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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 2022, together with the audited comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Revenue	3	343,541	362,528
Cost of sales		(260,061)	(286,247)
Gross profit		83,480	76,281
Other income and net gain		31,658	63,102
Selling and distribution expenses		(23,078)	(22,125)
Administrative expenses		(138,877)	(157,023)
Other operating expenses		(124)	(6,472)
Share of results of associates		(1,073)	(214)
Finance costs		(27,989)	(22,816)
Impairment losses on interests in associates		(5,275)	(18,968)
Impairment losses under expected credit loss model, net of reversal		(15,533)	(4,558)
Loss before tax		(96,811)	(92,793)
Income tax (expense)/credit	5	(2,093)	7,025
Loss for the year	6	(98,904)	(85,768)
Loss for the year attributable to:			
Owners of the Company		(98,063)	(84,901)
Non-controlling interests		(841)	(867)
		(98,904)	(85,768)
Loss per share	8		
Basic and diluted (HK cents)		(7.50)	(7.52)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	<u>(98,904)</u>	<u>(85,768)</u>
Other comprehensive income/(expenses)		
Item that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of properties, net of income tax	6,739	–
Fair value gain on financial assets at fair value through other comprehensive income (“FVTOCI”)	<u>(347)</u>	<u>828</u>
	<u>6,392</u>	<u>828</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations	(1,406)	(10,792)
Release of exchange difference upon disposal of foreign subsidiaries	(11,723)	–
Share of other comprehensive income of associates	<u>83</u>	<u>3,847</u>
	<u>(13,046)</u>	<u>(6,945)</u>
Other comprehensive expenses for the year	<u>(6,654)</u>	<u>(6,117)</u>
Total comprehensive expenses for the year, net of income tax	<u><u>(105,558)</u></u>	<u><u>(91,885)</u></u>
Total comprehensive expenses for the year, net of income tax, attributable to:		
Owners of the Company	(104,997)	(91,010)
Non-controlling interests	<u>(561)</u>	<u>(875)</u>
	<u><u>(105,558)</u></u>	<u><u>(91,885)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		92,170	49,893
Right-of-use assets		144,381	64,908
Investment properties		21,000	–
Goodwill		2,166	2,166
Financial assets at fair value through other comprehensive income		3,183	3,921
Interests in associates		4,812	31,882
Deferred tax assets		448	545
Loan receivables		46,289	3,206
Deposit		16,658	24,400
		<hr/>	<hr/>
Total non-current assets		331,107	180,921
Current assets			
Inventories		59,221	63,987
Trade and other receivables	9	196,363	243,014
Loan receivables		30,821	35,871
Held-for-trading investments		–	24
Bank balances and cash		24,005	59,579
		<hr/>	<hr/>
		310,410	402,475
Assets of disposal group classified as held for sales			
		<hr/>	<hr/>
		–	205,053
		<hr/>	<hr/>
Total current assets		310,410	607,528
Current liabilities			
Trade and other payables	10	221,289	121,129
Income tax payable		17,911	17,128
Borrowings		192,176	13,500
Lease liabilities		12,844	14,085
		<hr/>	<hr/>
		444,220	165,842
		<hr/>	<hr/>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Liabilities of disposal group classified as held for sales	<u>–</u>	<u>327,177</u>
	444,220	493,019
Net current (liabilities)/assets	<u>(133,810)</u>	<u>114,509</u>
Total assets less current liabilities	<u>197,297</u>	<u>295,430</u>
Capital and reserves		
Share capital	130,677	130,677
Reserves	<u>6,786</u>	<u>111,783</u>
Equity attributable to owners of the Company	137,463	242,460
Non-controlling interests	<u>(1,083)</u>	<u>(522)</u>
Total equity	<u>136,380</u>	<u>241,938</u>
Non-current liabilities		
Borrowings	4,133	2,146
Lease liabilities	52,110	49,065
Deferred income	1,890	2,281
Deferred tax liabilities	<u>2,784</u>	<u>–</u>
	<u>60,917</u>	<u>53,492</u>
	<u>197,297</u>	<u>295,430</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL AND BASIS OF PREPARATION

Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**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 (the “**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 (the “**PRC**”) and the United Kingdom of Great Britain and Northern Ireland (the “**UK**”) whose functional currencies are Renminbi (“**RMB**”) and Pound Sterling (“**GBP**”) respectively, the functional currency of the Company and its other subsidiaries is HK\$. As the Company is listed in Hong Kong, the Directors consider that it is appropriate to present the consolidated financial statements in HK\$.

Going concern basis

The Group incurred a net loss of HK\$98,904,000 during the year ended 31 December 2022 and, as of that date, the Group had net current liabilities of HK\$133,810,000 (2021: net current assets of HK\$114,509,000). 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) On 16 January 2023, the Group obtained and drew down a loan with a principal amount of HK\$10,000,000 carrying an interest of 5.737% per annum from independent third party, available for the Group’s working capital and its financial obligations. Such credit facilities will mature after 12-months from 16 January 2023;
- (ii) The Group has undrawn credit facilities amounting to approximately HK\$190,000,000 from financial institution for its working capital requirements for the next 18-months which will be drawn as and when required;
- (iii) The Group will continue to carry out cost control measurement in forthcoming years, including but not limited to reducing 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 in the collection of trade receivables; and
- (iv) 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

(A) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not early applied the following new and amendments 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
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 HKFRS 16	Lease liabilities in a sale and leaseback	1 January 2024
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023

The Directors anticipate that the application of all other new and amendments to HKFRSs will not have 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 are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
Sales of goods — point of time	343,514	361,234
Healthcare and hotel services — overtime	<u>27</u>	<u>1,294</u>
	<u><u>343,541</u></u>	<u><u>362,528</u></u>

4. SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chief operating decision maker (the "CODM"), being the chief executive officer of the Company, for the purpose of resource allocation and performance assessment (with a focus on the 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;
- (b) Retail services — providing retail services in the UK; and
- (c) 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 revenues and results

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

2022

	Silicone rubber and related products <i>HK\$'000</i>	Retail services <i>HK\$'000</i>	Healthcare and hotel services <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE				
External sales	<u>308,101</u>	<u>35,413</u>	<u>27</u>	<u>343,541</u>
Segment results	<u>9,470</u>	<u>(23,205)</u>	<u>(25,036)</u>	<u>(38,771)</u>
Unallocated income				<u>12,007</u>
Unallocated expenses				<u>(70,047)</u>
Loss before tax				<u>(96,811)</u>

2021

	Silicone rubber and related products <i>HK\$'000</i>	Retail Services <i>HK\$'000</i>	Healthcare and hotel services <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE				
External sales	<u>361,234</u>	<u>–</u>	<u>1,294</u>	<u>362,528</u>
Segment results	<u>35,662</u>	<u>–</u>	<u>(25,960)</u>	<u>9,702</u>
Unallocated income				<u>2,628</u>
Unallocated expenses				<u>(105,123)</u>
Loss before tax				<u>(92,793)</u>

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 revenues reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2022 and 2021.

5. INCOME TAX EXPENSE/(CREDIT)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PRC Land Appreciation Tax	<u>136</u>	<u>3,607</u>
Current Taxation		
Provision for the year	470	5,587
Overprovision in prior years	<u>–</u>	<u>(573)</u>
	<u>470</u>	<u>5,014</u>
Deferred taxation		
Current year	<u>1,487</u>	<u>(15,646)</u>
	<u><u>2,093</u></u>	<u><u>(7,025)</u></u>

No provision for Hong Kong Profits Tax has been made in the financial statements since the Group has sufficient tax losses brought forward to set off against current year's assessable profit.

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

No provision for Indonesia Income Tax for the current and prior years has been made as the Group did not generate any assessable profits in Indonesia.

No provision for UK Corporate Tax for the current year has been made as the Group did not generate any assessable profits in the UK.

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 current and prior years.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year has been arrived at after charging/(crediting):		
Auditor's remuneration		
— Audit services	1,500	1,660
— Non-audit services	420	1,010
Gain on disposal of property, plant and equipment	(12,146)	(7,330)
Gain on disposal of investment properties	–	(31,437)
Allowance for inventories, net of reversal (included in cost of sales)	2	–
Costs of inventories sold (<i>Note</i>)	219,702	284,122
Depreciation of right-of-use assets	18,031	12,019
Depreciation of property, plant and equipment	18,873	20,518
Directors' emoluments	7,177	8,487
Staff costs (excluding directors' emoluments)	<u>123,806</u>	<u>124,642</u>

Note:

Cost of inventories sold includes approximately HK\$72,153,000 (2021: HK\$87,499,000) relating to staff costs, depreciation of property, plant and equipment and depreciation of right-of-use assets, and such amounts are also included in the respective total amounts disclosed separately above.

7. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2022 and 2021, 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 years ended 31 December 2022 and 2021.

	2022	2021
Loss for the year attributable to owners of the Company (HK\$'000)	<u>(98,063)</u>	<u>(84,901)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,306,767</u>	<u>1,129,295</u>

During the years ended 31 December 2022 and 2021, the basic loss per share and the diluted loss per share are the same because there are no dilutive shares outstanding.

9. TRADE RECEIVABLES

An ageing analysis of trade and bills receivables, net of allowance for expected credit loss based on the invoice date at the end of the reporting period is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–90 days	52,721	86,292
91 days to 1 year	<u>10,875</u>	<u>11,686</u>
	<u><u>63,596</u></u>	<u><u>97,978</u></u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days or on demand	9,966	18,238
31–90 days	15,928	26,539
91 days to 1 year	35,558	11,462
Over 1 year	<u>5,667</u>	<u>6,413</u>
	<u><u>67,119</u></u>	<u><u>62,652</u></u>

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 2022 which contains a paragraph emphasizing on the material uncertainty relating to going concern, the opinion of which has not been modified.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the HKFRSs issued by the 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\$98,904,000 during the year ended 31 December 2022 and, as of that date, the Group had net current liabilities of approximately HK\$133,810,000. 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 year ended 31 December 2022, the Group was principally engaged in (i) the designing and manufacturing of silicone rubber products (the “**Silicone Business**”); (ii) the provision of healthcare and hotel services (the “**Healthcare and Hotel Business**”); and (iii) the provision of retail services (the “**Retail Business**”) in the UK.

Since 2022, under the combined effect of various factors such as the pandemic, inflation and geopolitical conflicts, the global economy has been facing greater downward pressure. In the face of a challenging market environment with numerous opportunities, the Group has resolved to (i) enrich the types of silicone rubber products and establish development strategy of promoting silicon technology; and (ii) operate overseas retail business to increase the market influence of self-owned brands and expand steadily and orderly.

For the year ended 31 December 2022, the results of the Group slightly declined and recorded a (i) revenue of approximately HK\$343,541,000 (2021: approximately HK\$362,528,000), representing a decrease of approximately 5.24% as compared with the corresponding period in 2021; (ii) loss for the year of approximately HK\$98,904,000 (2021: approximately HK\$85,768,000), representing an increase of approximately 15.32% as compared with the corresponding period in 2021; and (iii) loss per share of approximately 7.50 HK cents (2021: approximately 7.52 HK cents), representing a decrease of approximately 0.27% as compared with the corresponding period in 2021.

The Silicone Business

For the year ended 31 December 2022, the Silicone Business remains the main source of the Group’s revenue and is the core business of the Group. Despite the negative impact of the COVID-19 pandemic in the PRC, the Silicone Business still managed to stay resilient and recorded positive results.

The Group is committed to expanding the Silicone Business, including the application and innovation of lifestyle products, and seeking opportunities to enter into the new energy vehicle field by providing silicone accessories for new energy vehicles. For the year ended 31 December 2022, the major products of the Silicone Business include consumer electronic devices, peripheral products and various lifestyle products. In the coming year, the Group will invest more resources in the research and development of products, continue to enrich the product matrix of the silicone lifestyle products, and formulate comprehensive solutions for the provision of silicone accessories for new energy vehicles.

The Healthcare and Hotel Business

For the year ended 31 December 2022, the Healthcare and Hotel Business continued to incur operating losses. With the end of the pandemic control and the expected recovery of the real estate market, the Group will seize the opportunity of performance recovery to improve its operating results, and will continue to seek the possibility of realizing its business assets.

The Retail Business

For the year ended 31 December 2022, the Retail Business in the UK is progressing smoothly, with a product catalogue covering daily necessities, fruits and fresh produce and silicone products (ranging from living utensils, kitchen utensils, stationery to beauty products), and continues to incorporate new elements to create a cultural and lifestyle cluster with oriental features. Currently, three physical stores have been opened in London, the UK. It is expected that the Group will continue to expand its store coverage and enhance the market competitiveness of its supermarket brands in the coming year.

OUTLOOK

Looking forward, against the backdrop of economic downturn and rising inflation, the supply chain of global industries will suffer from short-term or even medium-to-long-term difficulties, and the operating pressure will undoubtedly increase. The Group will continue to operate in a diligent and prudent manner, adjust its business strategies in a timely manner, and seek opportunities to expand businesses with good development prospects.

The Silicone Business

The Silicone Business, as the main source of the Group's profitability, will create more value for the Group by virtue of its research and development capabilities, production technology and high-quality customer base. The Group will focus on the extension and upgrading of products, quickly respond to market demand, enrich product matrix, and will strive to enter into silicone-related industries with good development prospects through cost-effective products.

The Healthcare and Hotel Business

Due to harsh business environment and insufficient resources, the underperformance of the Healthcare and Hotel Business may not be able to recover in the short term. Therefore, the Group will continuously explore opportunities and consider measures to realise the value of its investment in this segment.

The Retail Business

The Retail Business is developing well and gradually moving on the right track. The Group will continue to explore new type of business to increase profitability and open new stores in an orderly manner to expand the scale of revenue. The retail market in the UK is huge and is expected to contribute to the Group's long-term stable operating results and become one of the Group's major income sources in the future.

Other Potential Business Opportunities

The Group will continue to optimize the existing business structure and actively seek for new potential businesses to improve performance and maximize returns. Should there be any progress, the Company will make further announcement(s) in relation to such potential business opportunities as and when appropriate.

TERMINATION OF A DISPOSAL OF THE HEALTHCARE AND HOTEL BUSINESS

On 5 July 2021, the Company entered into a sale and purchase agreement (the “SPA”) to sell 71% interest in Ta Yang Medical Investment Limited (大洋醫療投資有限公司) (the “Target Company”) to an independent third party at the consideration of approximately RMB14.7 million. The Target Company to be disposed of and its subsidiaries operated the Healthcare and Hotel Business, and owned properties in Sanya, Hainan Province, the PRC.

The SPA did not complete and was later terminated mainly because the consideration was not fully paid. On 28 January 2022, the relevant parties to the SPA entered into a termination agreement to terminate the SPA immediately. In particular, all transaction arrangements which had occurred by reasons of the SPA were restored to the position before entering into the SPA. The termination of the SPA did not cause any material adverse impact on the financial position and operation of the Group.

TERMINATION OF A POSSIBLE ACQUISITION OF A PACKAGING BUSINESS

On 15 December 2021, a wholly-owned subsidiary of the Company entered into a memorandum of understanding (the “MOU”), with the purpose of acquiring a packaging business. The MOU granted the Group an exclusivity period of six months for due diligence and term negotiation, and the Group paid a refundable deposit of RMB20 million in return. In June 2022, the parties to the MOU had not agreed on a formal agreement or an extension. The refundable deposit of RMB20 million was returned to the Group at nil interest. Accordingly, the MOU lapsed with effect from 15 June 2022 and the possible acquisition did not proceed.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group recorded a revenue of approximately HK\$343,541,000 (2021: approximately HK\$362,528,000), representing a decrease of approximately 5.24% as compared with the corresponding period in 2021.

The revenue was principally contributed by the Silicone Business, which recorded a revenue of approximately HK\$308,101,000 for the year ended 31 December 2022 (2021: approximately HK\$361,234,000), accounting for approximately 89.68% (2021: approximately 99.64%) of the total revenue of the Group.

The performance of the Retail Business has achieved a relatively significant breakthrough, recording a revenue of approximately HK\$35,413,000 for the year ended 31 December 2022 (2021: Nil), accounting for approximately 10.31% of the total revenue of the Group.

The performance of the Healthcare and Hotel Business was unsatisfactory and recorded a revenue of approximately HK\$27,000 for the year ended 31 December 2022 (2021: approximately HK\$1,294,000), accounting for approximately 0.01% (2021: approximately 0.36%) of the total revenue of the Group.

Gross profit

For the year ended 31 December 2022, the gross profit was approximately HK\$83,480,000 (2021: approximately HK\$76,281,000), representing an increase of approximately 9.44% as compared with the corresponding period in 2021. For the year ended 31 December 2022, the gross profit margin increased to approximately 24.30% (2021: approximately 21.04%). The increase in the gross profit margin was mainly due to the Group's continuous improvement in cost control. While streamlining the workforce, the overall cost of sales has been improved due to factors such as the decrease in raw material prices.

Other income and net gain

For the year ended 31 December 2022, other income and net gain was approximately HK\$31,658,000 (2021: approximately HK\$63,102,000), representing a decrease of approximately 49.83% as compared with the corresponding period in 2021. The significant decrease in other income was mainly due to the fact that no significant other income was generated during the year similar to the one-off disposal of the properties in Huzhou in the PRC in the corresponding period in 2021.

Expenses

For the year ended 31 December 2022, the selling and distribution expenses were approximately HK\$23,078,000 (2021: approximately HK\$22,125,000), representing an increase of approximately 4.31% as compared with the corresponding period in 2021. For the year ended 31 December 2022, the administrative expenses were approximately HK\$138,877,000 (2021: approximately HK\$157,023,000), representing a decrease of approximately 11.56% as compared with the corresponding period in 2021.

Loss attributable to owners of the Company

For the year ended 31 December 2022, the Group recorded a loss attributable to owners of the Company of approximately HK\$98,063,000 (2021: loss of approximately HK\$84,901,000), representing an increase of approximately 15.50% as compared with the corresponding period in 2021. For the year ended 31 December 2022, the loss per share was approximately 7.50 HK cents (2021: approximately 7.52 HK cents), representing a decrease of approximately 0.27% as compared with the corresponding period in 2021.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2022, the Group's major source of funds was cash generated from operating and financing activities, and the Group's liquidity improved as compared with the corresponding period in 2021.

	2022	2021
Cash and cash equivalents (HK\$'000)	24,005	59,579
Current ratio	0.7	1.2
Quick ratio	0.6	1.1
Gearing ratio*	1.4	0.8

* The gearing ratio of the Group was calculated by dividing total borrowings by total equity.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations, financials and prospects are affected by risks and uncertainties. The risk factors listed below may directly or indirectly lead to significant differences in the Group's operating performances, financial positions and development prospects from its expected or past performances. These factors are not comprehensive, and there may be other risks and uncertainties that are not identified by the Group or may not be noticeable at present, but may become significant in the future.

Business risk

Performance of all business segments of the Group may be affected by fluctuations in market prices and market demands of the final products. On the other hand, raw materials provided by the Group's suppliers are subject to price fluctuations as well. For example, the Silicone Business requires stocking of silicone/rubber raw materials, and the Group does not enter into any material contracts to hedge against such price fluctuations. Therefore, any price fluctuation in raw materials will exert pressures on the Group's production costs, and impact the competitiveness of the Group's final products. If the Group fails to adapt and respond successfully to the changing demands and supplies, its business performance and development prospects may be adversely affected.

Industry risk

All business segments of the Group are operating in highly competitive industries. In particular, the Silicone Business faces competitions not only from other silicone rubber products, but also from new material products. Competition may also intensify as the Group's competitors expand their product categories, lower their selling prices, increase their qualities or conduct promotions. If the Group does not compete successfully against existing or new competitors, its existing business scale and operation performance may not be maintained.

Credit risk

As at 31 December 2022, the Group recorded total current assets of approximately HK\$310.4 million and total current liabilities of approximately HK\$444.2 million. The bank balances and cash as well as the current liabilities of the Group remained tight. If the receivables are not fully recovered, the Group may not have sufficient resources to repay its short-term obligations as they fall due.

Event risk

Event risk refers to the risk of a negative impact on the Company's operational performance and financial position as a result of an unexpected event like a natural disaster or an industrial accident. These kinds of events may interrupt the Group's operations, increase prices of raw material and outsourced services, and exacerbate other risks and uncertainty that the Group is facing. Due to the unpredictable nature of such event risks, there is no guarantee that the Group's responsive measures are sufficient.

CAPITAL STRUCTURE

For the year ended 31 December 2022, there was no change to the authorised share capital of the Company which is HK\$2,000,000,000 dividable into 20,000,000,000 shares in the par value of HK\$0.1 each.

As at 31 December 2022, the Company had issued a total of 1,306,767,000 shares in the par value of HK\$0.1 each, and all shares were fully paid and rank pari passu with each other in all respects.

As at 31 December 2022, the Company had no outstanding options, warrants, convertibles or other arrangements to issue shares.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

Save for the disclosed, the Group did not have any significant investments, material acquisition or disposal of any subsidiaries, associates or joint ventures and affiliated companies during the year ended 31 December 2022, nor were there any future plans for material investments or additions of capital assets as at 31 December 2022.

PLEDGE OF ASSETS

Capital commitments contracted by the Group but not yet provided for in the financial statements as at 31 December 2022 were approximately HK\$9.8 million (2021: approximately HK\$6.0 million), which was mainly related to the expansion of production capacity of the Silicone Business. Such capital commitments will be financed by the net proceeds from operating activities. As at 31 December 2022, certain properties of the Group of approximately HK\$175.4 million (2021: approximately HK\$152.5 million) were pledged to secure banking facilities or bank and other borrowings granted to the Group.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2022 (2021: nil).

CURRENCY MANAGEMENT AND TREASURY POLICY

For the year ended 31 December 2022, the Group's cash receipts were denominated in US dollars, Hong Kong dollars, GBP and RMB, while the labour costs, manufacturing overheads, selling and administrative expenses of the Group were mostly negotiated, measured and settled in RMB. As at 31 December 2022, the majority of cash and cash equivalents were held in US dollars, Hong Kong dollars and RMB. As the Retail Business in the UK has become one of the principal businesses of the Group, it is expected that GBP will constitute a key functional currency of the Group in the future. Therefore, fluctuations of RMB and GBP will affect the Group's profitability. For the year ended 31 December 2022, the Group did not enter into any financial instrument for hedging purpose. The Group will closely monitor the currency movements and take appropriate measures to deal with such exchange-rate exposure.

The Group adopted a conservative approach to the cash management and investment of uncommitted funds. Unused funds were placed as short-term deposits with authorised financial institutions in Hong Kong and the PRC.

HUMAN RESOURCES AND REMUNERATION POLICIES

As the Group is committed to improving production capacity, developing high-quality products, and expanding industry chain, experienced workers, engineers and professionals are crucial to the Group. The Group offers on-the-job training and encourages staff to attend continuous professional training in order to enhance their skills and knowledge. The Group also offers competitive remuneration packages, including quality staff quarters, medical care, insurance coverage and retirement benefits, to employees. As at 31 December 2022, the Group employed 853 permanent and temporary employees (2021: 1,164). The total salaries and related costs for the year ended 31 December 2022 amounted to approximately HK\$123.8 million (2021: approximately HK\$124.7 million).

FINAL DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2022 (2021: nil).

CORPORATE GOVERNANCE

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of shareholders and other stakeholders. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

To the best knowledge of the Board, the Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the year ended 31 December 2022.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' transactions in the securities of the Company. Specific enquiry has been made of all the Directors and all Directors confirmed that they had fully complied with the required standard of dealings and the code of conduct adopted by the Company and there was no event of non-compliance throughout the year ended 31 December 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

On 13 December 2018, the Company adopted the share option scheme (the “**Scheme**”). For the year ended 31 December 2022, no options or securities had been granted, exercised, cancelled or lapsed under the Scheme. As at 1 January 2022 and 31 December 2022, there was no outstanding option under the Scheme.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

Currently, the audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely, Mr. Chan Siu Tat, Mr. Hu Jiangbing and Ms. Wang Lina. Mr. Chan Siu Tat is the chairman of the Audit Committee, who has appropriate professional qualifications and experience in accounting. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, financial reporting, risk management and internal control matters. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2022, and is of the view that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the consolidated financial statements as set out in this result announcement have been agreed by the Group’s independent auditor, Elite Partners CPA Limited, to the amounts set out in the consolidated financial statements for the year ended 31 December 2022. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Elite Partners CPA Limited on this result announcement.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the “**AGM**”) of the Company will be held on Thursday, 29 June 2023. A notice convening the AGM, together with a circular therefor, will be dispatched to the shareholders of the Company, and will be available on websites of the Stock Exchange and the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 26 June 2023 to Thursday, 29 June 2023, both days inclusive during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM or any adjournment thereof, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on Friday, 23 June 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This result announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.tayanggroup.com). The annual report of the Group for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company, and will be available on websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to our management and staff for their hard work and dedication, as well as our shareholders, business partners and associates, bankers, auditors and other stakeholders for their continuous support to the Group.

On behalf of the Board
Ta Yang Group Holdings Limited
Shi Qi
Chairlady

Hong Kong, 31 March 2023

As at the date this announcement, the Board comprises three executive Directors, namely Ms. Shi Qi, Mr. Li Jiuhua and Mr. Gao Feng; three non-executive Directors, namely, Mr. Gu Shixiang, Mr. Han Lei and Mr. Chan Tsun Hong Philip; and three independent non-executive Directors, namely Mr. Chan Siu Tat, Mr. Hu Jiangbing and Ms. Wang Lina.