稻香集團

Tao Heung Holdings Limited
稻香控股有限公司*

(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 573

2023
INTERIM REPORT

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chung Wai Ping *(Chairman and Chief Executive Officer)*
Mr. Wong Ka Wing
Mr. Ho Yuen Wah
Mr. Chung Chun Fung

Non-executive Directors

Mr. Fong Siu Kwong
Mr. Chan Yue Kwong, Michael

Independent non-executive Directors

Professor Chan Chi Fai, Andrew
Mr. Mak Hing Keung, Thomas
Mr. Ng Yat Cheung
Ms. Wong Fun Ching
(Appointed with effect from 1 January 2023)

Company Secretary

Ms. Cheung Kin Man

Authorised Representatives

Mr. Chung Chun Fung
Ms. Cheung Kin Man

Members of Audit Committee

Mr. Mak Hing Keung, Thomas *(Chairman)*
Professor Chan Chi Fai, Andrew
Mr. Chan Yue Kwong, Michael
Ms. Wong Fun Ching
(Appointed with effect from 1 January 2023)

Members of Nomination Committee

Professor Chan Chi Fai, Andrew *(Chairman)*
Mr. Ng Yat Cheung
Mr. Chan Yue Kwong, Michael

Members of Remuneration Committee

Mr. Ng Yat Cheung *(Chairman)*
Mr. Fong Siu Kwong
Mr. Mak Hing Keung, Thomas

Registered Office

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

Principal Place of Business in Hong Kong

No. 18 Dai Fat Street, Tai Po Industrial Estate
Tai Po, New Territories, Hong Kong

Principal Share Registrar

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court, Camana Bay
Grand Cayman KY1-1100, Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
BNP Paribas, Hong Kong Branch
China CITIC Bank Corporation Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Principal Auditors

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Stock Code

573

Website

www.taoheung.com.hk

FINANCIAL HIGHLIGHTS

	Notes	Six months ended 30 June 2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000	% Change Increase/ (Decrease)
Performance				
Revenue		**1,504,553**	1,058,425	42.2%
Profit/(loss) attributable to owners of the parent		**33,400**	(101,392)	132.9%
Gross profit/(loss) margin		**12.1%**	(4.1%)	395.1%
Net profit/(loss) margin	*1*	**2.2%**	(9.6%)	122.9%
Per Share Data		**HK cents**	HK cents	
Earnings/(loss) per share				
– Basic		**3.29**	(10.00)	132.9%
– Diluted		**3.29**	(10.00)	132.9%
Proposed interim dividend per share		**3.0**	3.0	–

	Notes	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000	% Change Increase/ (Decrease)
Total assets		**2,151,607**	2,272,978	(5.3%)
Net assets		**1,229,916**	1,243,122	(1.1%)
Cash and cash equivalents		**290,663**	251,854	15.4%
Net cash	*2*	**180,096**	142,021	26.8%
Liquidity and Gearing				
Current ratio	*3*	**0.9**	0.9	–
Quick ratio	*4*	**0.8**	0.7	14.3%
Gearing ratio	*5*	**9.1%**	9.0%	1.1%
Per Share Data		**HK cents**	HK cents	
Net assets per share	*6*	**121.25**	122.55	(1.1%)
Net cash per share	*7*	**17.75**	14.00	26.8%

Notes:

1. Net profit/(loss) margin is calculated as net profit/(loss) attributable to owners of the parent divided by revenue.
2. Net cash is cash and cash equivalents less interest-bearing bank borrowings.
3. Current ratio is calculated as current assets divided by current liabilities.
4. Quick ratio is calculated as current assets less inventories divided by current liabilities.
5. Gearing ratio is calculated as interest-bearing bank borrowings divided by total equity attributable to owners of the parent.
6. Net assets per share is calculated based on the number of 1,014,348,000 issued shares (31 December 2022: 1,014,348,000 issued shares).
7. Net cash per share is calculated based on the number of 1,014,348,000 issued shares (31 December 2022: 1,014,348,000 issued shares).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

INTERIM RESULTS (UNAUDITED)

The board of directors (the "Board") of Tao Heung Holdings Limited (the "Company"), together with its subsidiaries (collectively the "Group"), hereby announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023 together with comparative figures for the corresponding period in 2022. These interim condensed consolidated financial statements for the six months ended 30 June 2023 have not been audited, but have been reviewed by the Audit Committee of the Company.

		Six months ended 30 June	
	Notes	**2023 (Unaudited) HK$'000**	2022 (Unaudited) HK$'000
REVENUE	*5*	**1,504,553**	1,058,425
Cost of sales		**(1,322,696)**	(1,101,449)
Gross profit/(loss)		**181,857**	(43,024)
Other income and gains, net	*5*	**22,838**	83,007
Selling and distribution expenses		**(39,009)**	(38,549)
Administrative expenses		**(79,962)**	(86,418)
Other expenses, net		**(22,907)**	(19,225)
Finance costs	*6*	**(12,186)**	(12,639)
Share of profits of associates		**1,006**	1,605
PROFIT/(LOSS) BEFORE TAX	*7*	**51,637**	(115,243)
Income tax credit/(expense)	*8*	**(15,520)**	16,960
PROFIT/(LOSS) FOR THE PERIOD		**36,117**	(98,283)
Attributable to:			
Owners of the parent		**33,400**	(101,392)
Non-controlling interests		**2,717**	3,109
		36,117	(98,283)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	*10*	**HK3.29 cents**	HK(10.00) cents
– Diluted	*10*	**HK3.29 cents**	HK(10.00) cents

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	**36,117**	(98,283)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(13,866)**	(42,011)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**22,251**	(140,294)
Attributable to:		
Owners of the parent	**19,859**	(142,558)
Non-controlling interests	**2,392**	2,264
	22,251	(140,294)

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	11	**760,241**	792,835
Right-of-use assets	11	**514,622**	599,930
Investment properties	11	**25,100**	25,100
Goodwill		**38,253**	38,492
Other intangible asset		**–**	–
Investments in associates		**13,015**	12,302
Deferred tax assets		**128,147**	141,441
Deposits and other receivable		**67,845**	63,363
Deposits for purchases of items of property, plant and equipment		**17,820**	16,723
Total non-current assets		**1,565,043**	1,690,186
CURRENT ASSETS			
Inventories		**113,852**	126,358
Trade receivables	12	**38,851**	46,640
Prepayments, deposits and other receivables		**125,479**	143,338
Tax recoverable		**2,797**	87
Pledged deposits		**14,922**	14,515
Cash and cash equivalents		**290,663**	251,854
Total current assets		**586,564**	582,792
CURRENT LIABILITIES			
Trade payables	13	**101,772**	127,335
Other payables and accruals		**229,641**	230,040
Interest-bearing bank borrowings		**110,567**	109,833
Lease liabilities		**176,358**	190,438
Tax payable		**3,580**	3,415
Total current liabilities		**621,918**	661,061
NET CURRENT LIABILITIES		**(35,354)**	(78,269)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,529,689**	1,611,917

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
NON-CURRENT LIABILITIES		
Other payables and accruals	**11,307**	12,374
Lease liabilities	**271,523**	339,478
Deferred tax liabilities	**16,943**	16,943
Total non-current liabilities	**299,773**	368,795
Net assets	**1,229,916**	1,243,122
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**101,435**	101,435
Reserves	**1,109,549**	1,120,120
	1,210,984	1,221,555
Non-controlling interests	**18,932**	21,567
Total equity	**1,229,916**	1,243,122

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent											
	Issued capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Treasury shares (Unaudited) HK$'000	Capital reserve (Unaudited) HK$'000	Other reserve (Unaudited) HK$'000	Share option reserve (Unaudited) HK$'000	Capital redemption reserve (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-controlling interests (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
At 1 January 2022	101,635	326,430	(1,779)	110,748	(21,455)	4,207	509	43,669	964,662	1,528,626	17,585	1,546,211
Profit/(loss) for the period	–	–	–	–	–	–	–	–	(101,392)	(101,392)	3,109	(98,283)
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(41,166)	–	(41,166)	(845)	(42,011)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	(41,166)	(101,392)	(142,558)	2,264	(140,294)
Transfer of share option reserve upon the forfeiture of share options	–	–	–	–	–	(166)	–	–	166	–	–	–
Shares cancelled	(200)	(1,579)	1,779	–	–	–	–	–	–	–	–	–
Final 2021 dividend *(note 9)*	–	–	–	–	–	–	–	–	(30,430)	(30,430)	–	(30,430)
At 30 June 2022	101,435	324,851	–	110,748	(21,455)	4,041	509	2,503	833,006	1,355,638	19,849	1,375,487
At 1 January 2023	**101,435**	**324,851**	**–**	**110,748**	**(21,455)**	**3,777**	**509**	**(59,404)**	**761,094**	**1,221,555**	**21,567**	**1,243,122**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**33,400**	**33,400**	**2,717**	**36,117**
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,541)**	**–**	**(13,541)**	**(325)**	**(13,866)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,541)**	**33,400**	**19,859**	**2,392**	**22,251**
Dividends paid to a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,027)**	**(5,027)**
Transfer of share option reserve upon the forfeiture of share options	**–**	**–**	**–**	**–**	**–**	**(156)**	**–**	**–**	**156**	**–**	**–**	**–**
Final 2022 dividend *(note 9)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,430)**	**(30,430)**	**–**	**(30,430)**
At 30 June 2023	**101,435**	**324,851***	**–**	**110,748***	**(21,455)***	**3,621***	**509***	**(72,945)***	**764,220***	**1,210,984**	**18,932**	**1,229,916**

* These reserve accounts comprise the consolidated reserves of HK$1,109,549,000 (31 December 2022: HK$1,120,120,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**51,637**	(115,243)
Adjustments for:			
Interest income	*5*	**(3,010)**	(3,142)
Gain on termination of leases	*5*	**(6,833)**	(7,212)
Finance costs	*6*	**12,186**	12,639
Write-off of items of property, plant and equipment	*7*	**298**	1,300
Impairment of items of property, plant and equipment	*7*	**9,447**	7,397
Impairment of right-of-use assets	*7*	**13,098**	8,700
Depreciation of items of property, plant and equipment	*7*	**77,816**	80,991
Depreciation of right-of-use assets	*7*	**108,095**	112,866
Impairment of trade receivables	*7*	**64**	1,828
COVID-19 related rent concessions from lessors	*7*	**–**	(14,044)
Share of profits of associates		**(1,006)**	(1,605)
		261,792	84,475
Decrease in inventories		**12,740**	25,275
Decrease in trade receivables		**7,838**	8,036
Decrease/(increase) in prepayments, deposits and other receivables		**19,449**	(11,331)
Decrease in trade payables		**(25,761)**	(18,776)
Increase/(decrease) in other payables and accruals		**(1,784)**	11,031
Cash generated from operations		**274,274**	98,710
Interest paid		**(3,227)**	(1,292)
Hong Kong profits tax paid		**(5,164)**	–
Overseas tax refunded/(paid)		**581**	(3,332)
Net cash flows from operating activities		**266,464**	94,086

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(60,403)**	(50,384)
Deposits paid for purchases of items of property, plant and equipment	**(1,023)**	(3,582)
Payment for purchase of other financial assets	**–**	(1,000)
Dividend from an associate	**–**	4,147
Interest received	**3,010**	3,142
Increase in pledged deposits	**(458)**	(155)
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	**58,543**	–
Net cash flows used in investing activities	**(331)**	(47,832)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**235,000**	178,000
Repayment of bank loans	**(234,266)**	(108,167)
Principal portion of lease payments	**(120,821)**	(120,993)
Interest element of lease payments	**(8,959)**	(11,347)
Dividends paid	**(30,430)**	(30,430)
Dividends paid to non-controlling shareholder of subsidiaries	**(5,027)**	–
Net cash flows used in financing activities	**(164,503)**	(92,937)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**101,630**	(46,683)
Cash and cash equivalents at beginning of period	**193,311**	393,148
Effect of foreign exchange rate changes, net	**(4,278)**	4,948
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**290,663**	351,413
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**290,663**	351,413
Non-pledged time deposits with original maturity of more than three months when acquired	**–**	62,556
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**290,663**	413,969

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 29 December 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at No. 18 Dai Fat Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong.

During the period, the Group was involved in the following principal activities:

– restaurant operations and provision of food catering services

– bakery operations

– production, sale and distribution of food products and other items related to restaurant operations

– provision of poultry farm operations

2.1 BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 (the "Unaudited Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

These Unaudited Interim Financial Statements do not include all the 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.

2.2 BASIS OF PRESENTATION

As at 30 June 2023, the Group had net current liabilities of HK$35,354,000. The directors believe that the Group has sufficient cash flows from operations and available banking facilities to meet its liabilities as and when they fall due. Therefore, the Unaudited Interim Financial Statements are prepared on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the Unaudited Interim Financial Statements 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*

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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.

(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 amendments did not have any significant impact on the financial position or performance of the Group upon initial application.

(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.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of food catering services through a chain of restaurants and bakery shops. Information reported to the Group's chief operating decision maker (i.e., the chief executive officer) for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The following tables present revenue from external customers for the six months ended 30 June 2023 and 2022 and certain non-current asset information as at 30 June 2023 and 31 December 2022, by geographic area.

(a) Revenue from external customers

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
Hong Kong	**892,352**	505,647
Mainland China	**612,201**	552,778
	1,504,553	1,058,425

The revenue information above is based on the location of the customers.

(b) Non-current assets

	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
Hong Kong	**549,630**	610,862
Mainland China	**819,421**	874,520
	1,369,051	1,485,382

The non-current asset information above is based on the locations of assets and excludes financial assets and deferred tax assets.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Restaurant and bakery operations	**1,314,907**	879,378
Sale of food and other items	**111,516**	112,380
Poultry farm operations	**78,130**	66,667
	1,504,553	1,058,425

Disaggregated revenue information

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
Geographical markets		
Hong Kong	**892,352**	505,647
Mainland China	**612,201**	552,778
Total revenue from contracts with customers	**1,504,553**	1,058,425
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	**1,504,553**	1,058,425

5. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

An analysis of other income and gains, net is as follows:

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
Bank interest income	**3,010**	3,142
Government grants*	**1,244**	64,098
Gross rental income	**225**	239
Sponsorship income	**1,126**	700
Commission income	**2,051**	1,841
Management fee income	**–**	5
Gain on termination of leases	**6,833**	7,212
Others	**8,349**	5,770
	22,838	83,007

* Government grants mainly included subsidies granted by The Government of the Hong Kong Special Administrative Region under the anti-epidemic fund and various government grants received by certain subsidiaries in connection with setting up or closure of certain facilities at a poultry farm and a logistics centre. Certain grants are credited to a deferred income account and are released to the statement of profit or loss over the useful lives of the relevant facilities. There are no unfulfilled conditions or other contingencies attaching to the government grants recognised.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
Interest on bank loans	**3,227**	1,292
Interest on lease liabilities	**8,959**	11,347
	12,186	12,639

7. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
Cost of inventories sold	**517,739**	401,075
Depreciation of items of property, plant and equipment*	**77,816**	80,991
Depreciation of right-of-use assets*	**108,095**	112,866
Employee benefit expense (including directors' remuneration)*:		
Salaries and bonuses	**397,791**	328,400
Retirement benefit scheme contributions (defined contribution schemes)	**28,059**	28,289
	425,850	356,689
Lease payments not included in the measurement of lease liabilities*	**2,959**	488
COVID-19 related rent concessions from lessors*	**–**	(14,044)
Foreign exchange differences, net	**5,834**	4,893
Impairment of trade receivables#	**64**	1,828
Write-off of items of property, plant and equipment#	**298**	1,300
Impairment of items of property, plant and equipment#	**9,447**	7,397
Impairment of right-of-use assets#	**13,098**	8,700

* The cost of sales for the six months ended 30 June 2023 amounting to HK$1,322,696,000 (six months ended 30 June 2022: HK$1,101,449,000) included depreciation of items of property, plant and equipment of HK$73,821,000 (six months ended 30 June 2022: HK$77,039,000), depreciation of right-of-use assets of HK$107,996,000 (six months ended 30 June 2022: HK$112,756,000), employee benefit expense of HK$382,808,000 (six months ended 30 June 2022: HK$311,431,000), lease payments not included in the measurement of lease liabilities of HK$2,959,000 (six months ended 30 June 2022: HK$488,000) and COVID-19 related rent concessions from lessors of Nil (six months ended 30 June 2022: HK$14,044,000).

Included in "Other expenses, net" in the condensed consolidated statement of profit or loss.

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 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 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No Hong Kong Profits tax was provided in the prior period as the Group did not have any assessable profits arising in Hong Kong during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
Current – Hong Kong		
Charge for the period	**2,857**	–
Overprovision in the prior periods	**(18)**	(10)
Current – Mainland China		
Charge for the period	**283**	173
Deferred	**12,398**	(17,123)
Total tax charge/(credit) for the period	**15,520**	(16,960)

9. DIVIDENDS

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
Dividends recognised as distribution during the reporting period:		
2021 final dividend – HK3.00 cents per ordinary share	**–**	30,430
2022 final dividend – HK3.00 cents per ordinary share	**30,430**	–
	30,430	30,430
Dividend declared after the end of the reporting period:		
Interim dividend – HK3.00 cents (six months ended 30 June 2022: HK3.00 cents) per ordinary share	**30,430**	30,430

On 22 August 2023, the board of directors declared an interim dividend of HK3.00 cents (six months ended 30 June 2022: HK3.00 cents) per ordinary share, amounting to a total of approximately HK$30,430,000 (six months ended 30 June 2022: approximately HK$30,430,000).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the unaudited profit for the six months ended 30 June 2023 attributable to ordinary equity holders of the parent of HK$33,400,000 (six months ended 30 June 2022: loss of HK$101,392,000), and the weighted average number of ordinary shares of 1,014,348,000 (six months ended 30 June 2022: 1,014,348,000) in issue during the period.

For the six months ended 30 June 2023 and 2022, no adjustment was made to the basic earnings/(loss) per share amount in respect of a dilution as the share options had no dilutive effect on the basic earnings/(loss) per share.

The calculations of basic and diluted earnings/(loss) per share are based on:

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	**33,400**	(101,392)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation	**1,014,348,000**	1,014,348,000

11. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the six months ended 30 June 2023, additions of items of property, plant and equipment amounted to HK$60,403,000 (six months ended 30 June 2022: HK$50,384,000).

As at 30 June 2023, buildings and leasehold land included in right-of-use assets with a net carrying amount of HK$28,527,000 (31 December 2022: HK$29,085,000) and HK$46,490,000 (31 December 2022: HK$46,886,000), respectively, were pledged to secure banking facilities granted to the Group.

As at 30 June 2023, the Group's investment properties with a total carrying amount of HK$20,500,000 (31 December 2022: HK$20,500,000) were pledged to secure banking facilities granted to the Group.

12. TRADE RECEIVABLES

	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
Trade receivables	**41,366**	49,091
Impairment	**(2,515)**	(2,451)
	38,851	46,640

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group also grants a credit period between 30 to 90 days to certain customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. 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 the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
Within 1 month	**24,650**	34,165
1 to 3 months	**14,077**	12,195
Over 3 months	**124**	280
	38,851	46,640

The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
At the beginning of period/year	**2,451**	3,815
Impairment losses provided/(written-back)	**64**	(1,364)
At the end of period/year	**2,515**	2,451

13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end 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	**85,887**	88,589
1 to 2 months	**9,132**	32,935
2 to 3 months	**1,153**	446
Over 3 months	**5,600**	5,365
	101,772	127,335

The trade payables are non-interest-bearing and generally have payment terms within 60 days.

14. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**33,469**	33,790

15. COMMITMENTS

The Group had the following capital commitments as 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, furniture, fixtures and equipment	**3,350**	2,858

16. RELATED PARTY TRANSACTIONS

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	**4,479**	4,184
Post-employment benefits	**68**	76
	4,547	4,260

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management 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 management. The valuation process and results are discussed with the audit committee once a year for annual financial reporting.

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. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits and other receivable and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2023 were assessed to be insignificant. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

18. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

These Unaudited Interim Financial Statements were approved and authorised for issue by the Board on 22 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Board hereby announces the interim results of the Group for the six months ended 30 June 2023 (the "period"). During the period, the COVID-19 pandemic situation began to subside, with border restrictions lifted in many parts of the world. In Hong Kong, the opening of borders resulted in an influx of visitors, particularly from Mainland China. Consequently, consumption sentiment improved, which in turn led to an upturn in economic activity as reflected by year-on-year real GDP growth of 2.7%[1] in the first quarter of 2023. The Group has been able to capitalise on the market recovery by employing aggressive promotion campaigns, complemented by effective cost control measures, placing particular focus on optimising production processes, streamlining operational flows and improving logistics efficiency. As a consequence, the Group was able to achieve a business turnaround during the period.

Financial Results

For the six months ended 30 June 2023, the Group's total revenue amounted to approximately HK$1,504.6 million (2022: HK$1,058.4 million) which represented a year-on-year increase of 42.2%. Gross profit margin (defined as total revenue less cost of inventories sold divided by total revenue) reached 65.6% (2022: 62.1%). Profit attributable to owners of the parent amounted to approximately HK$33.4 million (2022: loss of approximately HK$101.4 million).

The Board has proposed an interim dividend of HK3.00 cents per share for the six months ended 30 June 2023.

Hong Kong Operations

The Hong Kong operations generated approximately HK$892.4 million (2022: approximately HK$505.6 million) in revenue during the period, which represented a year-on-year increase of 76.5%. Earnings before interest, taxes, depreciation and amortisation (EBITDA) was approximately HK$149.5 million (2022: HK$60.2 million), an increase of 148.3% over the corresponding period of last year. In addition, a profit attributable to owners of the parent of HK$22.9 million was recorded, thus achieving a turnaround from a loss of approximately HK$42.8 million reported for the corresponding period of 2022.

Business in Hong Kong experienced encouraging growth, particularly in the dine-in and banquet categories. In addition, same store sales grew appreciably, driven by increased customer traffic and average spending per head. The Group's "Chung's House (鍾菜館)" and other specialty brands enjoyed strong growth, thus underscoring their ability to attract more affluent patrons with strong consumption power who seek high quality food, comfortable surroundings and traditional Chinese cuisine. With respect to "Chung's House (鍾菜館)", total number of restaurants has increased from three prior to the COVID-19 outbreak – having expanded by one restaurant per year, to six as at period end. The Group's other specialty brand, namely "Grand Ballroom (潮囍薈)", opened in January 2023 and is situated strategically at a convenient location in Tsim Sha Tsui. Targeting the wedding and banquet segments, "Grand Ballroom (潮囍薈)" features a spacious dining area that can also double as venue for large corporate events and other functions. "Tao Heung Tea House (稻香茶居)" and other Tao Heung branded restaurants have also enjoyed healthy growth during the period. It is worth noting as well that the Group will be opening two specialty restaurants – "Hak Ka Hut (客家好棧)" and a new brand "Boat One (壹號漁船)" in the second half of 2023.

1 https://www.info.gov.hk/gia/general/202305/12/P2023051200392.htm

Hong Kong Operations (Continued)

Aside from network expansion, effective marketing strategies have also been the catalysts for driving top line sales growth. Apart from the Group's renowned "one-dollar" promotions and hotpot soup bases, Tao Heung has introduced various special family-oriented dishes, double-boiled soups and delicacies each month to attract diners. And given the lifting of social distancing measures, it has started promoting group gathering menus. As Tao Heung possesses many spacious restaurants, these locations are ideal for hosting large gatherings and family-oriented occasions, hence satisfying customers' pent demand which had heighted by COVID-19 lockdowns.

In respect of the Group's logistics centres, the management has intensified automation efforts to bolster their efficiency. Consequently, the centres have been able to play still greater roles in alleviating operational pressures on the many kitchens in Tao Heung restaurant portfolio. As for the OEM business, the Group has hired experienced professional chefs to develop new products and improve the quality of the current line of OEM products. Moreover, it has continued to acquire new equipment to increase production capacity and further raise the quality of OEM products. Such efforts have led to additional benefits, including developing more differentiated products for its OEM clients, which span hotels and restaurants to chain stores and supermarkets. It is worth noting as well that in entering the post-COVID era, commercial aviation has resumed, which in turn has allowed the Group to restart its co-operation with local airlines. Compared with the same period last year, the OEM business has experienced an increase in revenue of approximately 5%.

Cost control is also one of the major priorities of Tao Heung. In terms of labour cost, immigration and the change in workplace culture and job market structure have led to labour shortages and the resultant rise in labour expenses. The Group has invariably been affected. It has therefore taken a multifaceted approach that involves integrating the number of branches, optimising the workforce, flexible working hours and fine-tuning the nature of work to contend with the labour shortage and reduce costs. At the same time, the Group has provided internal training for all operational level staff to raise productivity and thus improve competitiveness. In addition, a total of eight robots have been deployed at six restaurants so far, with potentially more robots used in the future subject to the opening of relatively larger scale restaurants. As the inbound tourism industry is now recovering, rental expenditure has been gradually rising. Still, Tao Heung has been able to keep such increases to a minimum by leveraging its firm foothold and solid brand reputation in the industry. Regarding food costs, the Group has adhered to a flexible menu strategy, focusing on fresher, better value and in-season food ingredients to both contain costs and ensure that customers are provided with the highest quality menu options.

As at 30 June 2023, the Group had 42 (2022: 44) restaurants across Hong Kong, eight Tai Cheong bakeries in Hong Kong (2022: nine) and nine in Singapore (2022: 12). The Group has consolidated the number of Tai Cheong Bakeries in Hong Kong, with plans to close underperforming bakeries, especially those with leases that are set to expire. In instances where better locations can be secured, new bakeries will be opened in place of underperforming bakeries. Similar to Hong Kong, the Tai Cheong bakeries in Singapore are also facing a difficult operating environment due partly to a labour shortage. Although there are no plans to open new bakeries in the country for the time being, the Group will nevertheless focus on developing new flavours, products and gift packaging to suit local needs.

Mainland China Operations

During the period under review, the Mainland China operations contributed approximately HK$612.2 million (2022: approximately HK$552.8 million) in revenue to the Group, which represented a year-on-year increase of 10.7%. EBITDA rose appreciably to approximately HK$100.2 million (2022: HK$31.0 million), or an increase of 223.2%. Moreover, profit attributable to owners of the parent amounted to approximately HK$10.5 million, turning around from a loss of HK$58.6 million recorded for the same period last year.

Besides the lifting of COVID-related health restrictions, the Chinese government has introduced a number of policies to promote consumption. Combined with the Group's pre-emptive measures to optimise operations, it has managed to achieve healthy same stores sales growth during the period. As at 30 June 2023, Tao Heung operated 41 restaurants in Mainland China (2022: 47). Aside from fine-tuning its restaurant network, the Group has also revised its customisable banquet menus and price lists, and refurbished certain dining rooms and entertainment facilities, resulting in improvements in the utilisation rate of facilities and overall business. Also, to attract new patrons and boost traffic, the Group has launched a new "Top Ten Delicious Dishes" menu early this year. Furthermore, traditional soup products and dim sum buffet for the supper session have continued to be popular. To further boost sales, Tao Heung has provided relevant training for frontline staff, enabling them to better promote various menus to specific customer segments, as well as relay feedback from patrons. Besides appealing to the palate, the Group has also sought to appeal to customers by creating unforgettable places to dine, purchasing new furniture and decor for its dining rooms. All of the aforementioned efforts have proved effective in increasing revenue from dine-in and banquet services by 25% and 40%, respectively. As for takeaways and deliveries, Tao Heung has continued to co-operate with various delivery platforms such Tik Tok (抖音), Meituan (美團) and ele.me (餓了麼). Since the beginning of 2023, in addition to facilitating restaurant deliveries, some of these platforms have also been employed to advertise the Group's dine-in menus and cash coupons.

The chilled and packaged food segment has experienced a challenging year, hampered by the recovery of the restaurant sector with more people dining out thus consuming less pre-packed products at home. Also, consumption sentiment post-COVID remains generally cautious, which has affected both online and offline sales. In terms of reaching out to end customers, social media marketing via platforms such as TikTok (抖音) and Xiao Hong Shu (小紅書) have continued, though less resources were allocated for KOLs. As for wholesale distribution, the Group has successfully tapped several overseas markets, including countries in Asia, Australia and Africa, and is keen to further export its chilled and packaged food to an even broader overseas audience through local retail chains and distributors.

Peripheral Businesses

The supermarket operation performed sluggishly, affected by the online food shopping and direct mobile ordering trends popularised in the wake of COVID-19, as well as refurbishment efforts which are ongoing. Upon completion in the second half of 2023, the supermarkets will include new sections featuring more interesting and imported products, hence will offer entirely new shopping experiences for customers. The refurbishment programme reflects the Group's effort to make across-the-board changes to this business operation – from positioning to target marketing, in order to attract more shoppers from diverse demographics. The Group has also created a corporate account in WeChat to facilitate direct communication between the supermarkets and its customers. Customer relations will therefore to be enhanced. Ever since the WeChat account has opened, the number of followers has grown steadily.

Financial resources and liquidity

As at 30 June 2023, the total assets decreased by 5.3% to approximately HK$2,151.6 million (31 December 2022: approximately HK$2,273.0 million) while the total equity decreased by 1.1% to approximately HK$1,229.9 million (31 December 2022: approximately HK$1,243.1 million).

As at 30 June 2023, the Group's total current assets and current liabilities were approximately HK$586.6 million (31 December 2022: approximately HK$582.8 million) and approximately HK$621.9 million (31 December 2022: approximately HK$661.1 million), respectively, while the current ratio calculated by dividing the total current assets over the total current liabilities was approximately 0.9 (31 December 2022: approximately 0.9).

Funding for the Group's operation was sourced mainly from internally generated cash flows, with flexibility through the use of bank loans.

As at 30 June 2023, the Group had cash and cash equivalents amounted to approximately HK$290.7 million (31 December 2022: approximately HK$251.9 million). After deducting the total interest-bearing bank borrowings of HK$110.6 million (31 December 2022: approximately HK$109.8 million), the Group had a net cash surplus position of approximately HK$180.1 million (31 December 2022: approximately HK$142.1 million).

As at 30 June 2023, the Group's total interest-bearing bank borrowings were increased to approximately HK$110.6 million (31 December 2022: approximately HK$109.8 million) during the period under review. The gearing ratio (defined as the total of interest-bearing bank borrowings divided by the total equity attributable to the owners of the Company) was 9.1% (31 December 2022: 9.0%).

The Group maintains prudent funding and treasury policies towards its overall business operations and continues to apply measure to control costs, enhance cash flow and operational efficiency.

Capital expenditure

Capital expenditure for the six months ended 30 June 2023 amounted to approximately HK$61.4 million (six months ended 30 June 2022: approximately HK$53.9 million) and the capital commitments as at 30 June 2023 amounted to approximately HK$3.4 million (31 December 2022: approximately HK$2.9 million). The capital expenditure and the capital commitments were mainly for the renovation of the Group's new and existing restaurants and logistics centres.

Pledge of assets

As at 30 June 2023, the Group pledged its bank deposits of approximately HK$14.9 million (31 December 2022: approximately HK$14.5 million), right-of-use assets of approximately HK$46.5 million (31 December 2022: approximately HK$46.9 million), buildings of approximately HK$28.5 million (31 December 2022: approximately HK$29.1 million), investment properties of approximately HK$20.5 million (31 December 2022: approximately HK$20.5 million) to secure the banking facilities granted to the Group.

Contingent liabilities

As at 30 June 2023, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$33.5 million (31 December 2022: approximately HK$33.8 million).

Foreign exchange risk management

The Group's sales and purchases for the six months ended 30 June 2023 were mostly denominated in Hong Kong Dollars ("HK$") and Renminbi ("RMB").

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against HK$ may have impact on the Group results.

The Group currently does not maintain a foreign currency hedging policy. However, the management monitors the foreign exchange exposure and arranges foreign exchange forward contracts to minimise foreign currency exposure when appropriate.

Human resources

As at 30 June 2023, the Group had 5,093 employees. In order to attract and retain the high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted share option schemes, where eligible employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 30 June 2023, there are 7,640,000 outstanding options granted under the Share Option Scheme which have not been exercised yet.

Prospects

Looking at the second half of 2023, the global economy is expected to continue encountering challenges including inflation, high interest rates and political unrest, all of which will hamper consumption sentiment. Nevertheless, the management remains optimistic about the Group's prospects and will implement a number of strategies so that it can promptly adapt to conditions in both Hong Kong and Mainland China.

In Hong Kong, the Group plans to further diversify its brand portfolio to attract a broader customer demographic. In view of the successful launch of "Grand Ballroom (潮囍薈)", Tao Heung plans to launch more specialty brands in the second half of 2023. On the marketing front, the Group will introduce still more exciting and enticing promotions, such as surprise price offers and special food pairing and ingredient selections to increase customer traffic and average spending per head.

Prospects (Continued)

With regard to Mainland China, Tao Heung will be targeting the Greater Bay Area given the strong demand for Cantonese cuisine in the region, large population of over 86 million, and continuingly rising GDP (which was estimated at US$2 trillion in 2022 – up 25% from US$1.65 trillion in 2019[2]), thus increasing spending power. In terms of chilled and packaged foods, the Group will produce even more products to target the youth segment. The Group is also conducting research on food products that can be more easily prepared, which would aid the elderly, people with special needs and the general public. On the online sales front, Tao Heung will continue to co-operate with social media platforms, including a new platform – Ping Duo Duo (拼多多), which focuses on group purchases, starting in the second half year. As for OEM sales, the Group will strive to develop more sales and distribution channels; expanding its market coverage and investing in overseas markets.

As always, Tao Heung will give priority to controlling costs. Although staff cost is a concern for the Group and all industry players as it tends to rise annually, the management believes that this issue constitutes not just a challenge but also an opportunity. The management has been seeing increasing orders for its OEM business due to an industry-wide labour shortage that has encouraged its clients to seek the Group's service. The Group will grasp this opportunity to further drive revenue growth for the segment. Also, in managing costs, the management will direct greater resources toward bolstering its logistics centres, which in turn will help support the needs of its restaurant network, alleviate labour shortage pressure, as well as allow Tao Heung to plan for new product launches. As part of strengthening logistical support, the Group will upgrade its facilities and equipment to enhance efficiency and productivity; increasing production capacity to cope with future network expansion. This will include purchasing more energy-efficient equipment so that it can keep a tight rein on utility costs, as well as promote an environmentally-friendly corporate culture.

Moving forward, Tao Heung will continue to grasp opportunities that emerge in the markets in which it operates, drive top-line sales while controlling costs, and strive to deliver satisfactory returns to its shareholders. Given its diversified brand portfolio, comprehensive back-end support, agile management team and dedicated staff, Tao Heung is on its way to achieving these objectives, while also reinforcing its position as a leading Chinese culinary group in Hong Kong.

2 https://www.scmp.com/business/china-business/article/3221246/greater-bay-area-economy-almost-big-italys-boosting-hong-kongs-growth-says-financial-secretary-paul

OTHER INFORMATION

Dividend

In acknowledging continuous support from our shareholders, the Directors have declared the payment of an interim dividend of HK3.00 cents per ordinary share in respect of the year ending 31 December 2023, payable on Wednesday, 18 October 2023 to shareholders whose names appear on the register of members of the Company on Monday, 9 October 2023.

Closure of Register of Members

The register of members of the Company will be closed on Monday, 9 October 2023 during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 6 October 2023.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2023, the interests and short positions of the Directors in the share capital and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept 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 ("Model Code") were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest						
Name of Directors	*Notes*	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Equity derivatives	Total	Percentage of the Company's share capital
Executive Directors								
Mr. Chung Wai Ping	*(a) and (b)*	4,375,000	12,174,222	–	423,434,689	–	439,983,911	43.38
Mr. Wong Ka Wing	*(c)*	5,522,679	–	103,283,124	–	–	108,805,803	10.73
Mr. Chung Chun Fung		3,000,000	–	–	–	–	3,000,000	0.30
Mr. Ho Yuen Wah	*(d)*	2,000,000	–	–	–	400,000	2,400,000	0.24
Non-executive Director								
Mr. Fong Siu Kwong		180,000	–	–	–	–	180,000	0.02
Independent Non-executive Director								
Ms. Wong Fun Ching		800,000	–	–	–	–	800,000	0.08

Directors' Interests and Short Positions in Shares and Underlying Shares (Continued)

Long positions in ordinary shares of the Company: (Continued)

Notes:

(a) Billion Era International Limited is wholly-owned by Tin Tao Investments Limited ("Tin Tao") which in turn is wholly-owned by Sapphire Skye Holdings Limited ("Sapphire"). Sapphire is holding the shares in Tin Tao as nominee for Zedra Trustees (Singapore) Limited ("Zedra Trustee") as trustees for a discretionary trust, the discretionary objects of which include Mr. Chung Wai Ping and certain members of his family. For the purposes of the SFO, Mr. Chung is the settlor of this trust.

(b) 12,174,222 shares were held by Ms. Chan Sai Ying, spouse of Mr. Chung Wai Ping.

(c) Of these shares, 5,522,679 shares were held by Mr. Wong Ka Wing personally and 103,283,124 shares were held by Joy Mount Investments Limited, which is wholly-owned by Mr. Wong Ka Wing.

(d) These represented outstanding options granted to Directors under the Share Option Scheme to subscribe for shares of the Company, further details of which are set forth under the section headed "Share Option Schemes" to this report.

Saved as disclosed above, as at 30 June 2023, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2023, the interests and short positions of every persons, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

		Number of ordinary shares (long position)			
Name of Shareholder	*Notes*	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**% of total issued shares**
Billion Era International Limited	*(a)*	423,434,689	–	423,434,689	41.74
Tin Tao Investments Limited	*(a)*	–	423,434,689	423,434,689	41.74
Sapphire Skye Holdings Limited	*(a)*	–	423,434,689	423,434,689	41.74
Zedra Trustees (Singapore) Limited	*(a)*	–	423,434,689	423,434,689	41.74
Joy Mount Investments Limited	*(b)*	103,283,124	–	103,283,124	10.18
Perfect Plan International Limited	*(c)*	102,053,976	–	102,053,976	10.04
Whole Gain Holdings Limited		56,795,068	–	56,795,068	5.60

Notes:

(a) Billion Era International Limited is wholly-owned by Tin Tao Investments Limited ("Tin Tao") which in turn is wholly-owned by Sapphire Skye Holdings Limited ("Sapphire"). Sapphire is holding the shares in Tin Tao as nominee for Zedra Trustees (Singapore) Limited ("Zedra Trustee") as trustees for a discretionary trust, the discretionary objects of which include Mr. Chung Wai Ping and certain members of his family. For the purposes of the SFO, Mr. Chung is the settlor of this trust.

(b) These shares were wholly-owned by Joy Mount Investments Limited, which is beneficially owned by Mr. Wong Ka Wing.

(c) These shares were wholly-owned by Perfect Plan International Limited, which is an indirect wholly-owned subsidiary of Café de Coral Holdings Limited whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares
(Continued)

Save as disclosed above, as at 30 June 2023, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Share Option Schemes

(a) Share Option Scheme

Pursuant to a share option scheme adopted by the Company on 9 June 2007 (the "Share Option Scheme"), the Company has granted 20,130,000 options to eligible directors, senior management and employees of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated under the Share Option Scheme. Share options granted under the Share Option Scheme shall vest in 2 tranches, as to 50% and 50% on 1 December 2017 and 1 December 2018, respectively, subject to the fulfilment of certain vesting conditions and are exercisable at HK$2.08 per share and the holders of the said share options may exercise the share options during the period from 2 December 2017 to 1 December 2026, both days inclusive.

Share Option Scheme expired on 8 June 2017 and no further options could be granted under the Share Option Scheme thereafter. However, the share options granted under the Share Option Scheme which have not been fully exercised remain valid until such time when such share options are fully exercised or have lapsed and will continue to be administered under the rules of the Share Option Scheme.

Details of the share options outstanding as at 30 June 2023 which have been granted under the Share Option Scheme are as follows:

		Number of share options					
Name	Date of grant	Outstanding at 1 January 2023	Granted during the year	Exercised during the year	Lapsed on expiry	Forfeited upon termination of employment	Outstanding at 30 June 2023
Executive Director							
Mr. Ho Yuen Wah	2 December 2016	400,000	–	–	–	–	400,000
Connected Person							
Mr. Chung Wai Leung	2 December 2016	300,000	–	–	–	–	300,000
Other employees	2 December 2016	7,270,000	–	–	(330,000)	–	6,940,000
Total		7,970,000	–	–	(330,000)	–	7,640,000

Share Option Schemes (Continued)

(b) 2017 Share Option Scheme

On 25 May 2017, the Company adopted a new share option scheme (the "2017 Share Option Scheme"). Pursuant to the 2017 Share Option Scheme, the Directors may invite participants to take up options at a price determined by the Board of Directors but in any event shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and; (iii) the nominal value of the shares. The option may be exercised in accordance with the terms of the 2017 Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the grant date. As at the date of this report, no options have been granted or agreed to be granted pursuant to the 2017 Share Option Scheme.

Corporate Governance

The Board is committed to maintaining high standard of corporate governance practices to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency to all the shareholders.

During the six months ended 30 June 2023, the Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all applicable code provisions under the Code, save and except for the deviation from the code provision C.2.1 of the Code. Under the code provision C.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision C.2.1, i.e., the roles of the Chairman and CEO have not been separated. Considering that Mr. Chung Wai Ping has been operating and managing the Group since its incorporation, the Board believes that it is in the best interest of the Group to have Mr. Chung Wai Ping taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from code provision C.2.1 is appropriate in such circumstance.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Based on specific enquiry with the Directors, all the Directors have complied with the required standards as set out in the Code throughout the six months ended 30 June 2023.

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Publication of interim results

The electronic version of this report will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.taoheung.com.hk).

Appreciation

The Board would like to thank the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and associates, bankers and auditors for their support to the Group throughout the period.

By order of the Board
Chung Wai Ping
Chairman and Chief Executive Officer

Hong Kong, 22 August 2023