H2022: loss attributable to owners of the Company of HK$52.5 million), achieving a successful turnaround.

- The Group adopted a prudent fund management policy to ensure stable cash flows and healthy cash position, and recorded cash and cash equivalents of HK$319.0 million as at 30 June 2023 with no bank borrowings.

- Although the external economic environment is still full of challenges, the Board is confident in the future development of the Group and maintains a stable dividend distribution policy. The Board has declared the payment of an interim dividend of HK3.40 cents per share (1H2022: HK2.50 cents per share).

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**1,568,193**	1,217,561
Cost of materials consumed		**(415,194)**	(337,768)
Gross profit		**1,152,999**	879,793
Other income and gains, net	*4*	**11,440**	55,235
Staff costs		**(544,765)**	(466,687)
Depreciation and amortisation		**(65,834)**	(69,383)
Amortisation of right-of-use assets, rental and related expenses		**(242,368)**	(204,303)
Other operating expenses, net		**(236,478)**	(240,182)
Finance costs	*5*	**(14,620)**	(14,920)
PROFIT/(LOSS) BEFORE TAX	*6*	**60,374**	(60,447)
Income tax credit/(expense)	*7*	**(15,038)**	7,056
PROFIT/(LOSS) FOR THE PERIOD		**45,336**	(53,391)
Profit/(loss) for the period attributable to:			
Owners of the Company		**45,326**	(52,485)
Non-controlling interests		**10**	(906)
		45,336	(53,391)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	*9*	**HK4.51 cents**	(HK5.23 cents)
Diluted	*9*	**HK4.51 cents**	(HK5.23 cents)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**45,336**	(53,391)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(11,519)**	(13,025)
Reclassification adjustments for deregistration of a subsidiary	**(1,941)**	–
	(13,460)	(13,025)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**31,876**	(66,416)
Attributable to:		
Owners of the Company	**31,919**	(65,256)
Non-controlling interests	**(43)**	(1,160)
	31,876	(66,416)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**30 June 2023 (Unaudited)** *HK$'000*	31 December 2022 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment and right-of-use assets	*10*	**1,721,464**	1,759,675
Investment properties		**33,422**	35,424
Intangible assets		**200**	200
Prepayments, deposits and other receivables		**143,216**	130,349
Deferred tax assets		**30,126**	35,305
Total non-current assets		**1,928,428**	1,960,953
CURRENT ASSETS			
Inventories		**82,126**	89,237
Trade receivables	*11*	**22,511**	27,660
Prepayments, deposits and other receivables		**146,085**	149,383
Tax recoverable		**881**	625
Cash and cash equivalents		**318,970**	282,590
		570,573	549,495
Non-current assets classified as held for sale		**–**	2,209
Total current assets		**570,573**	551,704
CURRENT LIABILITIES			
Trade payables	*12*	**94,132**	99,138
Other payables and accruals		**260,745**	237,749
Contract liabilities		**30,197**	57,283
Lease liabilities		**379,726**	364,967
Tax payable		**10,487**	15,583
Total current liabilities		**775,287**	774,720
NET CURRENT LIABILITIES		**(204,714)**	(223,016)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,723,714**	1,737,937

	Note	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities		**721,073**	743,455
Other payables and accruals		**34,366**	33,255
Deferred tax liabilities		**6,368**	6,061
Total non-current liabilities		**761,807**	782,771
Net assets		**961,907**	955,166
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*13*	**10,054**	10,054
Reserves		**950,664**	943,880
		960,718	953,934
Non-controlling interests		**1,189**	1,232
Total equity		**961,907**	955,166

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, a company incorporated in the British Virgin Islands (the "BVI") on 30 November 2017, is the immediate and ultimate holding company of the Company.

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 2023 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").

2.2 BASIS OF PRESENTATION

As at 30 June 2023, the Group had net current liabilities of HK$204,714,000 which included the current portion of lease liabilities of HK$379,726,000 and contract liabilities of HK$30,197,000. The Directors believe that the Group has sufficient cash flows from operations to meet its liabilities as and when they fall due. Therefore, the interim condensed 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 interim condensed 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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model*

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

3. OPERATING SEGMENT INFORMATION

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 in Hong Kong, Macau and Taiwan; and

(ii) the Mainland China segment is engaged in the operation of restaurants, and sale of food products in Mainland China.

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 measured consistently with the Group's profit/loss before tax.

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 2023 and 2022

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue						
Sales to external customers*	**1,312,725**	968,521	**255,468**	249,040	**1,568,193**	1,217,561
Intersegment sales	**–**	–	**39,818**	26,439	**39,818**	26,439
Revenue	**1,312,725**	968,521	**295,286**	275,479	**1,608,011**	1,244,000
Reconciliation:						
Elimination of intersegment sales					**(39,818)**	(26,439)
					1,568,193	1,217,561
Segment results	**71,386**	6,142	**(10,509)**	(66,220)	**60,877**	(60,078)
Elimination of intersegment results					**(503)**	(369)
Profit/(loss) before tax					**60,374**	(60,447)

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

As at 30 June 2023 and 31 December 2022

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Segment assets	**1,658,282**	1,639,755	**490,542**	554,182	**2,148,824**	2,193,937
Reconciliation:						
Corporate and other unallocated assets					**350,177**	318,720
Total assets					**2,499,001**	2,512,657
Segment liabilities	**1,211,573**	1,192,185	**308,666**	343,662	**1,520,239**	1,535,847
Reconciliation:						
Corporate and other unallocated liabilities					**16,855**	21,644
Total liabilities					**1,537,094**	1,557,491

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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers		
(i) Disaggregated revenue information		
Types of goods or services		
Revenue from restaurant operations	**1,529,336**	1,178,281
Revenue from the sale of food products	**38,857**	39,280
Total revenue from contracts with customers	**1,568,193**	1,217,561
Geographical markets		
Hong Kong, Macau and Taiwan	**1,312,725**	968,521
Mainland China	**255,468**	249,040
Total revenue from contracts with customers	**1,568,193**	1,217,561
Timing of revenue recognition		
At a point in time	**1,568,193**	1,217,561

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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liabilities at the beginning of the period – Restaurant operations	**27,691**	34,112

(ii) Performance obligations

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

Restaurant operations

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

Sale of food products

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income and gains, net		
Bank interest income	**2,338**	394
Rental income	**674**	1,002
Royalty income	**500**	171
Subsidies received from utility companies for purchases of items of property, plant and equipment	**1,376**	1,460
Government grants*	**1,238**	47,758
Gain on deregistration of a subsidiary	**1,941**	–
Foreign exchange differences, net	**–**	1,023
Others	**3,373**	3,427
	11,440	55,235

* Government grants during the periods ended 30 June 2023 and 2022 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on lease liabilities	**14,620**	14,920

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of materials consumed	**415,194**	337,768
Depreciation of items of property, plant and equipment	**65,834**	69,383
Amortisation of right-of-use assets*	**201,177**	207,934
Covid-19-related rent concessions from lessors*	**–**	(17,058)
Gain on lease modification and termination*	**(12,040)**	(17,475)
Employee benefit expenses (including directors' and chief executive's remuneration):		
Salaries, allowances and benefits in kind***	**510,101**	427,000
Equity-settled share option expenses	**–**	805
Pension scheme contributions*****	**34,664**	38,882
	544,765	466,687
Foreign exchange differences, net**	**1,198**	(1,023)
Impairment of right-of-use assets, net****	**8,355**	26,870
Impairment of items of property, plant and equipment, net****	**3,483**	12,750
Loss on disposal of items of property, plant and equipment and right-of-use assets****	**4,298**	7,033
Utilities expenses****	**65,926**	53,585
Packing and consumables****	**15,662**	14,645
Cleaning expenses****	**16,261**	14,220
Transportation and logistics****	**17,827**	15,725

* 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 operating expenses, net" in profit or loss during the period ended 30 June 2023. In the prior period, the balances were included in "Other income and gains, net" in profit or loss.

*** In the prior period, employment support scheme subsidies from HKSAR Government of HK$18,136,000 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 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% (2022: 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 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). PRC tax, Macau tax and Taiwan tax have been provided at the rates of 25% (2022: 25%), 12% (2022: 12%) and 20% (2022: 20%), respectively, on the estimated profits arising in the PRC, Macau and Taiwan during the period.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge/(credit) for the period	**7,985**	(963)
Current – Elsewhere	**1,396**	237
Deferred tax	**5,657**	(6,330)
Total tax charge/(credit) for the period	**15,038**	(7,056)

8. DIVIDEND

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend declared after the end of the reporting period — HK3.40 cents (2022: HK2.50 cents) per ordinary share	**34,184**	25,135

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

The calculation of the basic earnings per share amount for the period ended 30 June 2023 is based on the profit for the period attributable to owners of the Company of HK$45,326,000 (2022: loss for the period attributable to owners of the Company of HK$52,485,000) and the weighted average number of ordinary shares in issue of 1,005,399,000 (2022: 1,003,596,000).

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2023.

No adjustment was 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.

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

For the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately HK$54 million (six months ended 30 June 2022: approximately HK$43 million).

As at 30 June 2023, the Group had certain property, plant and equipment and right-of-use assets with an aggregate net carrying amount of HK$225.0 million (31 December 2022: HK$229.6 million) which were pledged to secure bank facilities granted to the Group.

11. TRADE RECEIVABLES

	30 June 2023 (Unaudited) ***HK\$'000***	31 December 2022 (Audited) *HK\$'000*
Trade receivables	**22,511**	27,660

The Group's trading terms with its customers are mainly on cash, credit card and electronic 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 2023 (Unaudited) ***HK\$'000***	31 December 2022 (Audited) *HK\$'000*
Within 1 month	**16,248**	21,780
1 to 2 months	**4,458**	3,771
2 to 3 months	**446**	900
Over 3 months	**1,359**	1,209
	22,511	27,660

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 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Within 1 month	**79,024**	73,300
1 to 2 months	**2,613**	12,227
2 to 3 months	**1,977**	2,411
Over 3 months	**10,518**	11,200
	94,132	99,138

13. ISSUED CAPITAL

	Number of shares	**Share capital** *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each as at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	10,000,000,000	100,000

	Number of shares	**Share capital** *HK$'000*
Issued and fully paid:		
As at 1 January 2022	1,003,596,000	10,036
Share options exercised *(note)*	1,803,000	18
As at 31 December 2022, 1 January 2023 and 30 June 2023	1,005,399,000	10,054

Note During the year ended 31 December 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. An amount of HK$3,952,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

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 no outstanding share options under the Pre-IPO Share Option Scheme as at 30 June 2023 and 31 December 2022.

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

(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 2023, 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 and its subsidiaries ("Tai Hing Group" or the "Group") is pleased to announce the Group's interim results for the six months ended 30 June 2023 ("1H2023" or the "Review Period"), together with the comparative figures for the corresponding period of 2022 ("1H2022").

With the easing of the COVID-19 pandemic, most of the anti-pandemic measures in Hong Kong were lifted at the end of last year. As Hong Kong residents gradually resumed the habit of dining out, the market sentiment of the catering industry began to recover. In the first quarter of 2023, as the border between Hong Kong and Mainland China was fully reopened, the number of visitor arrivals to Hong Kong from Mainland China progressively increased, which drove further recovery in the catering industry. In Mainland China, after the relaxation of the pandemic control measures, the footfall in the market picked up gradually, and the production and operation of the catering industry was restored in an orderly manner.

Although the industry is emerging from the shadow of the pandemic, the macro environment remains challenging. On the one hand, the prices of global raw materials and energy have continued to rise as a result of the pandemic and international conflicts, leading to higher food costs and operating expenses in the catering industry. On the other hand, the labour shortage in Hong Kong has continued to deteriorate since the fourth quarter of 2022, which has also led to increasing cost of recruiting and retaining talents in the catering industry.

In the face of these headwinds, the Group responded proactively by adhering to prudent financial management policies and stringent cost control measures, and continuously optimised its operating strategy and business layout, demonstrating its operational resilience and ensuring the steady development of its core businesses. During the Review Period, the Group's revenue increased by approximately 28.8% to HK$1,568.2 million (1H2022: HK$1,217.6 million). Gross profit was approximately HK$1,153.0 million (1H2022: HK$879.8 million), and gross profit margin was 73.5% (1H2022: 72.3%), representing an increase in gross profit while maintaining product quality. On top of this, the Group managed to achieve a turnaround from loss to profit with the increase in income and stringent cost control even when the government subsidies it received were reduced substantially following the end of the pandemic during the Review Period as compared to that of the last year. The Group's profit attributable to owners of the Company was HK$45.3 million in 1H2023 (1H2022: loss attributable to owners of the Company of HK$52.5 million). Basic earnings per share attributable to owners of the Company was HK4.51 cents (1H2022: basic loss per share attributable to owners of the Company of HK5.23 cents).

The Group maintained a healthy financial position with sufficient cash and steady operating cash flows, which helped to cope with market changes and drive continuous business growth. As at 30 June 2023, the Group had no bank loans and had cash and cash equivalents of HK$319.0 million (as at 31 December 2022: HK$282.6 million).

Other Income and Gains

Other income and gains mainly consists of bank interest income, gain on deregistration of a subsidiary, subsidies received from utility companies for the purchase of equipment and government grants. During the Review Period, other income and gains decreased to HK$11.4 million (1H2022: HK$55.2 million), which was mainly due to the significant reduction in government grants related to COVID-19.

Operating Costs

Cost of Materials Consumed

During the Review Period, cost of materials consumed amounted to HK$415.2 million (1H2022: HK$337.8 million). The Group continued to increase the supply from factories in Mainland China to Hong Kong by arranging some of the items originally provided by suppliers to be manufactured in its factories in Mainland China, thereby achieving cost reduction as well as improvement in efficiency and quality. Furthermore, by adopting a procurement at source strategy, the Group reduced the procurement of semi-finished products and saved the processing costs of suppliers, effectively lowering purchasing costs. The Group also introduced a number of new suppliers in 1H2023 to avoid the impact that any single supplier might bring on the price of goods. In addition to sourcing, the Group also focused on formulating standardised recipes to keep the use of ingredients within a standard range and reduce wastage. These multi-pronged measures have helped the Group offset price fluctuations caused by unstable food supply. During the Review Period, the ratio of cost of materials consumed to revenue decreased to 26.5% (1H2022: 27.7%).

Staff Costs

During the Review Period, the Group emphasised the optimisation of the deployment of human resources and strived to maximise the efficiency of the team. In terms of restaurant operations, the Group arranged shift rotation based on more precise sales forecasts to improve the accuracy of manpower allocation and avoid wastage of resources. Moreover, the Group continued to increase the use of automated equipment in its stores, including self-ordering systems and automated kitchen equipment, so as to enhance work efficiency and alleviate the workload of its staff. Apart from restaurant operations, automation systems were also applied to other internal processes with a view to enhancing the efficiency of the Group in all aspects with extensive investment in information technology.

To motivate employees, the Group organised Outward Bound leadership training programmes and performance competitions to encourage positive attitudes through contests and rewards, thereby reducing staff turnover and recruitment costs. Staff costs in 1H2023 were HK$544.8 million (1H2022: HK$466.7 million). If subsidies received under Employment Support Scheme from the Hong Kong government of approximately HK$18.1 million due to the pandemic in the same period last year were excluded, the staff costs in the first half of last year would have been accounted for approximately 39.8% of the Group’s revenue, while such revenue ratio decreased to 34.7% this year.

Amortisation of Right-of-use Assets, Rental and Related Expenses

During the Review Period, the Group's amortisation of right-of-use assets, rental and related expenses amounted to HK$242.4 million (1H2022: HK$204.3 million). If the one-time rent concession of approximately HK$17.1 million was excluded in the same period of last year, the ratio of amortisation of right-of-use assets, rental and related expenses to the Group's revenue would have been decreased to 15.5% from 18.2% of last year. In order to effectively control rental costs, the Group set up a dedicated internal team to conduct in-depth analyses of leasing arrangements and restaurant network locations so as to rent stores in prime locations at more appropriate prices and reduce leasing-related expenses.

Other Operating Expenses

In addition to the aforementioned costs, the Group's other operating expenses for the Review Period amounted to HK$236.5 million (1H2022: HK$240.2 million), representing a decrease of 1.5% over the corresponding period of last year, which was mainly due to the decrease in impairment of items of property, plant and equipment and right-of-use assets by HK$27.8 million as compared with the previous period. Such decrease was partially offset by increase in other operating expenses. Due to the increase in revenue, branch-related operating costs such as electronic payment handling fees, transportation costs, repair and maintenance costs as well as consumables also rose accordingly. In addition, various factors in the external environment drove up international fuel prices, leading to a corresponding increase in local electricity fees.

Industry and Geographical Analysis

Benefitting from the lifting of anti-pandemic measures, border re-opening between Hong Kong and Mainland China and the resumption of consumers' dining out habits, as well as the launch of the large-scale global promotional campaign by the HKSAR Government to attract tourists spending in Hong Kong, light began to pierce through the shadow cast by the pandemic during the Review Period. According to preliminary estimates by the Hong Kong Tourism Board, the total number of visitor arrivals to Hong Kong in 1H2023 recovered to nearly 40% of the pre-pandemic level of the same period in 2019[1]. As for Mainland China, the reason for optimism is also seen in the catering market. Since the State Council removed most of the prevention and control restrictions at the end of last year, the daily lives of locals and the tourism industry have gradually returned to normal, driving demand for restaurants. The Group will continue to expand the market in the Greater Bay Area, taking the area as the focus of its business in Mainland China. Alongside the continuous integration and improvement of its store networks in recent years, the Group believes that it will be able to capture opportunities in the aftermath of the pandemic in a more precise manner.

With the recovery of the dine-in operation, the revenue of the Group also increased gradually, recording a same-store sales growth of 24.2% during the period. During the outbreak of pandemic in the past three years, Tai Hing Group adopted prudent and cautious measures by focusing on optimising internal processes and restaurant networks and strengthening the strategic deployment of its brands, and is well prepared for the post-pandemic recovery.

1 Tourism Board
https://partnernet.hktb.com/tc/research_statistics/tourism_statistics_database/index.html

Business Segment Analysis

Boasting 33 years' presence in Hong Kong, Tai Hing Group, apart from its flagship "Tai Hing (太興)" brand, has launched, acquired and been licensed multiple brands including "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 (餃子駅)", "Tommy Yummy", "Tori Yoichi (鳥世一)" and "Sing Kee Seafood Restaurant (星記海鮮飯店)", satisfying the diverse needs of diners.

As at 30 June 2023, the Group had a network of 207 restaurants (as at 31 December 2022: 209 restaurants), 159 of which were located in Hong Kong and Macau, and 48 were in Mainland China. As at 31 July 2023, the number of restaurants of the Group increased to 213, 163 of which were located in Hong Kong and Macau, and 50 were in Mainland China.

As the Group's flagship brand, "Tai Hing" has maintained a cautious approach in its operations to overcome the challenges during the Review Period, its revenue increased by 13.4% over the corresponding period of last year to HK$581.9 million (1H2022: HK$513.1 million), accounting for 37.1% (1H2022: 42.1%) of total revenue, maintaining its status as the Group's largest revenue contributor. In an effort to rebrand "Tai Hing", the Group renovated some of its existing restaurants by adding trendy elements to offer new dining experience while capturing the attention of young consumers. On the product front, "Tai Hing" regularly introduces new seasonal dishes and packaged food to entice its customers' taste buds with "Tai Hing" flavour.

During the Review Period, revenue of the "Men Wah Bing Teng" brand, the Group's second-largest revenue contributor, increased by 28.4% over the corresponding period of last year to HK$417.1 million (1H2022: HK$324.8 million), accounting for 26.6% of total revenue (1H2022: 26.7%). "Men Wah Bing Teng" strived to expand its customer base and enriched menus constantly, including the offer of additional dishes at dinner time to cater for the needs of different customers. In early 2023, "Men Wah Bing Teng" further opened its doors in K11 Art Mall, a premium shopping landmark located in the heart of Tsim Sha Tsui. "Men Wah Bing Teng" has not only expanded the customer base to white-collar workers and tourists, but also enhanced its brand image. In addition, resources were continued to be shared between the Hong Kong and Mainland China teams of "Meng Wah Bing Teng". Mike Tsang, the appointed spokesperson of the brand, starred in advertisements of the new products in the "Golden (黃金系列)" and "Tomato (番茄系列)" series to boost the brand's popularity in both regions during the Review Period.

Last year marked the 10th anniversary of "TeaWood", which was an opportune moment to revamp its four stores and set up two new thematic ones. It continues to explore more opportunities in Taiwanese leisure style by infusing its stores with various Taiwanese beverage elements, and has been successful in attracting more young customers with a relaxing and harmonious atmosphere. During the Review Period, the revenue of "TeaWood" increased by 43.4% over the corresponding period of last year to HK$167.2 million (1H2022: HK$116.6 million), accounting for 10.7% of the Group's total revenue (1H2022: 9.6%).

The Southeast Asian gourmet brand "Asam Chicken Rice" continued to be one of the growth drivers of the Group, with its revenue up by 55.8% over the corresponding period of last year to HK$123.4 million (1H2022: HK$79.2 million). During the Review Period, the brand focused on the development of existing stores. It launched different cuisine categories and adjusted its promotion strategies according to store locations. To achieve targeted marketing, it also stepped up in tailored advertising in large residential areas and established partnerships with more shopping malls and third-party platforms.

Notably, during the Review Period, the Vietnamese beef noodle brand "Phở Lê" was included in the "MICHELIN Guide 2023 Hanoi & Ho Chi Minh City" as a recommended restaurant, which further enhances the brand influence. In addition, the Group has been actively enhancing the brand image of "Phở Lê". The new branches opened during the Review Period took on a radiant decor with the use of distinctive tableware, bringing new vigour to the brand and expanding the target audience to include younger customers. Meanwhile, all new stores introduced originative Vietnamese-inspired dishes including signature beef noodles, salad and skewers, offering refreshing dining experience for customers. During the Review Period, the revenue of "Phở Lê" increased by 47.3% over the corresponding period of last year to HK$56.7 million (1H2022: HK$38.5 million).

The Group's other brands such as "Trusty Congee King" and new members like "Tommy Yummy" and "Sing Kee Seafood Restaurant" also achieved satisfactory results. "Trusty Congee King" and "Sing Kee Seafood Restaurant" were both once again listed as recommended restaurants by MICHELIN. "Tommy Yummy" also won a silver medal in "New Restaurant Category" of "OpenRice Best Restaurants 2023", gaining critical acclaim and public recognition for its quality products.

Sustainable Development

Over 33 years with the city through thick and thin, Tai Hing Group has been unswerving in "Tai Hing Care" spirit. The Group lives out this spirit by reaching out to the disadvantaged. During the Review Period, the Group joined hands with a total of eight social welfare organisations to hand out its own brand products to schoolchildren, the elderly and underprivileged families in the community to share the joy of the festival with them. In terms of environmental protection, the Group is working hard towards "carbon neutrality" through investment in equipment such as energy-saving electric hobs, tap flow controllers and patented heat recovery dishwashers to reduce energy consumption. During the Review Period, Mr. Chan Wing On, Chairman of Tai Hing Group, was honoured as one of the "2023 Greater Bay Area Best 30 ESG Entrepreneurs" by one of the entities in the financial media, Forbes China. The Group also received the Bronze Award of "The BOCHK Corporate Low-Carbon Environmental Leadership Awards 2022" from Federation of Hong Kong Industries, demonstrating its fruitful achievements in sustainability.

Prospects

In the wake of the pandemic, both catering and tourism industries saw the dawn of a new beginning. Although tourist numbers have not fully recovered to pre-pandemic levels according to estimates by the Hong Kong Tourism Board, the Group believes that a more sweeping rebound is only a matter of time. In view of this, the Group has been proactive in expediting the expansion of tourist attractions during the Review Period. The Group opened a store of "Men Wah Bing Teng" in Hong Kong International Airport in July 2023, offering tourists from around the world an authentic taste of Hong Kong Bing Sutt food. It is expected to improve the brand's international awareness and image by seizing the opportunity from the rebound of tourism.

Mainland China continues to be one of the pillars shoring up the business expansion of the Group. During the pandemic, the consolidation of the Mainland China branch network was in full swing as the Group gradually shifted its business focus to the Greater Bay Area. Supported by the economic development in the region and the fact that the local and proximate population share similar tastes for food as Hongkongers, it is expected to complement the current restaurant network in Hong Kong, which will further reinforce the leading position of the Group's brands.

Operating multiple brands is a core strength and key strategy of Tai Hing Group, which aims to satisfy the diverse needs of customers. On the one hand, the Group is committed to creating synergies by promoting crossovers among its existing brands such as "Tai Hing" and "Men Wah Bing Teng". On the other hand, the Group is keeping abreast of market trends to scout for new brands and in turn fulfil the ever-changing preferences of the market. This July, the Group caught the "Korean" trend by introducing "Bingle Bingle", the Korean-style restaurant renowned for its "BBQ for one". This move not only presented the Korean BBQ experience in a unique manner, but also further optimised the business layout by expanding the brand lineup of the Group. Since its opening, "Bingle Bingle" has been well received by customers and has been widely reported by the media.

Entering the post-pandemic era, the Group recognises that digital technology has become the way forward for the catering industry, helping to unleash the potential value of brands. The Group's first integrated mobile application of the Group "FanFanStore" was launched in July and included functions of collection, delivery, online shop and e-vouchers, whereas the remaining functions will come sequentially, aiming to provide one-stop services for customers. With self-processing of orders, the Group's own application enables it to increase the accuracy of order taking and reduce reliance on third-party takeaway platforms to capture all delivery needs, which is expected to in turn enhance the Group's profitability.

In terms of marketing, the Group followed the e-commerce trend in June this year by partnering with e-commerce platforms to promote products from seven brands through livestreaming. In view of the satisfactory sales figures, the Group will launch more products on e-commerce platforms to expand both coverage and revenue streams. In Mainland China, the Group also promoted its brands on popular social media including Douyin and Xiaohongshu, and organised joint events with movies and hotels aiming to increase awareness among potential young customers.

After the protracted three years of pandemic, the much-anticipated return to normalcy has finally arrived, bringing new positivity to the catering industry. Leveraging on the insights gained from years of operations, together with the hands-on experience in responding to the pandemic in recent years, Tai Hing Group is confident of overcoming the challenges ahead. It will seize the business opportunities arising from the market recovery to facilitate the steady development of the Group and create higher and long-term value for shareholders.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK3.40 cents per share (six months ended 30 June 2022: HK2.50 cents per share) for the six months ended 30 June 2023 payable to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 11 October 2023. The dividend warrants of the interim dividend are expected to be despatched to the Shareholders on or before Thursday, 2 November 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended 30 June 2023, the register of members of the Company will be closed from Monday, 9 October 2023 to Wednesday, 11 October 2023, 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 2023, all transfer forms duly accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, 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, 6 October 2023.

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 and proceeds received from listing of shares of the Company on the Stock Exchange on 13 June 2019 (the "**Listing**"). As at 30 June 2023, the Group's cash and cash equivalents were approximately HK$319.0 million (31 December 2022: approximately HK$282.6 million). The majority of the bank deposits and cash were denominated in Hong Kong dollars and Renminbi. The additional funds raised from the Listing would be used for implementing the future expansion plan.

As at 30 June 2023, the Group's total current assets and current liabilities were approximately HK$570.6 million (31 December 2022: approximately HK$551.7 million) and approximately HK$775.3 million (31 December 2022: approximately HK$774.7 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 0.7 times (31 December 2022: approximately 0.7 times). After excluding current portion of lease liabilities and contract liabilities, the net current assets were approximately HK$205.2 million as at 30 June 2023 (31 December 2022: HK$199.2 million), while the adjusted current ratio (calculated by dividing total current assets by total current liabilities excluding current portion of lease liabilities and contract liabilities at the end of respective periods) was approximately 1.6 times (31 December 2022: approximately 1.6 times).

The Group did not have any interest-bearing bank borrowings as at 30 June 2023 (31 December 2022: Nil). During the six-month period ended 30 June 2023, there were no financial instruments used for hedging purposes.

As at 30 June 2023, the gearing ratio of the Group was 55.6% (31 December 2022: 56.8%). The gearing ratio is calculated by dividing net debt by capital plus net debt. Net debt includes contract liabilities, lease liabilities, trade payables, other payables and accruals, less cash and cash equivalents. Capital represents the equity attributable to owners of the Company.

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 the 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 minimise the risk when necessary.

Contingent Liabilities

As at 30 June 2023, the Group had contingent liabilities of approximately HK$51.6 million (31 December 2022: approximately HK$56.4 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 2023, the Group had certain property, plant and equipment and right-of-use assets with an aggregate net carrying value of approximately HK$225.0 million (31 December 2022: HK$229.6 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 2023, the Group did not have any material acquisitions and disposals of subsidiaries, associates, joint ventures, significant investments nor capital commitment. There was no plan for other material investments or additions of capital assets as at the date of this announcement.

HUMAN RESOURCES

The Group had approximately 6,400 employees as at 30 June 2023 (31 December 2022: approximately 6,000). The emolument policy of the employees of the Group is set up by the senior management of the Group on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management of the Company are recommended by the Remuneration Committee to the Board, having regard to the Company's operating results, individual performance and prevailing market conditions.

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. No further share options will be granted under the Pre-IPO Share Option Scheme after the date on which dealings in the Shares commence on the Stock Exchange but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme. There were no outstanding share options under the Pre-IPO Share Option Scheme as at 30 June 2023. No share options were granted under the Post-IPO Share Option Scheme from the date of Listing and up to 30 June 2023.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, 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 2023 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 2023).

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2023 as set out in this announcement 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 to the Listing Rules throughout the six months ended 30 June 2023.

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 to 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 standards as set out in the Model Code throughout the six months ended 30 June 2023.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.taihing.com). The interim report of the Company for the six months ended 30 June 2023 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, 25 August 2023

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

Executive Directors
Mr. Chan Wing On (Chairman), Mr. Yuen Chi Ming 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