



Tao Heung Holdings Limited 稻香控股有限公司*

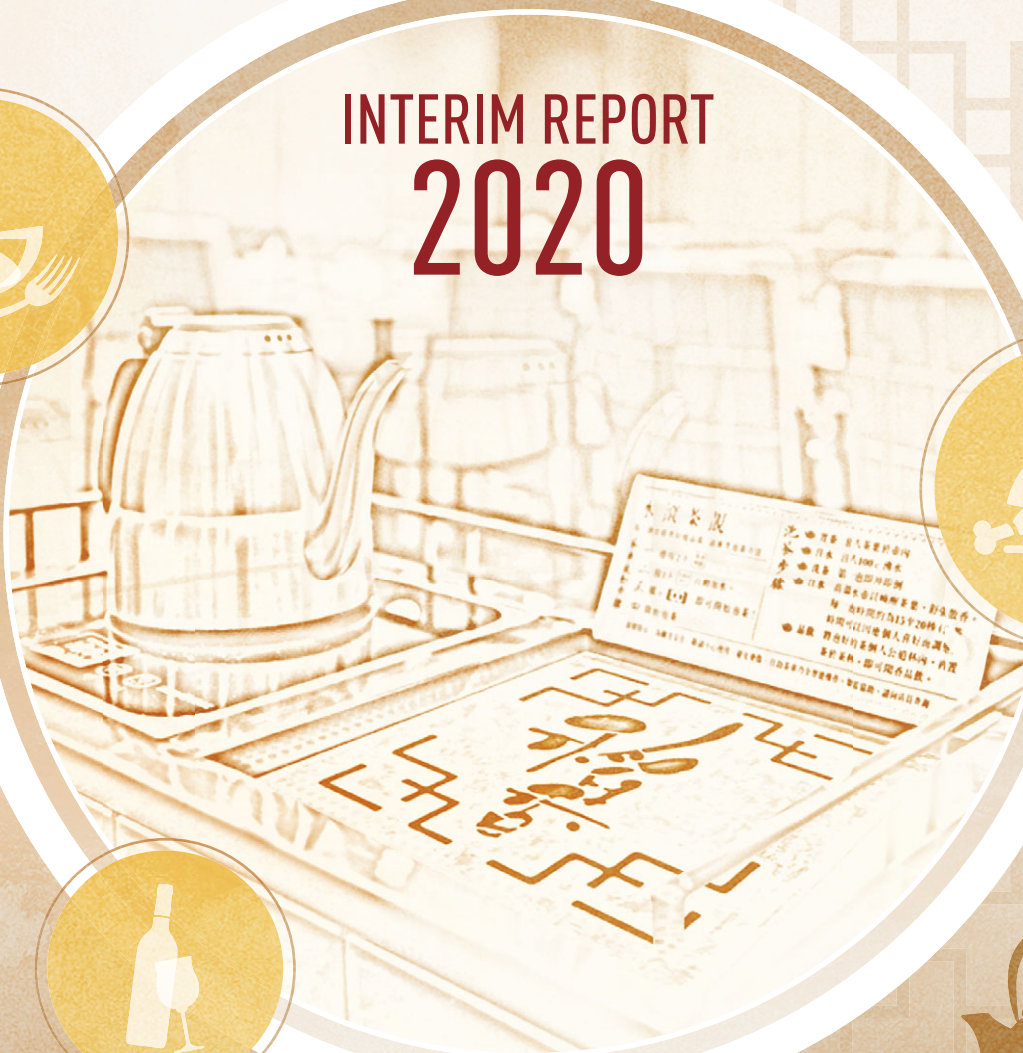
(Incorporated in the Cayman Islands with Limited Liability)

Stock Code : 573

* For identification purposes only



INTERIM REPORT 2020



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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

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

Royal Bank of Canada Trust Company (Cayman) Limited
 4th Floor, Royal Bank House
 24 Shedden Road, George Town
 Grand Cayman KY1-1110, 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

Stock Code

573

Website

www.taoheung.com.hk

FINANCIAL HIGHLIGHTS

Key Financial Ratios	Notes	Six months ended 30 June		% Change Decrease
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	
Performance				
Revenue		1,147,438	2,027,671	(43.4%)
EBITDA	1	(26,929)	196,417	(113.7%)
Profit/(loss) attributable to owners of the parent		(101,245)	72,028	(240.6%)
Gross profit/(loss) margin		(0.3%)	13.0%	(102.3%)
Net profit/(loss) margin	2	(8.8%)	3.6%	(344.4%)
Per Share Data				
		HK cents	HK cents	
Earnings/(loss) per share				
– Basic		(9.96)	7.09	(240.5%)
– Dilutive		(9.96)	7.09	(240.5%)
Interim dividend per share		–	6.00	(100.0%)
Balance Sheet				
		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000	% Change Increase/ (Decrease)
Total assets		2,834,964	3,061,313	(7.4%)
Net assets		1,464,662	1,637,291	(10.5%)
Cash and cash equivalents		501,027	620,940	(19.3%)
Net cash	3	243,860	467,840	(47.9%)
Liquidity and Gearing				
Current ratio	4	1.1	1.3	(15.4%)
Quick ratio	5	0.9	1.1	(18.2%)
Gearing ratio	6	17.8%	9.5%	87.4%
Per Share Data				
		HK cents	HK cents	
Net assets per share	7	144.07	161.05	(10.5%)
Net cash per share	8	23.99	46.02	(47.9%)

Notes:

- EBITDA is a non-HKFRS measurement which is calculated by excluding the effect of the depreciation of right-of-use assets and interest on lease liabilities recognised in accordance with HKFRS 16 Leases.
- Net profit/(loss) margin is calculated as net profit/(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 1,016,611,000 shares (31 December 2019: 1,016,611,000 shares).
- Net cash per share is calculated based on the number of 1,016,611,000 shares (31 December 2019: 1,016,611,000 shares).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

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 2020 together with comparative figures for the corresponding period in 2019. These interim condensed consolidated financial statements for the six months ended 30 June 2020 have not been audited, but have been reviewed by the Audit Committee of the Company.

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	5	1,147,438	2,027,671
Cost of sales		(1,150,913)	(1,764,140)
Gross profit/(loss)		(3,475)	263,531
Other income and gains, net	5	47,488	14,357
Selling and distribution expenses		(42,795)	(49,373)
Administrative expenses		(83,664)	(101,012)
Other expenses	7	(18,971)	(12,822)
Finance costs	6	(19,308)	(22,163)
Share of profits and losses of associates		1,325	(24)
PROFIT/(LOSS) BEFORE TAX	7	(119,400)	92,494
Income tax credit/(expense)	8	19,237	(23,087)
PROFIT/(LOSS) FOR THE PERIOD		(100,163)	69,407
Attributable to:			
Owners of the parent		(101,245)	72,028
Non-controlling interests		1,082	(2,621)
		(100,163)	69,407
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	10	HK(9.96) cents	HK7.09 cents
– Diluted	10	HK(9.96) cents	HK7.09 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(100,163)	69,407
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	(23,643)	3,566
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(123,806)	72,973
Attributable to:		
Owners of the parent	(124,347)	75,527
Non-controlling interests	541	(2,554)
	(123,806)	72,973

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	856,424	897,786
Right-of-use assets	11	779,325	883,295
Investment properties	11	29,400	29,400
Goodwill		38,333	38,677
Other intangible asset		–	–
Interests in associates		4,176	5,084
Deferred tax assets		109,017	86,549
Rental deposits		69,553	89,374
Deposits for purchases of items of property, plant and equipment		54,154	31,910
Total non-current assets		1,940,382	2,062,075
CURRENT ASSETS			
Inventories		155,111	170,867
Trade receivables	12	39,979	43,507
Prepayments, deposits and other receivables		170,470	144,259
Tax recoverable		10,438	1,690
Pledged deposits		13,552	13,875
Restricted cash		4,005	4,100
Cash and cash equivalents		501,027	620,940
Total current assets		894,582	999,238
CURRENT LIABILITIES			
Trade payables	13	74,886	119,872
Other payables and accruals		241,980	247,192
Interest-bearing bank borrowings		257,167	153,100
Lease liabilities		226,600	246,641
Tax payable		5,489	20,118
Total current liabilities		806,122	786,923
NET CURRENT ASSETS		88,460	212,315
TOTAL ASSETS LESS CURRENT LIABILITIES		2,028,842	2,274,390

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		10,680	11,741
Lease liabilities		534,550	606,408
Deferred tax liabilities		18,950	18,950
Total non-current liabilities		564,180	637,099
Net assets		1,464,662	1,637,291
EQUITY			
Equity attributable to owners of the parent			
Issued capital		101,661	101,661
Reserves		1,343,410	1,503,338
Non-controlling interests		1,445,071	1,604,999
		19,591	32,292
Total equity		1,464,662	1,637,291

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Issued capital	Share premium	Capital reserve	Other reserve	Share option reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Total			
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000		
At 1 January 2019	101,661	326,624	110,748	(19,773)	7,656	509	(46,362)	1,133,988	1,615,051	18,420	1,633,471	
Profit for the period	-	-	-	-	-	-	-	72,028	72,028	(2,621)	69,407	
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	3,499	-	3,499	67	3,566	
Total comprehensive income for the period	-	-	-	-	-	-	3,499	72,028	75,527	(2,554)	72,973	
Transfer of share option reserve upon the forfeiture of share options	-	-	-	-	(615)	-	-	615	-	-	-	
Final 2018 dividend	-	-	-	-	-	-	-	(60,997)	(60,997)	-	(60,997)	
At 30 June 2019	101,661	326,624	110,748	(19,773)	7,041	509	(42,863)	1,145,634	1,629,581	15,866	1,645,447	
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	-	-	-	-	-	-	-	(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	

* These reserve accounts comprise the consolidated reserves of HK\$1,343,410,000 (31 December 2019: HK\$1,503,338,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	<i>Notes</i>	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(119,400)	92,494
Adjustments for:			
Interest income	5	(4,304)	(5,623)
Gain on disposal of items of property, plant and equipment, net	5	(291)	(50)
Gain on termination of leases	5	(3,541)	–
Finance costs	6	19,308	22,163
Write-off of items of property, plant and equipment	7	896	352
Impairment of items of property, plant and equipment	7	3,702	10,777
Impairment of right-of-use assets	7	14,966	–
Depreciation of items of property, plant and equipment	7	90,004	102,420
Depreciation of right-of-use assets	7	138,588	152,537
Amortisation of other intangible asset	7	–	40
Impairment of other intangible asset	7	–	850
Impairment of trade receivables	7	303	1,195
Share of profits and losses of associates		(1,325)	24
		138,906	377,179
Decrease/(increase) in rental deposits		19,038	(496)
Decrease in inventories		13,851	10,317
Decrease in biological assets		–	221
Decrease/(increase) in trade receivables		2,396	(11,046)
Increase in prepayments, deposits and other receivables		(28,209)	(2,832)
Decrease in trade payables		(43,427)	(17,322)
Increase/(decrease) in other payables and accruals		(4,167)	12,953
Cash generated from operations		98,388	368,974
Interest paid		(2,467)	(1,463)
Hong Kong profits tax paid		(20,634)	(5,716)
Overseas tax paid		(7,054)	(10,289)
Net cash flows from operating activities		68,233	351,506

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

<i>Notes</i>	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(56,182)	(51,751)
Deposits paid for purchases of items of property, plant and equipment	(33,803)	(7,790)
Proceeds from disposal of items of property, plant and equipment	1,639	70
Dividend from an associate	1,362	1,500
Repayment of loan from an associate	871	–
Interest received	4,304	5,623
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	–	9,546
Net cash flows used in investing activities	(81,809)	(42,802)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	224,500	103,000
Repayment of bank loans	(120,433)	(123,967)
Principal portion of lease payments	(136,860)	(161,031)
Interest element of lease payments	(16,841)	(20,700)
Dividends paid	(35,581)	(60,997)
Dividends paid to a non-controlling shareholder of a subsidiary	(13,242)	–
Net cash flows used in financing activities	(98,457)	(263,695)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	565,400	461,232
Effect of foreign exchange rate changes, net	(6,586)	295
CASH AND CASH EQUIVALENTS AT END OF PERIOD	446,781	506,536
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	446,781	506,536
Non-pledged time deposit with original maturity of more than three months when acquired	54,246	60,824
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	501,027	567,360

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 of the Company is located at 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 2020 (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 2019.

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 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's restaurants and bakery properties have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$31,774,000 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 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2020 and 2019 and certain non-current asset information as at 30 June 2020 and 31 December 2019, by geographic area.

(a) Revenue from external customers

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	703,856	1,252,132
Mainland China	443,582	775,539
	1,147,438	2,027,671

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

(b) Non-current assets

	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong	735,784	816,246
Mainland China	1,026,028	1,069,906
	1,761,812	1,886,152

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Restaurant and bakery operations	946,099	1,866,167
Sale of food and other items	147,075	100,755
Poultry farm operations	54,264	60,749
	1,147,438	2,027,671

Disaggregated revenue information

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Geographical markets		
Hong Kong	703,856	1,252,132
Mainland China	443,582	775,539
Total revenue from contracts with customers	1,147,438	2,027,671
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	1,147,438	2,027,671

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	4,304	5,623
Government grants*	35,234	1,272
Gross rental income	296	1,135
Sponsorship income	887	1,287
Commission income	925	2,051
Management fee income	366	771
Gain on disposal of items of property, plant and equipment, net	291	50
Gain on termination of leases	3,541	–
Others	1,644	2,168
	47,488	14,357

* These mainly included subsidies of HK\$32,618,000 (2019: Nil) granted by The Government of the Hong Kong Special Administrative Region ("HKSAR Government") under the Anti-epidemic fund. There were no unfulfilled conditions or other contingencies attaching to the subsidies and government grant that had been recognised by the Group.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	2,467	1,463
Interest on lease liabilities	16,841	20,700
	19,308	22,163

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cost of inventories sold	392,474	652,109
Depreciation of items of property, plant and equipment*	90,004	102,420
Depreciation of right-of-use assets*	138,588	152,537
Amortisation of other intangible asset	–	40
Employee benefit expense (including directors' remuneration)*:		
Salaries and bonuses	362,729	558,661
Retirement benefit scheme contributions (defined contribution schemes)	18,002	38,204
	380,731	596,865
Lease payments*:		
Contingent rents	8,059	9,690
Rent concessions related to COVID-19	(31,774)	–
	(23,715)	9,690
Foreign exchange differences, net	1,921	968
Impairment of trade receivables#	303	1,195
Write-off of items of property, plant and equipment	896	352
Impairment of items of property, plant and equipment#	3,702	10,777
Impairment of right-of-use assets#	14,966	–
Impairment of other intangible asset#	–	850

* The cost of sales for the period ended 30 June 2020 amounting to HK\$1,150,913,000 (six months ended 30 June 2019: HK\$1,764,140,000) included depreciation of items of property, plant and equipment of HK\$84,512,000 (six months ended 30 June 2019: HK\$94,655,000), depreciation of right-of-use assets of HK\$138,487,000 (six months ended 30 June 2019: HK\$152,340,000), employee benefit expense of HK\$342,811,000 (six months ended 30 June 2019: HK\$548,697,000), contingent rents of HK\$8,059,000 (six months ended 30 June 2019: HK\$9,690,000) and rent concessions related to COVID-19 of HK\$31,774,000 (six months ended 30 June 2019: Nil).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 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 2019: 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	4,621	8,806
Current – Mainland China	257	9,561
Deferred	(24,115)	4,720
Total tax charge/(credit) for the period	(19,237)	23,087

9. DIVIDEND

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Proposed interim – Nil (six months ended 30 June 2019: HK6.00 cents per ordinary share)	–	60,997

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 consolidated loss for the six months ended 30 June 2020 (profit for the six months ended 30 June 2019) attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,016,611,000 (period ended 30 June 2019: 1,016,611,000) in issue during the period.

For the six months ended 30 June 2020 and 2019, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	(101,245)	72,028
	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation	1,016,611,000	1,016,611,000

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

During the six months ended 30 June 2020, additions of items of property, plant and equipment amounted to HK\$56,182,000 (six months ended 30 June 2019: HK\$51,751,000).

As at 30 June 2020, buildings and leasehold land included in right-of-use assets with a net carrying amount of HK\$15,650,000 (31 December 2019: HK\$15,934,000) and HK\$33,323,000 (31 December 2019: HK\$33,471,000), respectively, were pledged to secure banking facilities granted to the Group.

As at 30 June 2020, investment properties with a total carrying amount of HK\$20,500,000 (31 December 2019: HK\$20,500,000) were pledged to secure banking facilities granted to the Group.

12. TRADE RECEIVABLES

	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	43,659	46,884
Impairment	(3,680)	(3,377)
	39,979	43,507

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	26,114	31,403
1 to 3 months	11,576	11,658
Over 3 months	2,289	446
	39,979	43,507

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
At the beginning of period/year	3,377	2,146
Impairment losses (<i>note 7</i>)	303	1,231
At the end of period/year	3,680	3,377

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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	62,215	106,037
1 to 2 months	4,091	6,362
2 to 3 months	1,463	704
Over 3 months	7,117	6,769
	74,886	119,872

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 2020

14. CONTINGENT LIABILITIES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	27,741	26,921

15. COMMITMENTS

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Contracted but not provided for: Leasehold improvements, furniture, fixtures and equipment	27,105	30,010

16. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in the Unaudited Interim Financial Statements, the Group had the following transactions with related parties during the period:

		Six months ended 30 June	
	<i>Notes</i>	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Rental expense to a related party	<i>(i)</i>	–	24
Management fee from associates	<i>(ii)</i>	–	467
Sales of food and other operating items to associates	<i>(iii)</i>	–	2,935

Notes:

- (i) The rental expense to a related party, Madam Chan Sai Ying, who is the spouse of Mr. Chung Wai Ping, was charged based on mutually agreed terms at a monthly fixed amount of HK\$4,000.
- (ii) The management fee was charged to an associate based on 1 to 2% of gross receipt.
- (iii) Sales of food and other operating items to associates charged based on mutually agreed terms and conditions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short term employee benefits	2,798	3,580
Post-employment benefits	39	43
	2,837	3,623

The transactions as disclosed in note (a)(i) above also constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

17. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

These Unaudited Interim Financial Statements were approved and authorised for issue by the Board on 28 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Board hereby announces the interim results of the Group for the six months ended 30 June 2020. During the latest review period, the Group, like many members of the food and beverage industry, was severely impacted by the COVID-19 pandemic. Lockdowns, quarantines and other measures significantly reduced tourist numbers, which, compounded by social distancing and limits on public gatherings further reduced customer traffic. The Group's Hong Kong operations faced the challenging conditions well into February. Business operations were disrupted during the period, with certain restaurants were closed at the dinner session, and fully closed when the third wave of infections hit. In Mainland China, where conditions turned around more quickly, the Group was able to resume normal operations by April. Despite the curtailing of business operations, the Group was able to tackle the challenges and adapt to the constantly changing operating environment and consumption patterns by leveraging its multi-brand strategy and continuous efforts in cost control and operational enhancement.

Financial Results

During the six months ended 30 June 2020, the Group recorded total revenue of HK\$1,147.4 million (2019: HK\$2,027.7 million). Loss attributable to owners of the parent amounted to HK\$101.2 million (2019: profit of HK\$72.0 million). During the period, impairment of right-of-use-assets of HK\$15.0 million (2019: Nil) and items of property, plant and equipment of HK\$3.7 million (2019: HK\$10.8 million) were recorded. One-off subsidies, amounted to HK\$32.6 million (2019: Nil), were granted by the HKSAR Government under the Anti-epidemic Fund during the period.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020.

Hong Kong Operations

The Hong Kong operations experienced a decline in top-line performance; recording revenue of HK\$703.8 million (2019: HK\$1,252.1 million) for the review period. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) entered a loss position of HK\$7.6 million (2019: profit of HK\$99.6 million). Furthermore, loss attributable to owners of the parent of HK\$41.3 million (2019: profit of HK\$45.1 million) was recorded.

The pandemic has brought unprecedented challenges to the Hong Kong operation. Some restaurants were closed at dinner time for two weeks and subsequently reopened as conditions began to improve from late April onwards. However, due to the third wave of infections, all of the restaurants were closed for 17 days from July to August. Amid such difficult conditions, Tao Heung promptly initiated internal controls to manage costs and enhance efficiency as part of the Group's effort to optimise operations. Marketing strategies such as the popular "Half-price dim-sum" during mornings and tea time and the "One-dollar chicken" promotion that ran from May to June at restaurants were also employed to bolster sales and customer traffic. Other promotions were also employed, such as "All-you-can-eat Hot-Pot", supported the Group's objective of generating diverse revenue streams. Moreover, the Group has been negotiating with the landlords for rent concessions. Furthermore, the Group utilised favourable support measures from the government to reduce certain expenses.

On the operation front, an enhanced purchasing system has been employed during this critical period to improve cost management. Together with shrewd manpower allocation applied across all restaurants, associated costs have continued to edge downward. To further optimise manpower and enhance the dining experience, the Group has introduced the "Tea Trolley (茶車)" to its restaurants, which allow customers to have fresh tea made by themselves, a practice that perfectly complements Chinese cuisine. Moreover, mobile ordering services are applied across most of the restaurants to encourage quicker turnover. In view of the current pandemic, the Group has also partnered with delivery service providers to tailor-make packages that are suitable for different food portions.

Hong Kong Operations (Continued)

All in all, even though revenue was heavily impacted by the COVID-19 pandemic, Tao Heung has taken the opportunity to step up efforts on improving services, as well as be fully prepared for the resumption of business post-pandemic. It has been closely monitoring changing consumption patterns and behaviour, and can well adapt to changing trends.

It is worth noting that the logistics centre in Hong Kong has diversified revenue streams of the Group during the period. Packaged food have successfully been exported overseas, including France, Vietnam, Africa, and the Group is planning to enhance its global presence still further, potentially exporting to Australia and Cambodia. Other than exporting popular packaged Chinese dishes, including soup, dim sum, cold dishes, “梅菜扣肉” and “南乳豬手”, to grow its footprint globally, the Group has also collaborated with HKTV mall in facilitating the online ordering of its packaged food, leading to encouraging feedback and demand.

The Group operates a number of restaurants across Hong Kong, which, as at the review period totalled 49 establishments. Owing to consolidation and rightsizing of restaurants in preceding years, efforts at reducing costs have been readily achieved. Tao Heung will maintain its focus on strengthening its standing as a renowned Chinese culinary group, so as to help underpin the stature of its self-owned Chinese restaurant brands.

With regard to the Tai Cheong bakery business, it has been able to uphold its standing as a premium bakery operation since its rebranding exercise. The business has a strong foothold in Hong Kong, operating 15 outlets during the review period. This network includes shops in prime and fashionable locations, such as the new shopping mall V Walk and the Peak Galleria which appeal to customers from different districts and all walks of life. In terms of overseas presence, Singapore has continued contributing revenue to Tai Cheong through five outlets during the review period.

Mainland China Operations

The Mainland China operations generated HK\$443.6 million (2019: HK\$775.6 million) in revenue during the review period, with EBITDA entering a loss of HK\$19.3 million (2019: profit of HK\$96.8 million). Loss attributable to owners of the parent amounted to HK\$59.9 million (2019: profit of HK\$26.9 million).

Due to the COVID-19 pandemic, the Group's restaurants were closed from the end of January to March 2020. Certain restaurants subsequently offered delivery services in March, with all restaurants – 45 in total as at the review period, resumed operations from April onwards. While revenue and profit invariably recorded declines respectively, revenue from restaurants in Dongguan and Central China in April to June recorded increases compared with the same period last year.

In the face of challenging business conditions, the Group has redoubled efforts in managing costs, subsequently employing a variety of measures, such as the reallocation of staff and increasing staff training to ensure they can take on a variety of tasks. Efforts have also been made to the centralised kitchen system to ensure that cooking disciplines pertaining to kitchen, dim sum and roasted items (“廚、點、味”) are well integrated. Also, negotiations were held with landlords for more amicable rental terms. Furthermore, the Group utilised on favourable support measures from the government, which enabled it to reduce certain expenses.

It is worth noting that Tao Heung's Dongguan logistics centre has been in operation throughout the pandemic period, and increased shifts to support the rising demand for chilled and packaged food. The Group has consequently considered the upsurge in demand as an opportunity for increasing its market share in this business segment. The Group has partnered with T.mall, JD.com and other supermarket-chain operators, which enabled such products to reach more regions in the country.

Mainland China Operations (Continued)

Yet another area that has gained greater consideration is the takeaway segment. Similar to Hong Kong, takeaway and delivery services have played important roles in generating sales during the pandemic. Through the implementation of a nationwide mobile ordering platform that is linked to the Group's restaurant network, customers can now more efficiently place food orders, which were much appreciated by customers. And to increase stickiness, specially developed delivery menus have been introduced to meet customers' tastes, resulting in a three-fold year-on-year increase in sales from this segment.

The three integrated complexes have continued to bring in new revenue streams to the Group during the review period. With regard to its wholesale business, it has provided a robust backbone for extending the Group's brand to the online realm, and particularly packaged OEM products during the pandemic. On the supermarket side, relevant collaborations have facilitated growth and allowed the Group to reach a wider spectrum of customers. Sales and marketing efforts have subsequently been increased to further strengthen contributions from the wholesale business, leading to a more expansive sales network and greater market penetration. As a whole, revenue from this business model has increased 92% despite the pandemic.

The Bakerz 180 bakery operation consisted of 21 outlets as at the review period. Ongoing effort at streaming down costs has been the principal business strategy. Towards this objective, the Group has made full use of the Dongguan logistics centre, which also provides a major competitive advantage in supporting the supply of baked goods to the wholesale business; allowing for collaborations with caterers and supermarkets, as well as for branching out to online sales.

Financial resources and liquidity

As at 30 June 2020, the total assets decreased by 7.4% to approximately HK\$2,835.0 million (31 December 2019: approximately HK\$3,061.3 million) while the total equity decreased by 10.5% to approximately HK\$1,464.7 million (31 December 2019: approximately HK\$1,637.3 million).

As at 30 June 2020, the Group had cash and cash equivalents amounted to approximately HK\$501.0 million. After deducting the total interest-bearing bank borrowings of HK\$257.2 million, the Group had a net cash surplus position of approximately HK\$243.8 million.

As at 30 June 2020, the Group's total interest-bearing bank borrowings were increased to approximately HK\$257.2 million (31 December 2019: approximately HK\$153.1 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 17.8% (31 December 2019: 9.5%).

Capital expenditure

Capital expenditure for the six months ended 30 June 2020 amounted to approximately HK\$56.2 million (period ended 30 June 2019: approximately HK\$51.8 million) and the capital commitments as at 30 June 2020 amounted to approximately HK\$27.1 million (31 December 2019: approximately HK\$30.0 million). The capital expenditure and the capital commitments were mainly for the renovation of the Group's existing restaurants and logistics centres.

Pledge of assets

As at 30 June 2020, the Group pledged its bank deposits of approximately HK\$13.6 million, leasehold land and buildings of approximately HK\$49.0 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 2020, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK\$27.7 million (31 December 2019: approximately HK\$26.9 million).

Foreign exchange risk management

The Group's sales and purchases for the six months ended 30 June 2020 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 2020, the Group had 5,945 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 2020, there are 11,560,000 outstanding options granted under the Share Option Scheme which have not been exercised yet.

Prospects

Amid global economic uncertainties and far-reaching repercussions from the pandemic, Tao Heung's integrated business model has provided the Group with a solid foundation for supporting business operations. In the immediate future, the Group will nonetheless exercise tremendous caution in managing its assets and working capital and will reserve greater resources for future development. As for addressing present developments on the restaurant front, the Group will devise more diverse marketing strategies so its traditional Chinese cuisine continues to have a solid footing for progress, and thus uphold the Tao Heung brand's reputation for Chinese culinary excellence. Also, in line with current times, efforts will be placed on advancing the Group's delivery service, including raising capacity, introducing new packaging, and updating menus to address consumption trends. Developing the right strategies to adapt to changing spending habits and preferences will clearly be paramount in ensuring sustainable business development. For the Hong Kong and Mainland China businesses collectively, the Group will bolster the wholesale business, both offline and online. In the case of the former, this will involve tapping more supermarkets, where as for the latter, the Group will explore more e-commerce platforms to attract customers from different regions, so as to raise revenue and profit while concurrently increase the Group's share of the wholesale market. To support such endeavours, the Group will fully utilise its logistics centre, which, with its high level of automation has allowed for flexible operating hours, and equally important, the uninterrupted output of packaged food during the COVID-19 crisis.

The management remains confident in the Group's ability to maintain business stability amid these unprecedented times. Aside from leveraging the Group's many competitive edges, management will place significant effort on bolstering operations, diversifying the product portfolio, and grasping emerging opportunities so as to access new revenue streams, leading ultimately to the delivery of fair returns to shareholders.

OTHER INFORMATION

Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2020, 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	–	413,306,689	–	425,480,911	41.85
Mr. Wong Ka Wing	(c)	5,522,679	–	103,283,124	–	–	108,805,803	10.70
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:

- (a) Billion Era International Limited is wholly-owned by Tin Tao Investments Limited ("Tin Tao") which in turn is wholly-owned by BNP Paribas Corporate Services Pte. Ltd ("BPCSPL"), a company incorporated in Singapore. BPCSPL is holding the shares in Tin Tao as nominee for BNP Paribas Singapore Trust Corporation Limited ("BPSTCL") 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. The ultimate holding company for BPSTCL is BNP Paribas SA.
- (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 2020, 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.

OTHER INFORMATION

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2020, the interests and short positions of each of the persons, other than the 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)	413,306,689	–	413,306,689	40.66
Tin Tao Investments Limited	(a)	–	413,306,689	413,306,689	40.66
BNP Paribas Corporate Services Pte. Ltd	(a)	–	413,306,689	413,306,689	40.66
BNP Paribas Singapore Trust Corporation Limited	(a)	–	413,306,689	413,306,689	40.66
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 BNP Paribas Corporate Services Pte. Ltd ("BPCSPL"), a company incorporated in Singapore. BPCSPL is holding the shares in Tin Tao as nominee for BNP Paribas Singapore Trust Corporation Limited ("BPSTCL") 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. The ultimate holding company for BPSTCL is BNP Paribas SA.
- (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.

Save as disclosed above, as at 30 June 2020, 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 2020 which have been granted under the Share Option Scheme are as follows:

Name	Date of grant	Number of share options					Outstanding at 30 June 2020
		Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Lapsed on expiry	Forfeited upon termination of employment	
Executive Directors							
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	12,950,000	-	-	-	(2,090,000)	10,860,000
Total		13,650,000	-	-	-	(2,090,000)	11,560,000

(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.

OTHER INFORMATION

Corporate Governance

During the period ended 30 June 2020, 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 2020.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2020, 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, 28 August 2020