



Tao Heung Holdings Limited

稻香控股有限公司*

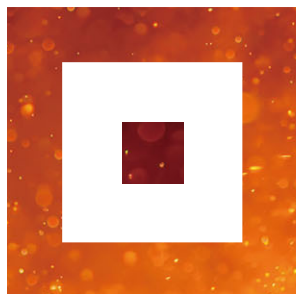
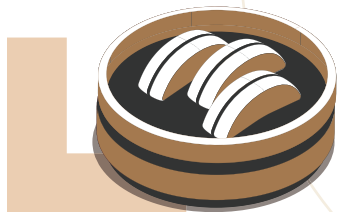
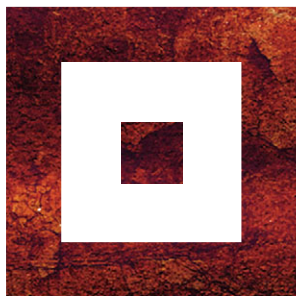
(Incorporated in the Cayman Islands with Limited Liability)

Stock Code : 573

* For identification purposes only

2021

INTERIM REPORT

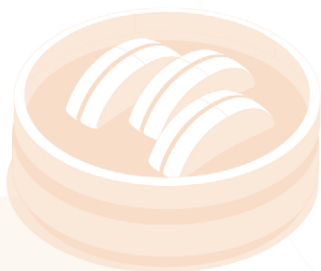
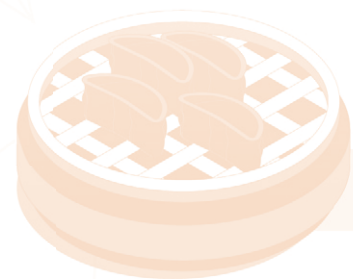
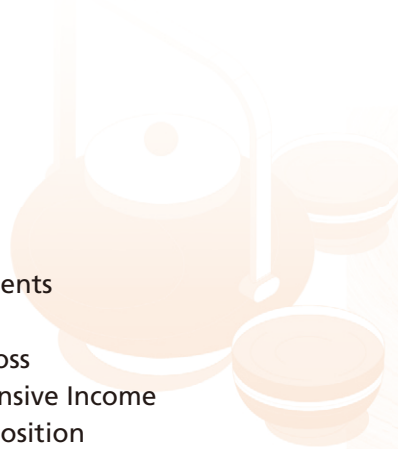


CONTENTS

- 2 Corporate Information
- 3 Financial Highlights

Interim Condensed Consolidated Financial Statements

- 4 Condensed Consolidated Statement of Profit or Loss
 - 5 Condensed Consolidated Statement of Comprehensive Income
 - 6 Condensed Consolidated Statement of Financial Position
 - 8 Condensed Consolidated Statement of Changes in Equity
 - 9 Condensed Consolidated Statement of Cash Flows
 - 11 Notes to the Condensed Consolidated Financial Statements
- 20 Management Discussion and Analysis
- 25 Other 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

Company Secretary

Ms. Tsang Wing Ka

Authorised Representatives

Mr. Chung Chun Fung
Mr. Ho Yuen Wah

Members of Audit Committee

Mr. Mak Hing Keung, Thomas (*Chairman*)
Professor Chan Chi Fai, Andrew
Mr. Chan Yue Kwong, Michael

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
Bank of East Asia, Limited
BNP Paribas, Hong Kong Branch
Hang Seng Bank 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

Key Financial Ratios	Notes	Six months ended 30 June		% Change Increase/ (decrease)
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	
Performance				
Revenue		1,301,377	1,147,438	13.4%
Loss attributable to owners of the parent		(20,639)	(101,245)	(79.6%)
Gross profit/(loss) margin		5.7%	(0.3%)	(2,000.0%)
Net loss margin	1	(1.6%)	(8.8%)	(81.8%)
Per Share Data				
		HK cents	HK cents	
Loss per share				
– Basic		(2.03)	(9.96)	(79.6%)
– Dilutive		(2.03)	(9.96)	(79.6%)
Proposed interim dividend per share		3.0	–	100.0%
Balance Sheet				
		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	% Change Increase/ (Decrease)
Total assets		2,921,030	2,943,918	(0.8%)
Net assets		1,577,605	1,594,839	(1.1%)
Cash and cash equivalents		549,553	561,243	(2.1%)
Net cash	2	262,220	288,743	(9.2%)
Liquidity and Gearing				
Current ratio	3	1.1	1.2	(8.3%)
Quick ratio	4	0.9	1.0	(10.0%)
Gearing ratio	5	18.5%	17.3%	6.9%
Per Share Data				
		HK cents	HK cents	
Net assets per share	6	155.22	156.88	(1.1%)
Net cash per share	7	25.80	28.40	(9.2%)

Notes:

- Net loss margin is calculated as net loss attributable to owners of the parent divided by revenue.
- Net cash is cash and cash equivalents less interest-bearing bank borrowings.
- Current ratio is calculated as current assets divided by current liabilities.
- Quick ratio is calculated as current assets less inventories divided by current liabilities.
- Gearing ratio is calculated as interest-bearing bank borrowings divided by total equity attributable to owners of the parent.
- Net assets per share is calculated based on the number of 1,016,348,000 issued shares (31 December 2020: 1,016,611,000 issued shares).
- Net cash per share is calculated based on the number of 1,016,348,000 issued shares (31 December 2020: 1,016,611,000 issued shares).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

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 2021 together with comparative figures for the corresponding period in 2020. These interim condensed consolidated financial statements for the six months ended 30 June 2021 have not been audited, but have been reviewed by the Audit Committee of the Company.

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE	5	1,301,377	1,147,438
Cost of sales		(1,227,823)	(1,150,913)
Gross profit/(loss)		73,554	(3,475)
Other income and gains, net	5	42,174	47,488
Selling and distribution expenses		(38,980)	(42,795)
Administrative expenses		(83,230)	(83,664)
Other expenses, net		47	(18,971)
Finance costs	6	(16,040)	(19,308)
Share of profits of associates		4,183	1,325
LOSS BEFORE TAX	7	(18,292)	(119,400)
Income tax credit/(expense)	8	(1,280)	19,237
LOSS FOR THE PERIOD		(19,572)	(100,163)
Attributable to:			
Owners of the parent		(20,639)	(101,245)
Non-controlling interests		1,067	1,082
		(19,572)	(100,163)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	10	HK(2.03) cents	HK(9.96) cents
– Diluted	10	HK(2.03) cents	HK(9.96) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(19,572)	(100,163)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	35,181	(23,643)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	15,609	(123,806)
Attributable to:		
Owners of the parent	13,841	(124,347)
Non-controlling interests	1,768	541
	15,609	(123,806)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	874,653	886,363
Right-of-use assets	11	770,033	760,951
Investment properties	11	25,100	25,100
Goodwill		40,058	39,556
Other intangible asset		–	–
Interests in associates		9,732	8,378
Deferred tax assets		119,979	112,583
Rental deposits		79,929	74,393
Deposits for purchases of items of property, plant and equipment		95,389	84,878
Total non-current assets		2,014,873	1,992,202
CURRENT ASSETS			
Inventories		136,289	163,272
Trade receivables	12	33,916	26,469
Prepayments, deposits and other receivables		159,567	169,510
Tax recoverable		6,638	11,826
Pledged deposits		15,711	15,052
Restricted cash		4,483	4,344
Cash and cash equivalents		549,553	561,243
Total current assets		906,157	951,716
CURRENT LIABILITIES			
Trade payables	13	83,459	91,557
Other payables and accruals		206,226	212,570
Interest-bearing bank borrowings		287,333	272,500
Lease liabilities		230,054	215,610
Tax payable		6,210	5,024
Total current liabilities		813,282	797,261
NET CURRENT ASSETS		92,875	154,455
TOTAL ASSETS LESS CURRENT LIABILITIES		2,107,748	2,146,657

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

<i>Notes</i>	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Other payables and accruals	14,099	14,028
Lease liabilities	496,575	518,321
Deferred tax liabilities	19,469	19,469
Total non-current liabilities	530,143	551,818
Net assets	1,577,605	1,594,839
EQUITY		
Equity attributable to owners of the parent		
Issued capital	101,635	101,661
Reserves	1,452,271	1,470,576
Non-controlling interests	1,553,906 23,699	1,572,237 22,602
Total equity	1,577,605	1,594,839

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent											
	Issued capital	Share premium	Treasury shares	Capital reserve	Other reserve	Share option reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	101,661	326,624	-	110,748	(19,773)	6,463	509	(59,388)	1,138,155	1,604,999	32,292	1,637,291
Loss for the period	-	-	-	-	-	-	-	-	(101,245)	(101,245)	1,082	(100,163)
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(23,102)	-	(23,102)	(541)	(23,643)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(23,102)	(101,245)	(124,347)	541	(123,806)
Transfer of share option reserve upon the forfeiture of share options	-	-	-	-	-	(989)	-	-	989	-	-	-
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	(13,242)	(13,242)
Final 2019 dividend (note 9)	-	-	-	-	-	-	-	-	(35,581)	(35,581)	-	(35,581)
At 30 June 2020	101,661	326,624	-	110,748	(19,773)	5,474	509	(82,490)	1,002,318	1,445,071	19,591	1,464,662
At 1 January 2021	101,661	326,624	(220)	110,748	(19,773)	4,926	509	1,607	1,046,155	1,572,237	22,602	1,594,839
Loss for the period	-	-	-	-	-	-	-	-	(20,639)	(20,639)	1,067	(19,572)
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	34,480	-	34,480	701	35,181
Total comprehensive income for the period	-	-	-	-	-	-	-	34,480	(20,639)	13,841	1,768	15,609
Acquisition of non-controlling interests	-	-	-	-	(1,682)	-	-	-	-	(1,682)	(671)	(2,353)
Transfer of share option reserve upon the forfeiture of share options	-	-	-	-	-	(454)	-	-	454	-	-	-
Shares cancelled	(26)	(194)	220	-	-	-	-	-	-	-	-	-
Final 2020 dividend (note 9)	-	-	-	-	-	-	-	-	(30,490)	(30,490)	-	(30,490)
At 30 June 2021	101,635	326,430*	-	110,748*	(21,455)*	4,472*	509*	36,087*	995,480*	1,553,906	23,699	1,577,605

* These reserve accounts comprise the consolidated reserves of HK\$1,452,271,000 (31 December 2020: HK\$1,470,576,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	<i>Notes</i>	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(18,292)	(119,400)
Adjustments for:			
Interest income	5	(4,657)	(4,304)
Gain on disposal of items of property, plant and equipment, net	5	(1)	(291)
Gain on termination of leases	5	(6,949)	(3,541)
Finance costs	6	16,040	19,308
Write-off of items of property, plant and equipment	7	331	896
Impairment of items of property, plant and equipment	7	963	3,702
Impairment of right-of-use assets	7	2,680	14,966
Depreciation of items of property, plant and equipment	7	83,857	90,004
Depreciation of right-of-use assets	7	119,490	138,588
Impairment of trade receivables	7	79	303
Covid-19 related rent concessions from lessors	7	(8,664)	–
Share of profits of associates		(4,183)	(1,325)
		180,694	138,906
Decrease/(increase) in rental deposits		(4,474)	19,038
Decrease in inventories		29,841	13,851
Decrease/(increase) in trade receivables		(6,930)	2,396
Decrease/(increase) in prepayments, deposits and other receivables		12,419	(28,209)
Decrease in trade payables		(10,368)	(43,427)
Decrease in other payables and accruals		(9,751)	(4,167)
Cash generated from operations		191,431	98,388
Interest paid		(1,603)	(2,467)
Hong Kong profits tax refunded/(paid)		4,817	(20,634)
Overseas tax paid		(5,656)	(7,054)
Net cash flows from operating activities		188,989	68,233

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

<i>Notes</i>	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(45,393)	(56,182)
Deposits paid for purchases of items of property, plant and equipment	(18,538)	(33,803)
Proceeds from disposal of items of property, plant and equipment	618	1,639
Dividend from an associate	2,829	1,362
Repayment of loan from an associate	–	871
Interest received	4,657	4,304
Increase in non-pledged time deposits with original maturity of more than three months when acquired	(176)	–
Net cash flows used in investing activities	(56,003)	(81,809)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	87,000	224,500
Repayment of bank loans	(72,167)	(120,433)
Principal portion of lease payments	(123,298)	(136,860)
Interest element of lease payments	(14,437)	(16,841)
Dividends paid	(30,490)	(35,581)
Acquisition of non-controlling interests	(2,353)	–
Dividends paid to a non-controlling shareholder of a subsidiary	–	(13,242)
Net cash flows used in financing activities	(155,745)	(98,457)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	500,441	565,400
Effect of foreign exchange rate changes, net	8,281	(6,586)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	485,963	446,781
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	485,963	446,781
Non-pledged time deposit with original maturity of more than three months when acquired	63,590	54,246
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	549,553	501,027

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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. BASIS OF AND PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021 (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 2020.

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 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>

Other than as explained below regarding the impact of Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*, the revised HKFRSs are not relevant to the preparation of the Group’s Unaudited Interim Financial Statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided that the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$8,664,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

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 2021 and 2020 and certain non-current asset information as at 30 June 2021 and 31 December 2020, by geographic area.

(a) Revenue from external customers

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Hong Kong	637,099	703,856
Mainland China	664,278	443,582
	1,301,377	1,147,438

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(b) *Non-current assets*

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Hong Kong	706,646	683,318
Mainland China	1,108,319	1,121,908
	1,814,965	1,805,226

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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Restaurant and bakery operations	1,156,084	946,099
Sale of food and other items	101,407	147,075
Poultry farm operations	43,886	54,264
	1,301,377	1,147,438

Disaggregated revenue information

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Geographical markets		
Hong Kong	637,099	703,856
Mainland China	664,278	443,582
Total revenue from contracts with customers	1,301,377	1,147,438
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	1,301,377	1,147,438



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

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Bank interest income	4,657	4,304
Government grants*	25,945	35,234
Gross rental income	253	296
Sponsorship income	1,032	887
Commission income	2,330	925
Management fee income	44	366
Gain on disposal of items of property, plant and equipment, net	1	291
Gain on termination of leases	6,949	3,541
Others	963	1,644
	42,174	47,488

* 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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest on bank loans	1,603	2,467
Interest on lease liabilities	14,437	16,841
	16,040	19,308

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	454,290	392,474
Depreciation of items of property, plant and equipment*	83,857	90,004
Depreciation of right-of-use assets*	119,490	138,588
Employee benefit expense (including directors' remuneration)*:		
Salaries and bonuses	355,876	362,729
Retirement benefit scheme contributions (defined contribution schemes)	28,067	18,002
	383,943	380,731
Lease payments*:		
Lease payments not included in the measurement of lease liabilities	4,070	8,059
Covid-19 related rent concessions from lessors	(8,664)	(31,774)
	(4,594)	(23,715)
Foreign exchange differences, net	(1,483)	1,921
Impairment of trade receivables [#]	79	303
Write-off of items of property, plant and equipment [#]	331	896
Impairment of items of property, plant and equipment [#]	963	3,702
Impairment of right-of-use assets [#]	2,680	14,966
Reversal of unutilised provision [#]	(4,100)	–

* The cost of sales for the period ended 30 June 2021 amounting to HK\$1,227,823,000 (six months ended 30 June 2020: HK\$1,150,913,000) included depreciation of items of property, plant and equipment of HK\$79,648,000 (six months ended 30 June 2020: HK\$84,512,000), depreciation of right-of-use assets of HK\$119,381,000 (six months ended 30 June 2020: HK\$138,487,000), employee benefit expense of HK\$339,285,000 (six months ended 30 June 2020: HK\$342,811,000), lease payments not included in the measurement of lease liabilities of HK\$4,070,000 (six months ended 30 June 2020: HK\$8,059,000) and Covid-19 related rent concessions from lessors of HK\$8,664,000 (six months ended 30 June 2020: HK\$31,774,000).

[#] 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% (six months ended 30 June 2020: 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 (six months ended 30 June 2020: 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%. 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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	1,479	4,621
Current – Mainland China	4,337	257
Deferred	(4,536)	(24,115)
Total tax charge/(credit) for the period	1,280	(19,237)

9. DIVIDEND

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Dividends recognised as distribution during the reporting period:		
2019 final dividend – HK3.50 cents per ordinary share	–	35,581
2020 final dividend – HK3.00 cents per ordinary share	30,490	–
	30,490	35,581
Dividends declared after the end of the reporting period:		
Interim dividend – HK3.00 cents (six months ended 30 June 2020: Nil) per ordinary share	30,490	–

On 24 August 2021, the board of directors declared an interim dividend of HK3.00 cents (six months ended 30 June 2020: Nil) per ordinary share, amounting to a total of approximately HK\$30,490,000 (six months ended 30 June 2020: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the unaudited loss for the six months ended 30 June 2021 (loss for the six months ended 30 June 2020) attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,016,348,000 (period ended 30 June 2020: 1,016,611,000) in issue during the period.

For the six months ended 30 June 2021 and 2020, no adjustment was made to the basic loss per share amount in respect of a dilution as the share options had no dilutive effect on the basic loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(Continued)

The calculations of basic and diluted loss per share are based on:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	(20,639)	(101,245)
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	1,016,348,000	1,016,611,000

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

During the six months ended 30 June 2021, additions of items of property, plant and equipment amounted to HK\$45,393,000 (six months ended 30 June 2020: HK\$56,182,000).

As at 30 June 2021, buildings and leasehold land included in right-of-use assets with a net carrying amount of HK\$30,758,000 (31 December 2020: HK\$31,316,000) and HK\$48,071,000 (31 December 2020: HK\$48,466,000), respectively, were pledged to secure banking facilities granted to the Group.

As at 30 June 2021, the Group's investment properties with a total carrying amount of HK\$20,500,000 (31 December 2020: HK\$20,500,000) were pledged to secure banking facilities granted to the Group.

12. TRADE RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade receivables	37,682	30,156
Impairment	(3,766)	(3,687)
	33,916	26,469

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.

12. TRADE RECEIVABLES (Continued)

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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	27,323	20,157
1 to 3 months	6,135	5,204
Over 3 months	458	1,108
	33,916	26,469

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
At the beginning of period/year	3,687	3,377
Impairment losses (<i>note 7</i>)	79	310
At the end of period/year	3,766	3,687

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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	70,976	79,743
1 to 2 months	4,811	3,399
2 to 3 months	875	2,216
Over 3 months	6,797	6,199
	83,459	91,557

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. CONTINGENT LIABILITIES

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	24,342	24,757

15. COMMITMENTS

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Contracted but not provided for: Leasehold improvements, furniture, fixtures and equipment	8,114	17,550

16. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Short term employee benefits	3,932	2,798
Post-employment benefits	77	39
	4,009	2,837

17. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

These Unaudited Interim Financial Statements were approved and authorised for issue by the Board on 24 August 2021.

BUSINESS REVIEW

The Board hereby announces the interim results of the Group for the six months ended 30 June 2021 (the “period”). During the period, both Hong Kong and Mainland China continued to suffer from the COVID-19 pandemic, with the food and beverage (F&B) industry being among the sectors hardest hit. In Hong Kong, social distancing measures and prohibition on group gatherings imposed by the government severely affected customer traffic at many local restaurants. Across the border, the holding of large group gatherings was prohibited temporarily in January due to an unexpected outbreak, though the situation was contained quickly and restrictions were gradually relaxed in subsequent months. As a result, the Group’s Mainland China operation achieved a turnaround, with turnover up appreciably and a return to profitability. Moreover, by continuing to control costs and enhancing operations, as well as further implementing its multi-brand strategy, the Group was able to overcome challenges and adapt to constant changes in the operating environment. The Group’s metrics consequently improved significantly over the corresponding period last year, a clear reflection of its greater operational resilience.

Financial Results

The Group’s total revenue amounted to HK\$1,301.4 million (2020: HK\$1,147.4 million) as at 30 June 2021, which represented a year-on-year increase of 13.4%. Gross profit margin (defined as total revenue less cost of inventories sold divided by total revenue) hovered at 65.1% (2020: 65.8%). Loss attributable to owners of the parent was reduced considerably by 79.6% year-on-year to HK\$20.6 million (2020: loss of HK\$101.2 million).

The Board has proposed an interim dividend of HK3.00 cents per share for the six months ended 30 June 2021.

Hong Kong Operations

During the period, the Hong Kong operations generated revenue of HK\$637.1 million (2020: HK\$703.9 million), down 9.5% from the corresponding period last year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to HK\$75.0 million (2020: HK\$103.3 million), with loss attributable to owners of the parent amounting to HK\$49.5 million (2020: loss of HK\$41.3 million).

Both the economic and business environment have continued to be highly challenging in Hong Kong which has directly impaired the performance of the Group’s local operations. Its operations were further affected by restrictions on operating hours, which have been severely curtailed as the Group’s restaurants fell under the Types A-D Mode of Operation under the Prevention and Control of Disease Regulation, hence bigger group family gatherings and late night dining were restricted. Performance was further affected by network optimisation, with certain restaurants closed while others were either under renovation or newly opened. New openings have included its chain of “Chung’s House (鍾菜館)” premium brand restaurants, which target upscale patrons with greater disposable income. Five “Chung’s House” restaurants are now in operation, located at Cyberport, Central, Stanley, Causeway Bay and Fo Tan. The “Chung’s House” brand has received overwhelmingly favourable response and has generated profit for the Group. Consequently, the management targets to open more “Chung’s House” restaurants in the second half of 2021.

Overall, the Group has further enhanced its sales channels through strategic partnerships with a number of food delivery platforms, including Deliveroo, Foodpanda and The Gulu, to tap the demand for food delivery services. Conversely, to attract restaurant-goers, the Group has continued to employ its proven marketing strategies which include such favourites as the “One-dollar chicken”, “One-dollar pigeon” and “Half-price dim-sum” during the morning and tea time. Moreover, in response to the positive reaction of patrons, the Group has introduced the “Tea trolley (茶車)” to all of its restaurants. This allows patrons to make their own tea when desired, a practice that perfectly complements the Chinese dining tradition. Convenience is also enhanced for restaurant-goers by way of a mobile ordering platform that is available at all restaurants, which helps promote higher table turnover rates.

Hong Kong Operations (Continued)

With regard to enhancing operational efficiency and controlling costs, the Group has taken action both internally and externally with relevant parties to effect positive change. This has included negotiating with landlords, particularly those managing shopping malls that belong to the government sector, for rent reduction and better rental concessions. Internally, the Group has sought to manage food costs by strategic purchasing and better menu planning. Moreover, greater flexibility and efficiency in manpower allocation has been achieved by means of streamlining operations, thus also resulting in lower labour costs.

As at 30 June 2021, the Group had 43 (2020: 49) restaurants in operation across Hong Kong. Although certain restaurants were closed during the first half of 2021, the Group plans to open new restaurants in the city in the second half of the year. Tao Heung will continue to position itself as a Chinese culinary group with a diverse brand portfolio that is able to satisfy demand from different customer segments.

For the Tai Cheong bakery business, the Group operated a total of 10 bakeries in Hong Kong (2020: 15) as at 30 June 2021. The plan for the bakery business moving forward is to introduce greater product variety and more baked-at-store products, in order to attract a wider range of customers who desire high-quality baked goods. Outside of Hong Kong, a total of 11 Tai Cheong bakeries can be found in Singapore and Malaysia (2020: 5). In view of the promising performance of these bakeries, the Group plans to work closely with its partners to further invest and open more shops in the second half of this year.

As 2021 marks the 30th anniversary of Tao Heung, it has sought to celebrate this milestone in a meaningful manner. Consequently, it sponsored the Barefoot Walk Charity (赤腳慈行) in June 2021 – a charitable event established by Hong Kong actor Mr Milkson Fong (方紹聰), which involves trekking 180 km to help support underprivileged children and children with intellectual disabilities. The cause fully aligns with Tao Heung's corporate culture and commitment to giving back to the society.

Mainland China Operations

During the period, the Mainland China operations contributed HK\$664.3 million (2020: HK\$443.6 million) in revenue to the Group, and impressive increase of 49.8% over the same period last year. The segment achieved a turnaround with EBITDA reaching HK\$126.1 million (2020: HK\$25.2 million), with profit attributable to owners of the parent amounting to HK\$28.9 million (2020: loss of HK\$59.9 million).

Mainland China's performance improved significantly for the first half of 2021. While the operations in Guangdong Province were severely affected by social distancing restrictions in January, the effective and quick control of the COVID-19 virus in subsequent months resulted in encouraging overall results by the close of the period. Furthermore, the takeaway and delivery business continued to perform robustly owing to the tapping of such popular platforms as Dianping.com (大眾點評), Meituan (美團) and ele.me (餓了麼) by the Group, which helped to further boost profitability of the Mainland China operations.

As at 30 June 2021, the Group had a total of 47 restaurants (2020: 45) in Mainland China; it also operated 15 bakeries (2020: 21) under the Bakerz 180 brand name. In the second half year, the Group plans to open five new restaurants in major metropolitan centres so as to capitalise on recovering consumer sentiment as well as seize opportunities for supporting business growth. Similarly, the Group targets opening two Bakerz 180 bakeries in Guangdong Province in the second half of 2021.



Peripheral Businesses

The Group's chilled and packaged food segment performed in a stable manner, generating HK\$101.4 million in revenue during the review period (2020: HK\$147.1 million). The Group has continued partnering with supermarket and convenience stores locally and overseas, including those operating in South East Asia and China, to support this segment. The Group believes that the business segment possesses good potential for contributing still greater revenue in the future, supported by a strong line up of chilled and packaged food products. The Group will therefore direct more resources in developing a larger variety of products for the segment, which would also go towards capitalising on the work-from-home practice that has become the new normal since the COVID-19 outbreak.

Financial resources and liquidity

As at 30 June 2021, the total assets decreased by 0.8% to approximately HK\$2,921.0 million (31 December 2020: approximately HK\$2,943.9 million) while the total equity decreased by 1.1% to approximately HK\$1,577.6 million (31 December 2020: approximately HK\$1,594.8 million).

As at 30 June 2021, the Group had cash and cash equivalents amounted to approximately HK\$549.6 million. After deducting the total interest-bearing bank borrowings of HK\$287.3 million, the Group had a net cash surplus position of approximately HK\$262.3 million.

As at 30 June 2021, the Group's total interest-bearing bank borrowings were increased to approximately HK\$287.3 million (31 December 2020: approximately HK\$272.5 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 increased to 18.5% (31 December 2020: 17.3%).

Capital expenditure

Capital expenditure for the six months ended 30 June 2021 amounted to approximately HK\$63.9 million (period ended 30 June 2020: approximately HK\$56.2 million) and the capital commitments as at 30 June 2021 amounted to approximately HK\$8.1 million (31 December 2020: approximately HK\$17.6 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 2021, the Group pledged its bank deposits of approximately HK\$15.7 million, right-of-use assets of approximately HK\$48.1 million and buildings of approximately HK\$30.8 million and investment properties of approximately HK\$20.5 million to secure the banking facilities granted to the Group.

Contingent liabilities

As at 30 June 2021, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK\$24.3 million (31 December 2020: approximately HK\$24.8 million).

Foreign exchange risk management

The Group's sales and purchases for the six months ended 30 June 2021 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.

Principal risks and uncertainties

The Group's business and operation may be seriously affected by the outbreak of the COVID-19 pandemic or other public health incident, which may cause lockdown, travel restrictions and suspension of work in Mainland China, Hong Kong or elsewhere. These risks and uncertainties may materially adversely affect the Group's business, financial condition or results of operation.

Human resources

As at 30 June 2021, the Group had 5,512 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 2021, there are 9,440,000 outstanding options granted under the Share Option Scheme which have not been exercised yet.



Prospects

Even though the COVID-19 pandemic had a major impact on the F&B industry in Hong Kong and Mainland China, improvement in vaccination rates in 2021 have lessened such impact. Moreover, consumer sentiment has been improving as well, and has undoubtedly been boosted further in Hong Kong with the rollout of the Consumption Voucher Scheme in 2021, which enables each local resident to receive electronic consumption vouchers worth HK\$5,000 in total. The management therefore remains cautiously optimistic about the Group's outlook in the second half year.

To capture opportunities arising from the aforementioned developments, the Group will introduce more promotions and develop different marketing campaigns to bolster sales. This will include promotions to celebrate Tao Heung's 30th anniversary, which will involve elements relating to the number 30, such as RMB30 and RMB3 per dish offers at the Group's Mainland restaurants. At the same time, it will seek to enhance profitability by carefully controlling costs, which, in the case of rent, will involve negotiating with landlords for more favourable rental concessions once certain restaurants are due for relevant discussions. Also recognising the importance of a robust restaurant network, the Group will continue to expand its presence in Hong Kong and Mainland China, which, in the case of the former, will involve the opening of more "Chung's House" restaurants. As for the latter, in view of good turnover and Tao Heung's strong brand equity, the Group plans to open five new restaurants in the second half year, with two in Changsha, one in Shanghai, one in Southwest district and one in Guangdong Province.

With its strong reputation, extensive network and ample resources, Tao Heung will continue enhancing its competitiveness and promoting its brand image in order to deliver long-term value to shareholders.

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 2021, payable on 15 October 2021 to shareholders whose names appear on the register of members of the Company on 30 September 2021.

Closure of Register of Members

The register of members of the Company will be closed on Monday, 4 October 2021 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 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 30 September 2021.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2021, 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:

Name of Directors	Notes	Number of shares held, capacity and nature of interest					Total	Percentage of the Company's share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Equity derivatives		
Executive Directors								
Mr. Chung Wai Ping	(a) and (b)	–	12,174,222	–	419,306,689	–	431,480,911	42.45
Mr. Wong Ka Wing	(c)	5,522,679	–	103,283,124	–	–	108,805,803	10.71
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

Notes:

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

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

Saved as disclosed above, as at 30 June 2021, 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 2021, 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:

Name of Shareholder	Notes	Number of ordinary shares (long position)			% of total issued shares
		Directly beneficially owned	Through controlled corporation	Total	
Billion Era International Limited	(a)	419,306,689	–	419,306,689	41.26
Tin Tao Investments Limited	(a)	–	419,306,689	419,306,689	41.26
Sapphire Skye Holdings Limited	(a)	–	419,306,689	419,306,689	41.26
Zedra Trustees (Singapore) Limited	(a)	–	419,306,689	419,306,689	41.26
Joy Mount Investments Limited	(b)	103,283,124	–	103,283,124	10.16
Perfect Plan International Limited	(c)	102,053,976	–	102,053,976	10.04
Whole Gain Holdings Limited		56,795,068	–	56,795,068	5.59

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.

Save as disclosed above, as at 30 June 2021, 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 2021 which have been granted under the Share Option Scheme are as follows:

Name	Date of grant	Number of share options					Outstanding at 30 June 2021
		Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Lapsed on expiry	Forfeited upon termination of employment	
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	9,700,000	-	-	-	(960,000)	8,740,000
Total		10,400,000	-	-	-	(960,000)	9,440,000

(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

During the six months ended 30 June 2021, 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 A.2.1 of the Code. Under the code provision A.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 A.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 A.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 2021.

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2021, 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
Tao Heung Holdings Limited
Chung Wai Ping
Chairman

Hong Kong, 24 August 2021