TAYANG 大洋

TA YANG GROUP HOLDINGS LIMITED

大洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1991)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINAL RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Ta Yang Group Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020, together with the audited comparative figures for the seventeen months ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**Year ended 31 December 2020** *HK$'000*	Seventeen months ended 31 December 2019 *HK$'000*
Revenue	3	**354,190**	520,956
Cost of sales		**(276,520)**	(416,002)
Gross profit		**77,670**	104,954
Other income and gain		**36,522**	71,054
Selling and distribution expenses		**(17,893)**	(26,863)
Administrative expenses		**(118,359)**	(196,713)
Other operating expenses		**(13,938)**	(2,367)
Share of results of associates		**(97)**	(1,776)
Finance costs		**(21,137)**	(28,322)
Impairment losses on interests in associates		**(18,939)**	—
Impairment losses on goodwill		**(8,008)**	—
Impairment losses under expected credit loss model, net of reversal		**(10,808)**	(3,063)
Loss before tax		**(94,987)**	(83,096)
Income tax expense	5	**(838)**	(7,884)
Loss for the year/period	6	**(95,825)**	(90,980)
Loss for the year/period attributable to:			
Owners of the Company		**(95,822)**	(86,420)
Non-controlling interests		**(3)**	(4,560)
		(95,825)	(90,980)
Loss per share			
Basic (HK cents)	8	**(11.00)**	(9.92)
Diluted (HK cents)		**(11.00)**	(9.92)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020	Seventeen months ended 31 December 2019
	HK$'000	*HK$'000*
Loss for the year/period	**(95,825)**	(90,980)
Other comprehensive income/(expenses)		
Items that will not be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income ("FVTOCI")	**108**	(3,113)
Release of property revaluation reserve upon disposal of properties	**—**	868
	108	(2,245)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations	**34,813**	(11,230)
Release of exchange reserve upon deregistration of subsidiaries	**—**	152
	34,813	(11,078)

	Year ended 31 December 2020 HK$'000	Seventeen months ended 31 December 2019 HK$'000
Share of other comprehensive income of associates		
Share of exchange difference of associates	**2,186**	—
Other comprehensive income/(expenses) for the year/period	**37,107**	(13,323)
Total comprehensive expenses for the year/period, net of income tax	**(58,718)**	(104,303)
Total comprehensive expenses for the year/period, net of income tax, attributable to:		
Owners of the Company	**(58,705)**	(99,743)
Non-controlling interests	**(13)**	(4,560)
	(58,718)	(104,303)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	**At 31 December 2020 *HK$'000***	At 31 December 2019 *HK$'000*
Non-current assets			
Property, plant and equipment		**151,497**	153,964
Right-of-use assets		**135,688**	—
Prepaid lease payments		**—**	114,522
Investment properties		**93,650**	87,191
Goodwill		**—**	8,008
Financial assets at fair value through other comprehensive income		**2,756**	2,648
Interests in associates		**45,175**	60,246
		428,766	426,579
Current assets			
Inventories		**34,877**	31,734
Trade and other receivables	*9*	**290,901**	247,451
Prepaid lease payments		**—**	2,465
Held-for-trading investments		**22**	116
Pledged bank deposits		**—**	1,110
Bank balances and cash		**31,774**	94,908
		357,574	377,784
Current liabilities			
Trade and other payables	*10*	**197,689**	132,404
Income tax payable		**40,818**	38,387
Secured bank borrowings		**234,027**	276,350
Lease liabilities		**8,553**	—
		481,087	447,141
Net current liabilities		**(123,513)**	(69,357)
Total assets less current liabilities		**305,253**	357,222

	Notes	At **31 December** **2020** ***HK$'000***	At 31 December 2019 *HK$'000*
Capital and reserves			
Share capital		**87,118**	87,118
Reserves		**187,942**	246,647
Equity attributable to owners of the Company		**275,060**	333,765
Non-controlling interests		**3,142**	3,155
Total equity		**278,202**	336,920
Non-current liabilities			
Secured bank borrowings		**3,564**	3,330
Deferred income		**3,165**	3,112
Deferred tax liabilities		**14,871**	13,860
Lease liabilities		**5,451**	—
		27,051	20,302
		305,253	357,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL AND BASIS OF PREPARATION

Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China ("PRC"), Macau and Indonesia whose functional currencies are Renminbi ("RMB"), Macau Pataca and Indonesian Rupiah respectively, the functional currency of the Company and its other subsidiaries is HK$. As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

Change of financial year end date

During the previous financial period, the reporting period end date of the Group was changed from 31 July to 31 December as the directors of the Company determined to bring the annual reporting period end date of the Group in line with that of the Company's principal subsidiaries and the associates incorporated in the PRC. Accordingly, the consolidated financial statements for the previous period cover the seventeen-month period ended 31 December 2019. The corresponding comparative amounts shown for the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and related notes cover a seventeen-month period from 1 August 2018 to 31 December 2019. As a result of this, the corresponding comparative amounts shown covered the seventeen-month period from 1 August 2018 to 31 December 2019 are not directly comparable with the amount shown for the current year.

Going concern basis

As at 31 December 2020, the Group had net current liabilities of HK$123,513,000 (2019: HK$69,357,000). In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group and its available sources of finance to continue as a going concern. The Directors considered that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position, including but not limited to the following:

(i) The Group has undrawn credit facilities amounting to approximately HK$185,000,000 from financial institution for its working capital requirements for the next twelve months which be drawn as and when required;

(ii) The Group will continue to carry out cost control measurement in forthcoming years, including but not limited to reduce discretionary expenses and administrative costs. On the other hand, the Group will continue to explore various strategies to improve the Group's operating cash inflows including putting extra efforts on the collection of trade receivables; and

(iii) The Group will explore possible fund-raising opportunities including but not limited to issuance of new shares, right issues or open offer and issuance of convertible bonds where appropriate.

In light of the measures and arrangements as described above, the directors of the Company consider that the Group will have sufficient working capital to meet their financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern basis, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(A) News and amendments to HKFRSs that are mandatorily effective for the current year

The following new and amendments to HKFRSs and new interpretation have been adopted by the Group for the first time for the current accounting period, beginning on 1 January 2020.

Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term investment in associate and joint ventures
Amendments to HKFRS 9	Prepayment features with Negative Compensation
Amendments to HKFRSs	Annual improvements 2015–2017 Cycle
HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the new and amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2020, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2020.

As at 1 January 2020, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease terms ends within 12 months of the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2020 was ranging from 6.22% to 6.70%.

	HK$'000
Operating lease commitments disclosed as at 31 December 2019	8,945
Discounted using the lessee's incremental borrowing rate at the date of initial application	(385)
(Less): short-term leases recognised on a straight-line basis as expenses	(1,188)
Lease liabilities recognised as at 1 January 2020	7,372
Of which are:	
Current lease liabilities	4,327
Non-current lease liabilities	3,045
	7,372

The carrying amount of right-of-use assets as at 1 January 2020 comprise the following:

	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	7,372
Reclassified from prepaid lease payments for leasehold land *(Note)*	116,987
	124,359
By class:	
Leasehold land	116,987
Properties	7,372
	124,359

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments for leasehold land. Upon application of HKFRS 16, the current portion and non-current portion of prepaid lease payments for leasehold land amounting to HK$2,465,000 and HK$114,522,000 respectively were reclassified to right-of-use assets.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payment relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. However, no adjustment has been made to adjust the refundable rental deposits paid and right-of-use assets since the discounting effect is insignificant.

The transition of HKFRS 16 has no material impact on the accumulated losses as at 1 January 2020.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2020. Line items that were not affected by the changes have not been included.

	As at 31 December 2019 as originally presented *HK$'000*	**HKFRS 16 Leases** *HK$'000*	**As at 1 January 2020 Restated** *HK$'000*
Non-current assets			
Prepaid lease payments	114,522	(114,522)	—
Right-of-use assets	—	124,359	124,359
Current assets			
Prepaid lease payments	2,465	(2,465)	—
Current liabilities			
Lease liabilities	—	4,327	4,327
Non-current liabilities			
Lease liabilities	—	3,045	3,045

(B) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendment to HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to HKFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020	1 January 2022

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

Revenue represents fair value of the consideration received or receivable and for goods sold and healthcare and hotel services rendered in the normal course of business to customers, net of discounts and sales related taxes.

Revenue recognised for the year/period are as follows:

	Year ended 31 December 2020 *HK$'000*	Seventeen months ended 31 December 2019 *HK$'000*
Revenue		
Sales of goods — point of time	**343,922**	510,617
Healthcare and hotel services — overtime	**10,268**	10,339
	354,190	520,956

4. SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chief operating decision maker ("CODM"), being the chief executive officer of the Company, for the purpose of resource allocation and performance assessment focuses on type of goods or services delivered or provided are as follows:

(a) Silicone rubber and related products — manufacturing and sale of silicone rubber and related products; and

(b) Healthcare and hotel services — providing healthcare and hotel services.

No operating segment identified by the CODM has been aggregated in arriving at the reportable segment of the Group.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2020

	Silicone rubber and related products *HK$'000*	**Healthcare and hotel services** *HK$'000*	**Total** *HK$'000*
REVENUE			
External sales	**343,922**	**10,268**	**354,190**
Segment results	**(21,776)**	**(28,510)**	**(50,286)**
Unallocated income			**1,664**
Unallocated expenses			**(46,365)**
Loss before tax			**(94,987)**

For the seventeen months ended 31 December 2019

	Silicone rubber and related products *HK$'000*	Healthcare and hotel services *HK$'000*	Total *HK$'000*
REVENUE			
External sales	510,617	10,339	520,956
Segment results	39,190	(45,712)	(6,522)
Unallocated income			8,990
Unallocated expenses			(85,564)
Loss before tax			(83,096)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent profit earned by (loss from) each segment without allocation of certain other income, directors' emoluments and central administrative costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year ended 31 December 2020 and the seventeen months ended 31 December 2019.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than assets for corporate use including financial assets at FVTOCI, held-for-trading investments, certain furniture, fixtures and equipment, deposits and other receivables and bank balances and cash; and

- all liabilities are allocated to operating segments other than corporate liabilities including certain accrued expenses and other payables.

5. INCOME TAX EXPENSE

	Year ended 31 December 2020 *HK$'000*	Seventeen months ended 31 December 2019 *HK$'000*
PRC Land Appreciation Tax	**100**	4,134
Deferred taxation		
Current year/period	**738**	3,750
	838	7,884

Hong Kong Profits Tax has not been provided for in the consolidated financial statements for the current year and prior period as the Group did not derive any assessable profits in Hong Kong.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

No provision for Indonesia Income Tax for the current year and prior period has been made as the subsidiary operating in Indonesia did not generate any assessable profits in Indonesia.

Ta Yang Group (Macao Commercial Offshore) Limited is incorporated as a commercial offshore entity in Macau and is exempted from Macau Complementary Income Tax.

No provision for Taiwan Profit-Seeking Enterprise Income Tax for the current year and period year has been made as the Group did not generate any assessable profits in Taiwan.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Accordingly, provision for PRC Enterprise Income Tax for the PRC subsidiaries is calculated at 25% of estimated assessable profits for the year/period.

Land appreciation tax of the PRC is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures.

6. LOSS FOR THE YEAR/PERIOD

	Year ended 31 December 2020	Seventeen months ended 31 December 2019
	HK$'000	*HK$'000*
Loss for the year/period has been arrived at after (crediting)/charging:		
Auditor's remuneration		
– Audit service	**1,580**	1,600
– Non-audit service	**420**	—
Allowance for inventories, net of reversal (included in cost of sales)	**(20)**	849
Amortisation of prepaid lease payments	**—**	3,768
Costs of inventories sold *(Note)*	**274,481**	393,830
Depreciation of right-of-use assets	**11,571**	—
Depreciation of property, plant and equipment	**14,504**	34,453
Directors' emoluments	**6,716**	9,576
Staff costs (excluding directors' emoluments)	**92,264**	184,348

Note:

Cost of inventories sold includes approximately HK$73,979,000 (seventeen months ended 31 December 2019: HK$131,484,000) relating to staff costs, depreciation expenses, operating lease charges and depreciation of right-of-use assets which amounts are also included in the respective total amounts disclosed separately above.

7. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2020 and the seventeen months ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period.

8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2020 and the seventeen months ended 31 December 2019.

	Year ended 31 December 2020	Seventeen months ended 31 December 2019
Loss for the year/period attributable to owners of the Company (HK$'000)	**(95,822)**	(86,420)
Weighted average number of ordinary shares in issue ('000)	**871,178**	871,178

During the year ended 31 December 2020 and the seventeen months ended 31 December 2019, the basic loss per share and the diluted loss per share are the same because there are no potential dilutive shares outstanding.

9. TRADE RECEIVABLES

The following is an ageing analysis of trade and bills receivables, net of allowance for expected credit loss presented based on the invoice date at the end of the reporting period.

	Year ended 31 December 2020 *HK$'000*	Seventeen months ended 31 December 2019 *HK$'000*
0–90 days	**78,722**	92,928
91 days to 1 year	**5,731**	9,194
	84,453	102,122

10. TRADE PAYABLES

An ageing analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows:

	Year ended 31 December 2020 *HK$'000*	Seventeen months ended 31 December 2019 *HK$'000*
Within 30 days or on demand	**14,739**	11,153
30–90 days	**22,424**	20,263
91 days to 1 year	**27,565**	8,736
Over 1 year	**860**	1,875
	65,588	42,027

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2020 which has included an emphasis of matter paragraph for material uncertainty in relation to going concern, but without modification of opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK$95,825,000 during the year ended 31 December 2020 and, as of that date, the Group had net current liabilities of approximately HK$123,513,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The directors of the Company are considering a number of financing measures as set forth in note 1 to improve the Group's liquidity and financial position and consider that the Group will have sufficient working capital to finance its operations and to fulfil its financial obligations as and when they fall due in the foreseeable future upon successfully implementing these measures. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the financial year ended 31 December 2020, the Group strives to develop and forge ahead to seize opportunities under the adversity of the raging COVID-19 pandemic, maintaining steady business development and recorded a total turnover of HK$354.2 million (for the seventeen months ended 31 December 2019: HK$521.0 million) that is encouraging.

While actively but prudently exploring potential new businesses, Ta Yang Group continues to focus on the manufacturing and sale of silicone products as its core business and continue to strengthen its research and development, expand its product lines and optimise its product portfolio. Meanwhile, the Group's strict control over procurement costs, intensive leverages of production efficiency and strict control over product quality, and various measures taken to increase revenue and reduce expenditure, all of these enabled us to maintain a relatively favourable gross profit despite the adverse factors of the COVID-19 pandemic and the fierce competition in the market.

As for the healthcare and hotel services business, due to the impact of the COVID-19 pandemic, the tourism industry in the PRC was suspended for most of 2020, but as the Group's operation of Hainan Hotel was outsourced at the end of last year, there was no significant impact. Nonetheless, the Group has been adjusting its strategies in response to the market conditions to maximise value for its shareholders.

Financial review

As announced by the Company on 21 June 2019, the Company's financial year end date has been changed from 31 July to 31 December. Going forward, the Group's financial years would cover a period of twelve months from 1 January to 31 December of a relevant year. The financial statements presented for the previous financial reporting period of the Company cover a period of seventeen months from 1 August 2018 to 31 December 2019, instead of the usual twelve months results. As a result of this, the corresponding comparative amounts shown covered seventeen months period from 1 August 2018 to 31 December 2019 are not directly comparable with the amounts shown for the current financial year.

Revenue

Revenue represents gross revenue generated from the sales of our products and service provided, net of sales tax and other similar taxes.

The revenue for the year ended 31 December 2020 was HK$354.2 million (for the seventeen months ended 31 December 2019: HK$521.0 million). The revenue continues to be generated mainly from the sale of silicone rubber and related products, which accounted for approximately 97.1% of the total revenue. In addition, the Group recorded a steady revenue after outsourcing its hotel operations despite the raging COVID-19 pandemic. Revenue from the healthcare and hotel services business segment accounted for approximately 2.9% of the total revenue.

Cost of Sales

The cost of sales for the year ended 31 December 2020 was HK$276.5 million (for the seventeen months ended 31 December 2019: HK$416.0 million). The COVID-19 pandemic has brought a business environment with tougher challenges for all manufacturers, and the lack of logistics has caused high cost for raw materials and other materials. As a responsible enterprise, the Group continued to shoulder fixed costs such as staff salaries during the shutdown period at the peak of the pandemic.

Gross Profit

The gross profit of the Group decreased approximately 26.0% from HK$105.0 million for the seventeen months ended 31 December 2019 to HK$77.7 million for the year ended 31 December 2020. It was primarily due to the reduction of five months gross profit. The gross profit margin increased by 1.7% from 20.2% for the seventeen months ended 31 December 2019 to 21.9% for the year ended 31 December 2020, mainly due to the positive results of the Group's initiatives to tighten cost control and focus on efficiency.

Other Income and Gain

Other income and gain decreased by approximately 48.7% to HK$36.5 million for the year ended 31 December 2020 from HK$71.1 million for the seventeen months ended 31 December 2019. The decrease in other income and gain was mainly due to absence of gain from one-off disposal of property, plant and equipment and investment properties in the seventeen months ended 31 December 2019, and the decrease in fair value gain on investment properties.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 33.5% to HK$17.9 million for the year ended 31 December 2020 from HK$26.9 million for the seventeen months ended 31 December 2019. When counted as a percentage of revenue, the ratio was 5.1% (for the seventeen months ended 31 December 2019: 5.2%).

Administrative Expenses

Administrative expenses decreased by approximately 39.8% to HK$118.4 million for the year ended 31 December 2020 from HK$196.7 million for the seventeen months ended 31 December 2019. When counted as a percentage of revenue, the ratio was 33.4% (for the seventeen months ended 31 December 2019: 37.8%). This was mainly attributable to the Group's continued implementation of cost control measures and improvement in operational efficiency.

Loss attributable to Shareholders

Loss attributable to Shareholders for the year ended 31 December 2020 was HK$95.8 million (for the seventeen months ended 31 December 2019: HK$86.4 million).

DIVIDEND POLICY

Our Directors expect that dividends will be paid as interim and/or final dividends. We currently intend to pay annual cash dividends of not less than 30% of our Group's audited consolidated profits after taxation to our Shareholders for the applicable year/period. However, the determination to pay such dividends will be made at the discretion of our Board and will be based upon our operating results, cash flows, financial positions, capital requirements and other relevant circumstances that the Board deems relevant. The payment of dividends may be limited by legal restrictions and by agreements that we may enter into in the future. Our Directors are of the views that our dividend policy will not affect the sufficiency of our working capital in the coming years.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on uncommitted funds.

During the year, the Group's receipts were mainly denominated in US dollars, Hong Kong dollars and Renminbi ("RMB"). Payments were mainly made in US dollars and RMB.

In respect of the US dollar, the management regards that the foreign exchange risk for Hong Kong dollar to US dollar is not material because (i) Hong Kong dollar remains pegged to the US dollar and (ii) most of the Group's purchases are denominated in US dollars, which are to be settled by sales receipts in US dollars.

In respect of the RMB, as the Group's production plants are located in the PRC, most of our labour costs, manufacturing overheads, selling and administrative expenses were denominated in RMB. Therefore, the appreciation of RMB will adversely affect the Group's profitability.

LIQUIDITY AND FINANCIAL RESOURCES

During the year/period, the Group's source of fund was the cash generated from operating activities.

	As at 31 December 2020	As at 31 December 2019
Cash and cash equivalents (HK$'000)	**31,774**	94,908
Net cash outflow (HK$'000)	**(64,434)**	(92,377)
Current ratio	**0.7**	0.8
Quick ratio	**0.7**	0.8
Gearing ratio	**0.9**	0.8

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisition or disposal of any subsidiaries and associated companies for the year ended 31 December 2020.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the reporting period, the Group did not make any significant investments.

CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

Capital commitments contracted by the Group but not yet provided for in the financial statements as at 31 December 2020 were approximately HK$2.1 million (2019: HK$1.8 million), which was mainly related to the expansion of production capacity in the PRC. Such capital commitments will be financed by the net proceeds from operating activities.

As at 31 December 2020, the Group had no material contingent liabilities (2019: Nil). As at 31 December 2020, certain properties of the Group of HK$301.3 million (2019: HK$287.3 million) were pledged to secure banking facilities or bank borrowings granted to the Group.

HUMAN RESOURCES AND REMUNERATION POLICIES

As the Group is committed to expand our production capacity and develop high value-added products, such as mobile phone keypads, experienced workers, engineers and professionals are the most important assets to the Group. We offer on-the-job training and encourage staff to attend continuous professional training in order to update their skills and knowledge.

We offer competitive remuneration package, including quality staff quarters, trainings, medical, insurance coverage and retirement benefits, to all employees in Hong Kong and in the PRC. As at 31 December 2020, the Group has 1,080 permanent and temporary employees (2019: 1,275). The total salaries and related costs for the year ended 31 December 2020 amounted to approximately HK$92.3 million (for the seventeen months ended 31 December 2019: HK$184.3 million).

OUTLOOK

The COVID-19 pandemic in 2020 has brought severe tests and challenges to the global economy. However, the Group strongly believes that opportunities lie within the challenges, and that the ability to discover and seize business opportunities in a crisis is the core competency of an enterprise to survive and grow, and even overtake other peers in the industry.

Since the second half of 2020, the pandemic in Mainland China firstly became under control, the performance of the manufacturing industry continued to climb, and the production of the manufacturing industry has become the main driver of increasing the value-added industrial output of Mainland China. In 2021, as different countries started the research and development of vaccines and as the vaccination became commonly available, the global economy is expected to return to normal, and the supply and demand cycle is expected to further recover. With the normalization of business activities in the market, the profitability level of the manufacturing industry is expected to restore rapidly. Based on the analysis above, the Group believes that the current positive development trend of the manufacturing industry will continue.

The relations between China and the United States has entered a new phase in 2021. The Group is of the view that while their economic and trade competition and cooperation are on the basis of long-term condition, it is unlikely that the relations between China and the United States will improve significantly in the short term, but the competition between the two countries will not have any material adverse effect on our financial position, operation results and growth prospects.

In terms of the personal protective equipment, while the COVID-19 pandemic will eventually become under control in the near future, the Group expects the global demand for personal protective equipment will remain strong in the long run, and will become commonly used personal daily necessities and even fast-moving consumer goods. The Group has gained extensive relevant experience in the research and development, and production and marketing of all-silicone masks during the year, and has also successfully gained global distribution networks and resources for pandemic prevention products. On this basis, the Group not only can accelerate the production and sales of its own products, but also can make use of these networks and resources to expand the sales and trading of other products.

The COVID-19 pandemic has also had a significant and profound impact on the way of life of people around the world. More people are spending more time at home, and the demand for household products, including kitchenware and even adult products, has increased significantly, as has the awareness of health and fitness, leading to a strong demand for health products and personal fitness products to be used at home. All these products mentioned require the application of silicone rubber materials. On the one hand, in line with the market trend, the Group will continue to develop the research and development of its own products, launch its own brand of silicone retail products soon and expand its distribution channels including e-commerce on the Internet and New Retail to accelerate in gaining market share. On the other hand, the Group will continue to seek new business opportunities in advanced manufacturing, smart wearable devices, electronic cigarettes, and medical aesthetics in order to actively pursue more rewarding returns for its shareholders.

FINAL DIVIDEND

The directors of the Company do not recommend the payment of final dividend for the year ended 31 December 2020 (for the seventeen months ended 31 December 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year except:

(i) the code provision A.2.1, which requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period from 6 April 2016 to 25 August 2020, Ms. Shi Qi acted as both the chairlady of the Board (the "Chairlady") and the Chief Executive Officer (the "CEO").

    On 26 August 2020, Ms. Shi Qi resigned and Mr. Liu Wengang was appointed as the CEO. Ms. Shi continues to serve as an executive Director and the Chairlady of the Board. Subsequent to the change of CEO, the Company complies with the Code Provision A.2.1.

(ii) the code provision A.2.7, which requires the chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other directors.

    However, the Company considered it is more effective for the independent non-executive Directors to communicate with the Chairlady individually. Therefore, no meeting was arranged during the year.

(iii) the code provision C.1.2, which requires the management of the Company to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties.

During the reporting period, the management of the Company did not provide monthly updates to the Board as required by the code provision C.1.2, as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including non-executive Directors and independent non-executive Directors) updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular board meetings of the Company.

In addition, the management of the Company has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

(iv) NON-COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

As at the date of this report, the Company is in compliance with Rules 3.10(1) and (2), 3.10A, and 3.21 of the Listing Rules, there are not less than three independent non-executive Directors. Among the independent non-executive Directors, at least one of them has appropriate professional qualifications in accounting or related financial management expertise. Independent non-executive Directors represent at least one-third of the Board. The audit committee comprises a minimum of three members.

However, during the reporting period, following the resignation of Mr. Cheung Simon as an independent non-executive Director on 18 December 2019, the number of independent non-executive Directors fell below the requirement of Rules 3.10(1) and 3.10A of the Listing Rules, and the number of members of Audit Committee fell below the requirement of Rule 3.21 of the Listing Rules.

On 13 January 2020, Mr. Wu Tak Kong resigned as and Mr. Lin Bing was appointed as an independent non-executive Director and the chairman of the Audit Committee. On 21 January 2020, Mr. Liu Gang was appointed as an independent non-executive Director and a member of the Audit Committee. Subsequent to the appointment of Mr. Liu Gang on 21 January 2020, the number of independent non-executive Directors and the number of members of the Audit Committee meet with the requirements under Rules 3.10(1) and 3.10A, and 3.21 of the Listing Rules respectively.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions upon successful listing and all Directors have confirmed, upon specific enquiry made, that they complied with the Model Code for the year ended 31 December 2020.

AUDIT COMMITTEE

The Audit Committee was established with terms of reference in compliance with the CG Code. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, financial reporting system, risk management and internal control systems, and has reviewed the Group's annual results for the Reporting Period. The Audit Committee is of the view that the consolidated financial statements have been prepared in accordance with the applicable standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

By Order of the Board
Ta Yang Group Holdings Limited
Shi Qi
Chairlady and Executive Director

Hong Kong, 31 March 2021

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Shi Qi, Mr. Liu Wengang, Mr. Gao Feng and Mr. Cheng Hong; two non-executive Directors, namely, Mr. Han Lei and Mr. Chan Tsun Hong Philip; and five independent non-executive Directors, namely Mr. Lin Bing, Mr. Liu Gang, Ms. Zhang Lijuan, Mr. Hu Jiangbing and Ms. Wang Lina.