太興
TAI HING

太興集團控股有限公司
TAI HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 6811

2023
INTERIM REPORT

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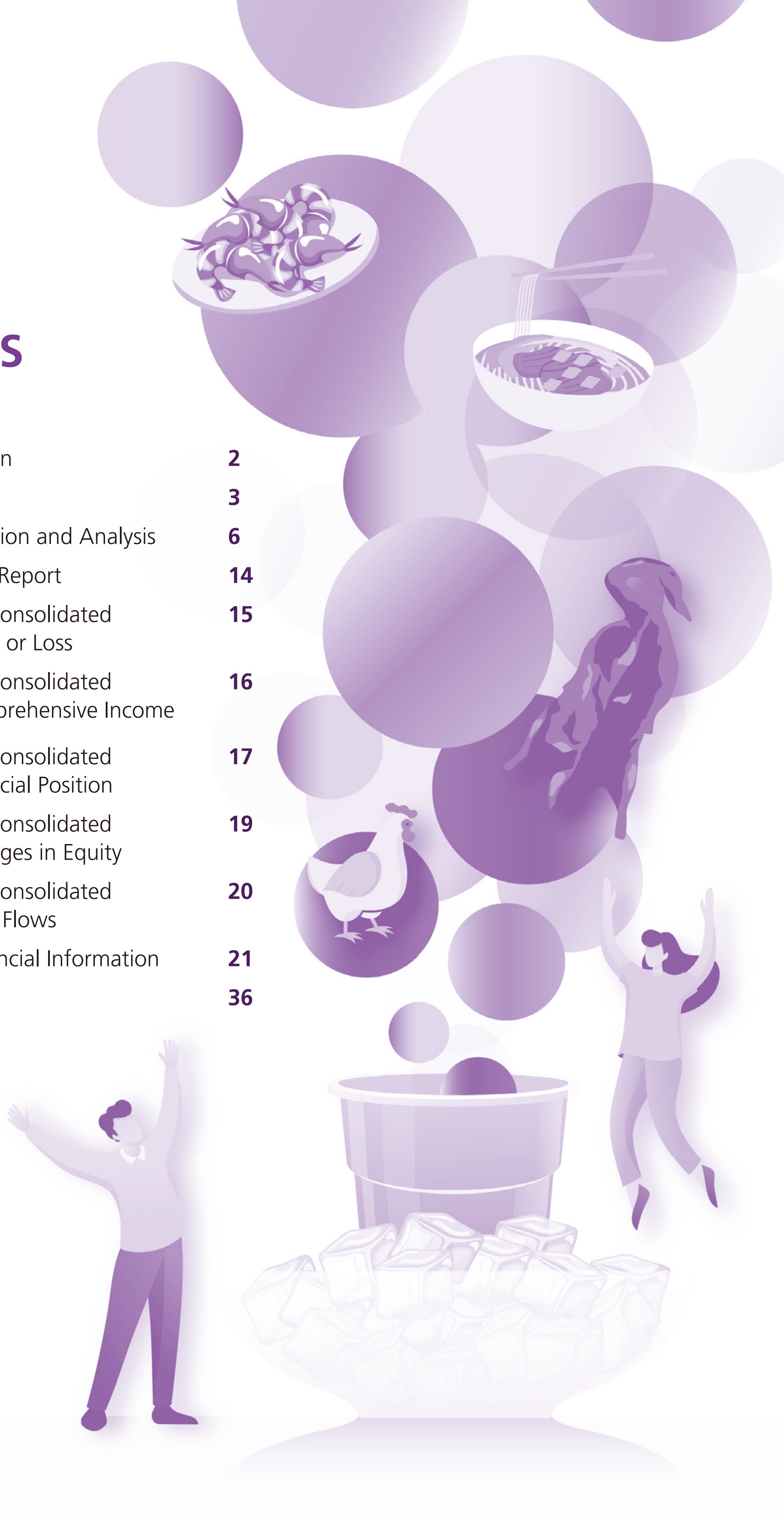

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Chan Wing On *(Chairman)*
Mr. Yuen Chi Ming
Ms. Chan Shuk Fong
Mr. Lau Hon Kee
(resigned with effect from 29 March 2023)

Non-Executive Director
Mr. Ho Ping Kee

Independent Non-Executive Directors
Mr. Mak Ping Leung
(alias: Mak Wah Cheung)
Mr. Wong Shiu Hoi Peter
Dr. Sat Chui Wan

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Chau Ching Hang

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Deacons

As to Cayman Islands law:
Conyers Dill & Pearman

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13/F, Chinachem Exchange Square
1 Hoi Wan Street
Quarry Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

6811

WEBSITE

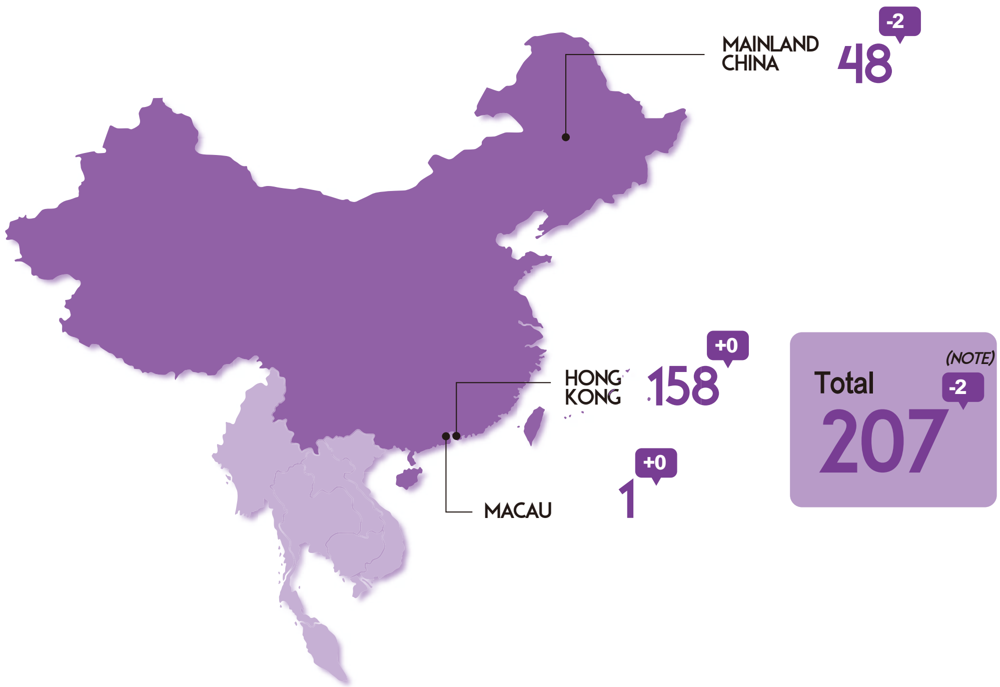
www.taihing.com

FINANCIAL HIGHLIGHTS

	Six-months ended 30 June 2023 (Unaudited)	Six-months ended 30 June 2022 (Unaudited)	Change
Revenue (HK$'000)	**1,568,193**	1,217,561	28.8%
Hong Kong, Macau and Taiwan	**1,312,725**	968,521	35.5%
Mainland China	**255,468**	249,040	2.6%
Gross profit margin (%)	**73.5%**	72.3%	1.2 percentage points
Profit/(loss) attributable to owners of the Company (HK$'000)	**45,326**	(52,485)	N/A
Basic earnings/(loss) per share (HK cents)	**4.51**	(5.23)	N/A
Interim dividend per share (HK cents)	**3.40**	2.50	36.0%
	30 June 2023	31 December 2022	
Number of restaurants			
Hong Kong	**158**	158	–
Mainland China	**48**	50	(2)
Macau	**1**	1	–
Total	**207**	209	(2)

FINANCIAL HIGHLIGHTS

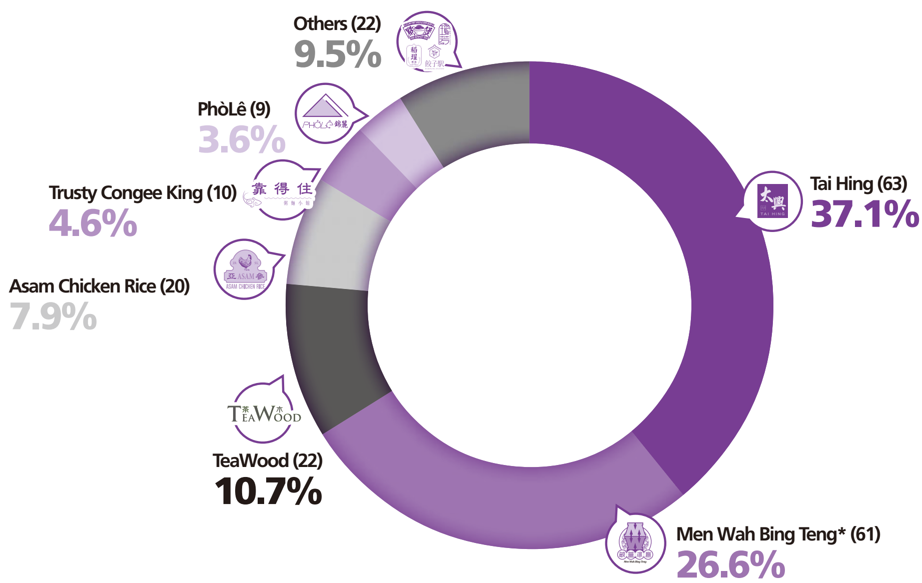
RESTAURANT NETWORK AS AT 30 JUNE 2023



Note:

The Group has 206 self-operated restaurants (as at 31 December 2022: 207) and 1 restaurant operated by its franchisee (as at 31 December 2022: 2).

Revenue distribution – by brands (number of restaurants)

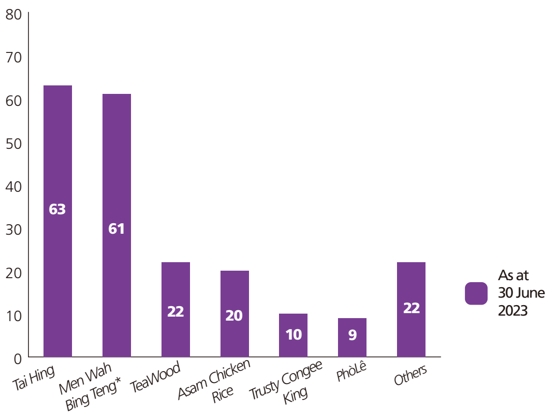


* Exclude "Men Wah Ex" and "Men Wah Gilt Restaurant"

(for the period ended 30 June 2023)

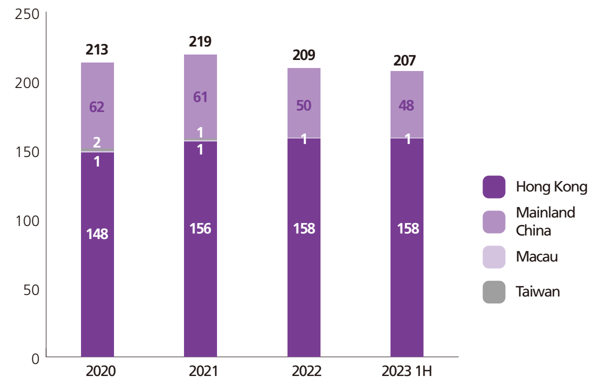
FINANCIAL HIGHLIGHTS

Number of restaurants (by brands)

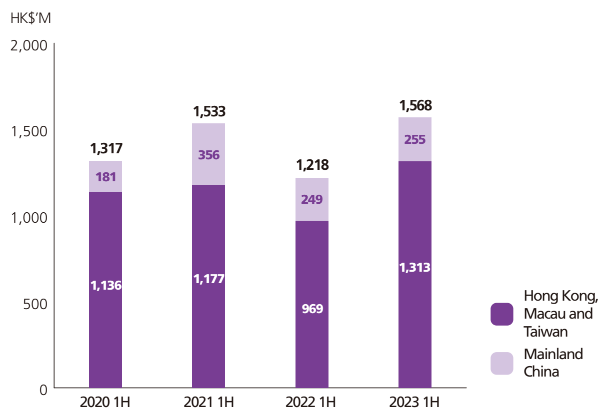


* Exclude "Men Wah Ex" and "Men Wah Gilt Restaurant"

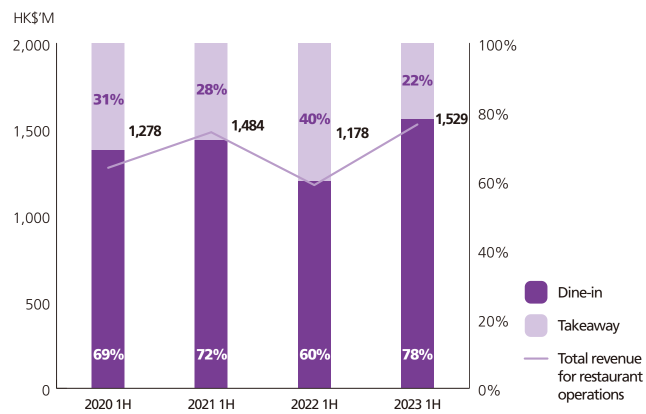
Number of shops (by geographical areas)



Revenue distribution (by geographical areas)



Revenue distribution for restaurant operations (by dine-in or takeaway)



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 were 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 costs 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 consist 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, the 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 the Employment Support Scheme from the Hong Kong government of approximately HK$18.1 million due to the pandemic in the same period of 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.

OPERATING COSTS *(Continued)*

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 the 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 the 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/en/research_statistics/tourism_statistics_database/index.html

MANAGEMENT DISCUSSION AND ANALYSIS

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% (1H2022: 26.7%) of total revenue. "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 to 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 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 for 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% (1H2022: 9.6%) of the Group's total revenue.

BUSINESS SEGMENT ANALYSIS *(Continued)*

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 a 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.

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 the 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 the 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 report.

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.

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 report.

INDEPENDENT REVIEW REPORT

Ernst & Young
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Quarry Bay, Hong Kong

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 15 to 35, which comprises the condensed consolidated statement of financial position of Tai Hing Group Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong

25 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'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	6	**(14,620)**	(14,920)
PROFIT/(LOSS) BEFORE TAX	5	**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)

INTERIM 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 adjustment 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)

INTERIM 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company										
	Issued capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2023 (audited)	10,054	728,032*	118,643*	5,207*	(34,005)*	8,376*	–*	117,627*	953,934	1,232	955,166
Profit for the period	–	–	–	–	–	–	–	45,326	45,326	10	45,336
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	(11,466)	–	–	–	(11,466)	(53)	(11,519)
Reclassification adjustment for deregistration of a subsidiary	–	–	–	–	(1,941)	–	–	–	(1,941)	–	(1,941)
Total comprehensive income for the period	–	–	–	–	(13,407)	–	–	45,326	31,919	(43)	31,876
Final 2022 dividend declared	–	–	–	–	–	–	–	(25,135)	(25,135)	–	(25,135)
At 30 June 2023 (unaudited)	10,054	728,032*	118,643*	5,207*	(47,412)*	8,376*	–*	137,818*	960,718	1,189	961,907
At 1 January 2022 (audited)	10,036	723,287	118,643	5,207	(10,755)	8,204	3,147	235,765	1,093,534	1,644	1,095,178
Loss for the period	–	–	–	–	–	–	–	(52,485)	(52,485)	(906)	(53,391)
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	(12,771)	–	–	–	(12,771)	(254)	(13,025)
Total comprehensive loss for the period	–	–	–	–	(12,771)	–	–	(52,485)	(65,256)	(1,160)	(66,416)
Final 2021 dividend declared	–	–	–	–	–	–	–	(49,678)	(49,678)	–	(49,678)
Equity-settled share option arrangement	–	–	–	–	–	–	805	–	805	–	805
At 30 June 2022 (unaudited)	10,036	723,287	118,643	5,207	(23,526)	8,204	3,952	133,602	979,405	484	979,889

* These reserve accounts comprise the consolidated reserves of HK$950,664,000 (31 December 2022: HK$943,880,000) in the condensed consolidated statements of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**60,374**	(60,447)
Adjustments for:		
Non-cash adjustments	**281,448**	304,767
Working capital adjustments	**(8,583)**	(51,728)
Cash generated from operations	**333,239**	192,592
Hong Kong profits tax refunded/(paid)	**(13,977)**	4,861
Overseas tax paid	**(427)**	(1,539)
Net cash flows from operating activities	**318,835**	195,914
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**2,338**	394
Purchases of items of property, plant and equipment and right-of-use assets	**(53,626)**	(42,668)
Purchases of investment properties	**–**	(9,576)
Proceeds from disposal of items of property, plant and equipment and right-of-use assets	**4,550**	1,737
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	**10,000**	–
Net cash flows used in investing activities	**(36,738)**	(50,113)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payments	**(193,821)**	(219,477)
Interest element on lease liabilities	**(14,620)**	(14,920)
Dividends paid	**(25,135)**	(49,678)
Net cash flows used in financing activities	**(233,576)**	(284,075)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**48,521**	(138,274)
Cash and cash equivalents at beginning of period	**240,590**	452,607
Effect of foreign exchange rate changes, net	**(2,141)**	(2,488)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**286,970**	311,845
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**201,970**	266,736
Non-pledged time deposits with original maturity of less than three months when acquired	**85,000**	45,109
Non-pledged time deposits with original maturity of more than three months when acquired	**32,000**	–
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**318,970**	311,845
Non-pledged time deposits with original maturity of more than three months when acquired	**(32,000)**	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**286,970**	311,845

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.

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").

The unaudited condensed consolidated interim financial information does not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

The unaudited condensed consolidated interim financial information has been prepared under the historical cost convention, except for investment properties which have been measured at fair value, and is presented in Hong Kong dollars ("HK$") and all values are rounded to nearest thousand except when otherwise indicated.

2.2 BASIS OF PRESENTATION

As at 30 June 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 Rules*

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

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

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022.

Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. 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.

3. OPERATING SEGMENT INFORMATION *(Continued)*

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
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
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.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

As at 30 June 2023 and 31 December 2022

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2023 (Unaudited) HK$'000	2022 (Audited) HK$'000	**2023 (Unaudited) HK$'000**	2022 (Audited) HK$'000	**2023 (Unaudited) HK$'000**	2022 (Audited) HK$'000
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

4. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

(ii) Performance obligations

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

Restaurant operations

The performance obligation is satisfied when the catering services have been provided to customers. The Group's trading terms with its customers are mainly on cash, 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 the products by the customers. The Group's trading terms with its customers are mainly on cash, credit card, 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. 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 concession 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.

6. 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

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 dividends 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$53.6 million (six months ended 30 June 2022: approximately 42.7 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.

As at 30 June 2023, the Group's management identified certain restaurants which continued to underperform and the estimated corresponding recoverable amounts of their property, plant and equipment and right-of-use assets.

Based on these estimates, net impairment losses of HK$3,483,000 (six months ended 30 June 2022: HK$12,750,000) and HK$8,355,000 (six months ended 30 June 2022: HK$26,870,000) were recognised to write down the carrying amounts of these items of property, plant and equipment and right-of-use assets to their recoverable amount of totalling HK$106,864,000 (six months ended 30 June 2022: HK$51,240,000) as at 30 June 2023, respectively.

The recoverable amount of the items of property, plant and equipment and right-of-use assets are determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining lease terms plus the anticipated renewal period approved by senior management. The pre-tax discount rate applied for the cash flow projection ranged from 15.0% to 15.3%.

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
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

Notes:

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.

15. CAPITAL COMMITMENTS

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

	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
Contracted, but not provided for:		
Leasehold improvements and plant and machinery	**7,561**	10,780

16. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
Rental payments paid to related companies	**2,397**	2,433

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

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
Short-term employee benefits	**10,223**	9,091
Post-employment benefits	**45**	45
Total compensation paid to key management personnel	**10,268**	9,136

17. CONTINGENT LIABILITIES

At the end of the reporting periods, contingent liabilities not provided for were as follows:

	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
Bank guarantees in favour of landlords in lieu of deposits	**51,617**	56,380

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of non-current other receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and were assessed to approximate to their carrying amounts.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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.

USE OF NET PROCEEDS FROM LISTING

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

The use of the net proceeds from the Listing Date to 30 June 2023 was as follows:

Use of net proceeds	Percentage of net proceeds	Net proceeds (in HK$ million)	Amount utilised (in HK$ million)	Amount remaining as at 30 June 2023 (in HK$ million)
The New Restaurants' Plan*	58.5%	406.2 (note 1)	404.6	1.6
The Food Factories' Plan*	20.5%	142.4 (note 1)	100.4	42.0
Renovation of existing restaurants in Hong Kong and Mainland China	11.0%	76.4	64.8	11.6
Additional working capital and other general corporate purposes	10.0%	69.5	69.5	–
Total	100.0%	694.5	639.3	55.2

* As defined in the Company's announcement dated 22 October 2021 (the "Announcement")

USE OF NET PROCEEDS FROM LISTING *(Continued)*

Notes:

1. The Board has resolved to change the use of net proceeds on 22 October 2021 with reasons and details of such changes as disclosed in the Announcement.

2. The expected timelines for fully utilising all the unutilised net proceeds are on or before 31 December 2023, which are determined based on the Group's best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

As of the date of this report, the Directors are not aware of any material change to the use of the changed remaining net proceeds as disclosed in the Announcement. The Group intends to apply the remaining net proceeds in accordance with the revised plans as disclosed in the Announcement.

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 Listing Date and up to 30 June 2023. The maximum number of shares in respect of which options may be granted under the Post-IPO Share Option Scheme and any other schemes involving the issue or grant of options or similar rights over shares or other securities by the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company as at the Listing Date, i.e. 100,000,000 shares. As at the beginning and the end of the Review Period, the maximum number of shares in respect of which options may be granted under the Post-IPO Share Option Scheme was 100,000,000 shares.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long Position in the shares of the Company

Name of Director	Capacity	Number of ordinary shares held		Approximate percentage of issued ordinary shares *(Note (i))*
Mr. Chan Wing On ("Mr. Chan")	Interest of controlled corporation	538,449,500	*(Note (ii))*	53.56%
	Interest of spouse	1,165,000	*(Note (ii))*	0.12%
	Beneficial owner	3,551,000	*(Note (ii))*	0.35%
Ms. Chan Shuk Fong ("Ms. Chan")	Beneficial owner	12,769,000	*(Note (iii))*	1.27%

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES *(Continued)*

Long Position in the shares of the Company *(Continued)*

Notes:

(i) The percentage of shareholding is calculated on the basis of the Company's total number of issued shares of 1,005,399,000 shares as at 30 June 2023.

(ii) Chun Fat Company Limited ("Chun Fat" (俊發有限公司)) is directly owned as to approximately 83.23% by Mr. Chan. As at 30 June 2023, Chun Fat held 538,449,500 ordinary shares of the Company. Accordingly, Mr. Chan is deemed to be interested in 538,449,500 ordinary shares of the Company in which Chun Fat is interested. In addition, as at 30 June 2023, Ms. Leung Yi Ling ("Ms. Leung"), being the spouse of Mr. Chan, was beneficially interested in 1,165,000 ordinary shares of the Company. Therefore, Mr. Chan is deemed to be interested in 1,165,000 ordinary shares of the Company in which Ms. Leung is interested.

(iii) As at 30 June 2023, Ms. Chan is beneficially interested in 12,769,000 ordinary shares of the Company.

(iv) No pledging of shares by the controlling shareholders under Rule 13.17 of the Listing Rules.

Interests in the shares of associated corporation of the Company

Name of associated corporation	Name of Director	Capacity	Number of ordinary shares held in Chun Fat	Approximate percentage of issued ordinary shares *(Note)*
Chun Fat	Mr. Chan	Beneficial owner	166,458	83.23%
Chun Fat	Mr. Ho Ping Kee	Beneficial owner	19,866	9.93%
Chun Fat	Mr. Yuen Chi Ming	Beneficial owner	13,676	6.84%

Note:

The percentage of shareholding is calculated on the basis of the total number of 200,000 issued shares of Chun Fat as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Schemes as disclosed above, at no time for the six months ended 30 June 2023 was the Company or any its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 30 June 2023, the following parties (other than the Directors) had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long Position in the shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held		Approximate percentage of issued ordinary shares *(Note (i))*
Chun Fat	Beneficial owner	538,449,500		53.56%
Ms. Leung	Beneficial owner	1,165,000	*(Note (ii))*	0.12%
	Interest of Spouse	542,000,500	*(Note (ii))*	53.91%

Notes:

(i) The percentage of shareholding is calculated on the basis of the Company's total number of issued shares of 1,005,399,000 shares as at 30 June 2023.

(ii) As at 30 June 2023, Ms. Leung, being the spouse of Mr. Chan, was deemed to be interested in 542,000,500 ordinary shares of the Company in which Mr. Chan was interested, which consist of 538,449,500 ordinary shares of the Company in which Mr. Chan was interested through Chun Fat and 3,551,000 ordinary shares of the Company directly held by Mr. Chan.

Save as disclosed above, as at 30 June 2023, there were no parties (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

OTHER INFORMATION

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 the 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 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 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.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Lau Hon Kee has resigned as an Executive Director of the Company with effect from 29 March 2023.

Mr. Wong Shiu Hoi Peter, the Independent Non-Executive Director, has resigned as an independent non-executive director of Agile Group Holdings Limited (a company listed on the Stock Exchange, stock code: 3383) with effect from 26 June 2023.

OTHER INFORMATION

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.

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 report, 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