TAI HING GROUP HOLDINGS LIMITED
太興集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6811)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") of Tai Hing Group Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 together with the comparative figures for the corresponding year in 2018 as set out below:–

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 4.0% to HK$3,252.3 million in 2019 (2018: HK$3,126.1 million).
- Gross profit margin dropped 0.3 percentage point to 71.3% (2018: 71.6%).
- Profit attributable to owners of the Company for the year ended 31 December 2019 was HK$76.9 million (2018: HK$304.9 million).
- Adjusted profit[1] decreased by 11.9% to HK$135.0 million in 2019 (2018: HK$153.3 million), adjusted profit margin was 4.2% (2018: 4.9%).

[1] Adjusted profit for the year is a non-HKFRS financial measurement which is calculated by eliminating the effect of the following non-recurring and non-cash items that affect our reported profit, including (i) Listing expenses (2019: HK$18.0 million, 2018: HK$11.0 million); (ii) Gain on disposal of non-current assets classified as held for sale recognised in 2018 of HK$162.6 million; and (iii) Impact on adoption of HKFRS 16 *Leases* in 2019 of HK$39.8 million. The adjusted profit is solely for reference and does not include the above mentioned items that impact the profit or loss for the relevant periods.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**3,252,250**	3,126,053
Cost of materials consumed		**(932,544)**	(887,062)
Gross profit		**2,319,706**	2,238,991
Other income and gains, net	5	**25,395**	20,286
Gain on disposal of non-current assets classified as held for sale		**–**	162,614
Staff costs		**(1,096,440)**	(1,033,250)
Depreciation and amortisation		**(155,762)**	(147,813)
Amortisation of right-of-use assets		**(355,190)**	–
Rental and related expenses		**(131,763)**	(453,606)
Other operating expenses, net		**(416,400)**	(397,370)
Finance costs	6	**(54,768)**	(21,203)
Listing expenses		**(18,016)**	(10,973)
PROFIT BEFORE TAX	7	**116,762**	357,676
Income tax expense	8	**(39,595)**	(52,742)
PROFIT FOR THE YEAR		**77,167**	304,934
Profit for the year attributable to:			
Owners of the Company		**76,864**	304,934
Non-controlling interests		**303**	–
		77,167	304,934
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic	10	**HK8.65 cents**	HK40.66 cents
– Diluted	10	**HK8.62 cents**	HK40.66 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**77,167**	304,934
OTHER COMPREHENSIVE LOSS		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(11,696)**	(13,655)
Reclassification adjustment for foreign operations deregistered during the year	**(1,093)**	(1,270)
Release of exchange reserve upon disposal of subsidiaries	**–**	976
	(12,789)	(13,949)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on asset revaluation	**4,631**	–
Other comprehensive loss for the year	**(8,158)**	(13,949)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**69,009**	290,985
Attributable to:		
Owners of the Company	**68,766**	290,985
Non-controlling interests	**243**	–
	69,009	290,985

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment, prepaid land lease payments and right-of-use assets		**2,283,539**	815,454
Investment properties		**29,945**	10,655
Intangible assets		**1,167**	400
Prepayments, deposits and other receivables		**143,425**	136,249
Deferred tax assets		**21,174**	19,741
Total non-current assets		**2,479,250**	982,499
CURRENT ASSETS			
Inventories		**77,097**	56,555
Trade receivables	*11*	**24,503**	18,700
Prepayments, deposits and other receivables		**112,076**	95,353
Due from related companies		**–**	302
Financial assets at fair value through profit or loss		**–**	851
Tax recoverable		**744**	2,785
Cash and cash equivalents		**711,079**	242,162
Total current assets		**925,499**	416,708
CURRENT LIABILITIES			
Trade payables	*12*	**120,611**	110,468
Other payables and accruals		**216,424**	216,870
Contract liabilities		**83,897**	75,062
Interest-bearing bank borrowings		**137,613**	112,357
Lease liabilities		**550,065**	–
Tax payable		**28,343**	17,838
Total current liabilities		**1,136,953**	532,595
NET CURRENT LIABILITIES		**(211,454)**	(115,887)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,267,796**	866,612

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities		**1,081,188**	–
Other payables and accruals		**37,325**	68,236
Interest-bearing bank borrowings		**169,849**	424,802
Deferred tax liabilities		**8,580**	7,529
Total non-current liabilities		**1,296,942**	500,567
Net assets		**970,854**	366,045
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*13*	**10,000**	1
Reserves		**956,721**	366,044
		966,721	366,045
Non-controlling interests		**4,133**	–
Total equity		**970,854**	366,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 11 December 2017. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 13/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong.

The Company is an investment holding company. During the year, the Group was engaged in the operation and management of restaurants.

In the opinion of the directors of the Company (the "Directors"), Chun Fat Company Limited, a company incorporated in the British Virgin Islands on 30 November 2017, is the immediate and ultimate holding company of the Company. The controlling shareholders of the Company and its subsidiaries are Mr. Chan Wing On, Mr. Yuen Chi Ming, Mr. Lau Hon Kee and Mr. Ho Ping Kee (the "Controlling Shareholders") immediately before and after the group reorganisation ("Reorganisation"), the details of which are set out in the prospectus dated 30 May 2019 issued by the Company ("Prospectus").

On 13 June 2019, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.1 BASIS OF PRESENTATION

As at 31 December 2019, the Group had net current liabilities of HK$211,454,000 which included current portion of lease liabilities of HK$550,065,000. The Directors believe that the Group has sufficient cash flows from operations to meet its liabilities as and when they fall due. Therefore, the consolidated financial statements are prepared on a going concern basis.

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

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" as set out in the Prospectus, the Company became the holding company of the companies now comprising the Group on 28 December 2017 except for certain companies which became subsidiaries of the Company on 4 September 2018. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, the financial information has been prepared on a consolidated basis by applying the principle of merger accounting.

The consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period.

All intra-group transactions and balances have been eliminated in full on consolidation.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 *Operating Leases* – Incentives and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the Lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land and properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets as a component of property, plant and equipment, prepaid land lease payments and right-of-use assets in the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in property, plant and equipment, prepaid land lease payments and right-of-use assets	1,216,034
Increase in deferred tax assets	16,995
Increase in total assets	1,233,029
Liabilities	
Increase in lease liabilities	1,402,164
Decrease in other payables and accruals	(47,778)
Increase in total liabilities	1,354,386
Equity	
Decrease in retained profits	(121,357)
Decrease in total equity	(121,357)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	928,431
Weighted average incremental borrowing rate as at 1 January 2019	2.66%
Discounted operating lease commitments as at 1 January 2019	885,229
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(46,482)
Commitments relating to leases of low-value assets	(1,228)
Add: Payments for optional extension periods not recognised as at 31 December 2018	564,645
Lease liabilities as at 1 January 2019	1,402,164

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the operation and management of restaurants.

For management purposes, the Group is organised into business units based on geographical areas and has two reportable operating segments as follows:

(i) the Hong Kong, Macau and Taiwan segment is engaged in the operation of restaurants, and sale of food products; and

(ii) the Mainland China segment is engaged in the operation of restaurants, and sale of food products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income and unallocated gains, non-lease-related finance costs, corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, due from related companies, intangible assets and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Geographical information

For the years ended 31 December 2019 and 2018

	Hong Kong, Macau and Taiwan		**Mainland China**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers*	**2,581,312**	2,428,111	**670,938**	697,942	**3,252,250**	3,126,053
Intersegment sales	**–**	–	**47,838**	1,249	**47,838**	1,249
Revenue	**2,581,312**	2,428,111	**718,776**	699,191	**3,300,088**	3,127,302
Reconciliation:						
Elimination of intersegment sales					**(47,838)**	(1,249)
					3,252,250	3,126,053
Segment results	**185,480**	393,710	**(35,780)**	(5,039)	**149,700**	388,671
Reconciliation:						
Elimination of intersegment results					**(552)**	–
Interest income from related companies					**–**	1,181
Finance costs (other than interest on lease liabilities)					**(14,370)**	(21,203)
Listing expenses					**(18,016)**	(10,973)
Profit before tax					**116,762**	357,676

As at 31 December 2019 and 2018

	Hong Kong, Macau and Taiwan		**Mainland China**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,877,182**	759,079	**793,403**	374,738	**2,670,585**	1,133,817
Reconciliation:						
Corporate and other unallocated assets					**734,164**	265,390
Total assets					**3,404,749**	1,399,207
Segment liabilities	**1,511,198**	349,005	**578,312**	121,631	**2,089,510**	470,636
Reconciliation:						
Corporate and other unallocated liabilities					**344,385**	562,526
Total liabilities					**2,433,895**	1,033,162

* The revenue information above is based on the locations of the customers.

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
(i) Disaggregated revenue information		
Type of goods or services		
Revenue from restaurant operations	**3,186,471**	3,061,670
Revenue from the sale of food products	**65,779**	64,383
Total revenue from contracts with customers	**3,252,250**	3,126,053
Geographical markets		
Hong Kong, Macau and Taiwan	**2,581,312**	2,428,111
Mainland China	**670,938**	697,942
Total revenue from contracts with customers	**3,252,250**	3,126,053
Timing of revenue recognition		
At a point in time	**3,252,250**	3,126,053

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liabilities at the beginning of the year – Restaurant operation	**56,227**	45,462

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Restaurant operations

The performance obligation is satisfied when the catering services have been provided to customers. The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally less than one month.

Sale of food products

The performance obligation is satisfied upon acceptance of the products by the customers with immediate payment. The Group's trading terms with its customers are mainly on cash, credit card settlement and on credit. The credit period is generally one to two months.

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Other income and gains, net		
Interest income from related companies	**–**	1,181
Bank interest income	**7,505**	1,750
Rental income	**444**	2,694
Royalty income	**5,319**	5,538
Subsidies received from utility companies for purchases of items of property, plant and equipment*	**2,964**	2,705
Government grant*	**480**	374
Cash coupon forfeited	**1,676**	1,106
Fair value gain on investment properties, net	**102**	24
Gain on disposal of a subsidiary	**–**	472
Gain on deregistration of subsidiaries	**1,093**	1,270
Others	**5,812**	3,172
	25,395	20,286

* As at the end of the reporting periods, 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:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**14,370**	21,203
Interest on lease liabilities	**40,398**	–
	54,768	21,203

7. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Cost of materials consumed	**932,544**	887,062
Depreciation of items of property, plant and equipment	**155,608**	147,180
Amortisation of land lease payments	**–**	476
Amortisation of intangible assets	**154**	157
Amortisation of right-of-use assets	**355,190**	–
Minimum lease payments under operating leases	**50,135**	367,951
Contingent rents under operating leases*	**12,360**	20,985
Auditor's remuneration	**4,135**	2,400
Employee benefit expenses (including directors' and chief executive's remuneration):		
Salaries, allowances and benefits in kind	**1,025,874**	967,806
Equity-settled share option expenses	**2,180**	–
Pension scheme contributions	**68,386**	65,444
	1,096,440	1,033,250
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**177**	77
Foreign exchange differences, net**	**579**	(285)
Impairment of right-of-use assets	**26,229**	–
Impairment of items of property, plant and equipment	**3,334**	2,070
Loss on disposal of items of property, plant and equipment	**8,466**	6,612
Gain on disposal of non-current assets classified as held for sale	**–**	(162,614)
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(104)**	132
Listing expenses	**18,016**	10,973

* Contingent rents under operating leases are included in "Rental and related expenses" in profit or loss.

** Foreign exchange differences, net are included in "Other income and gains, net" in profit or loss.

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2019 (2018: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**17,502**	48,800
Underprovision in prior years	**395**	198
Current – Elsewhere	**5,090**	10,267
Deferred tax	**16,608**	(6,523)
Total tax charge for the year	**39,595**	52,742

9. DIVIDENDS

(a) Dividends after the Listing

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Interim dividend – HK3.24 cents (2018: Nil) per ordinary share	**32,400**	–
Proposed final dividend – HK1.80 cents (2018: Nil) per ordinary share	**18,000**	–
	50,400	–

The proposed final dividend for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

(b) Dividends before the Listing

During the year ended 31 December 2019, in April 2019 and May 2019, special dividends of HK$20,000,000 and HK$20,000,000, respectively, were declared and paid by the Company to the then shareholders.

During the year ended 31 December 2018, in June 2018, an interim dividend of HK$20,000,000 was declared and paid by the Company to the then shareholders. In August 2018, the Company's subsidiaries declared and paid interim dividends of HK$102,600,000 to the then shareholders of the Company's subsidiaries.

Investors becoming shareholders of our Company after the listing of the Company on the Stock Exchange are not entitled to such special and interim dividends.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount for the year ended 31 December 2019 is based on the profit for the year attributable to owners of the Company of HK$76,864,000 (2018: HK$304,934,000) and the weighted average number of ordinary shares in issue of 888,356,000 (2018: 750,000,000), on the assumption that the Reorganisation and the capitalisation issue (note 13(c) and (d)) had been completed on 1 January 2018.

The calculation of diluted earnings per share amount for the year ended 31 December 2019 is based on the profit for the year attributable to owners of the Company of HK$76,864,000. The weighted average number of ordinary shares used in the calculation is 888,356,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 2,988,425 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amount for the year ended 31 December 2018 as the Group had no potentially dilutive ordinary shares in issue during that year.

11. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally a few days to two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**18,356**	11,924
1 to 2 months	**4,418**	5,764
2 to 3 months	**287**	286
Over 3 months	**1,442**	726
	24,503	18,700

12. 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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**82,969**	88,346
1 to 2 months	**22,409**	14,103
2 to 3 months	**4,781**	1,427
Over 3 months	**10,452**	6,592
	120,611	110,468

13. ISSUED CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
At 11 December 2017 (date of incorporation) with par value of HK$0.01 each and as at 31 December 2018 *(note a)*	38,000,000	380
Increase of authorised share capital with par value of HK$0.01 each on 22 May 2019 *(note b)*	9,962,000,000	99,620
As at 31 December 2019	10,000,000,000	100,000

	Number of shares	Share capital HK$'000
Issued and fully paid:		
At 11 December 2017 (date of incorporation) with par value of HK$0.01 each *(note a)*	1	–*
Issue of shares with par value of HK$0.01 each on 18 December 2017 *(note c)*	99,999	1
As at 31 December 2017, 1 January 2018 and 31 December 2018	100,000	1
Capitalisation of shares *(note d)*	749,900,000	7,499
Shares issued pursuant to the share offer *(note e)*	250,000,000	2,500
As at 31 December 2019	1,000,000,000	10,000

* Amount less than HK$1,000

Notes:

(a) The Company was incorporated on 11 December 2017 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each. On the date of incorporation, 1 ordinary share of HK$0.01 was allotted and issued by the Company.

(b) On 22 May 2019, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK$380,000 to HK$100,000,000 by the creation of 9,962,000,000 additional shares, each ranking pari passu in all respects with the Company's shares then in issue.

(c) On 18 December 2017, as part of the Reorganisation, the Company further allotted and issued 99,999 shares, at HK$0.01 each, credited as fully paid.

(d) Pursuant to the written resolutions passed on 22 May 2019, the directors were authorised to capitalise a sum of HK$7,499,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 749,900,000 ordinary shares of the Company upon the listing of the shares of the Company on the Main Board of the Stock Exchange on 13 June 2019.

(e) The Company's shares were listed on the Main Board of the Stock Exchange on 13 June 2019, and 250,000,000 ordinary shares were issued at HK$3.0 per share on 13 June 2019 in connection with the listing of the Company.

14. SHARE OPTION SCHEMES

(a) Pre-IPO share option scheme

The Company operates a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Pre-IPO Share Option Scheme include senior management and employees of the Group. The Pre-IPO Share Option Scheme was approved and conditionally adopted by the shareholders of the Company on 22 May 2019 and, unless otherwise cancelled or amended, will remain in force for 10 years from the effective date of the Pre-IPO Share Option Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

There were 6,375,000 outstanding share options under the Pre-IPO Share Option Scheme as at 31 December 2019. During the year ended 31 December 2019, the Group recognised equity-settled share option expenses of approximately HK$2,180,000 in staff costs in the consolidated statement of profit or loss.

(b) Post-IPO share option scheme

The Company operates a post-IPO share option scheme (the "Post-IPO Share Option Scheme") for the purpose of motivating eligible persons to optimise their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain ongoing relationships with such eligible persons whose contributions are expected to be/will be beneficial to the Group. The Post-IPO Share Option Scheme was approved and conditionally adopted by the shareholders of the Company on 22 May 2019 and, unless otherwise cancelled or amended, will remain in force for 10 years commencing on the effective date of the Post-IPO Share Option Scheme.

No share options have been granted under the Post-IPO Share Option Scheme since it became effective. Therefore, no share options were exercised or cancelled or lapsed during the current year and no share options were outstanding under the Post-IPO Share Option Scheme as at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Board of Directors ("Board") of Tai Hing Group Holdings Limited, together with its subsidiaries ("Tai Hing Group" or the "Group"), are pleased to announce the annual results for the year ended 31 December 2019 (the "Review Year" or "FY2019").

The year 2019 was significant to Tai Hing Group, besides the celebration of its 30th anniversary, the Group was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on 13 June 2019 ("Listing"), marking an important milestone in its development. Overall, the Review Year closed encouragingly, with the Group recording revenue of HK$3,252.3 million (FY2018: HK$3,126.1 million), representing a year-on-year increase of 4.0%. This increase was primarily due to the rising revenue generated from the restaurant operation in its major markets, along with the steady performance from both signature "Tai Hing" brand, and younger brands within the portfolio, such as "Men Wah Bing Teng" and "Phở Lê" in particular. Gross profit amounted to HK$2,319.7 million (FY2018: HK$2,239.0 million), with gross profit margin remaining at a stable level of 71.3% (FY2018: 71.6%). Profit attributable to owners of the Company was HK$76.9 million (FY2018: HK$304.9 million) mainly due to various extraordinary one-off items recorded during the Review Year and FY2018. If an one-off gain on disposal of non-current assets classified as held for sale, one-off listing expenses, and implementation of a new accounting policy (HKFRS 16 Leases), which was effective for the period beginning on or after 1 January 2019, were excluded, the Group would have recorded profit of HK$135.0 million for the year. Basic earnings per share were HK8.65 cents (FY2018: HK40.66 cents).

To share the Group's achievements with shareholders, the Board has resolved to propose a final dividend of HK1.80 cents per ordinary share for the year ended 31 December 2019. Together with an interim dividend of HK3.24 cents paid during the year, total dividend will amount to HK5.04 cents.

Operating Cost

Cost of Materials Consumed

The cost of materials consumed amounted to HK$932.5 million (FY2018: HK$887.1 million). Its percentage to revenue increased by 0.3 percentage point to 28.7% (FY2018: 28.4%). With the operation of a Mainland China Food Factory since October 2018, coupled with contributions from the Hong Kong Food Factory, the Group was able to mitigate fluctuations in the cost of different food ingredients during the Review Year. Furthermore, food costs were effectively controlled through centralised purchasing and food processing.

Staff Costs

During the Review Year, the Group adopted a prudent approach towards recruitment, and implemented workflow optimisation to further control staff costs. Consequently, the staff costs to revenue ratio remained relatively stable at 33.7% (FY2018: 33.1%). Staff costs, excluding the impact of non-cash equity-settled share option expenses, increased by 5.9% from HK$1,033.3 million in FY2018 to HK$1,094.3 million in FY2019.

Rental and Related Expenses/Amortisation of Right-of-use Assets

As a result of the adoption of a new accounting standard, i.e. HKFRS 16 Leases, lease expenses in the consolidated statement of profit or loss have been reflected by amortisation of right-of-use assets and related finance costs starting from 1 January 2019. During the Review Year, the Group's amortisation of right-of-use assets amounted to HK$355.2 million (FY2018: Nil), with related finance costs of HK$40.4 million (FY2018: Nil). Rental and related expenses were HK$131.8 million (FY2018: HK$453.6 million). If the impact from the adoption of HKFRS 16 Leases was excluded, rental and related expenses in FY2019 would have amounted to HK$513.7 million and accounted for approximately 15.8% (FY2018: 14.5%) of the Group's revenue.

Industry Review

The challenging environment for the catering industry in 2019 was underscored by slackened economic growth of Hong Kong coupled with protracted civil social unrest and Sino-US trade tensions. Recently, the outbreak of Novel Coronavirus (COVID-19) has been causing a great impact all over the world and the consumption sentiment is further devastated. Food and beverage and retail industries are especially suffering from the economic downturn. In 2019, the value of total receipts of the restaurants sector of Hong Kong was provisionally estimated at HK$112.5 billion, decreased by 5.9% in value and 8.0% in volume compared with the whole year of 2018[1].

In Mainland China, despite that the intermittent Sino-US trade tension and the outbreak of the COVID-19 before year end have brought great uncertainty to the economy, the GDP of the PRC in 2019 was RMB99,086.5 billion, representing a slower yet still meaningful increase of 6.1%, as compared with the previous year. Moreover, the catering services in 2019 gained RMB4,672.1 billion, up by 9.4% year-on-year demonstrating the resilience of the industry even in the face of international pressure[2].

Geographical Analysis

Tai Hing is a multi-brand casual dining restaurant group rooted in Hong Kong for 30 years. Apart from its flagship "Tai Hing" brand, the Group continues to expand its brand portfolio comprising self-developed brands and acquired and licensed brands, including "TeaWood (茶木)", "Trusty Congee King (靠得住)", "Men Wah Bing Teng (敏華冰廳)", "Phở Lê (錦麗)", "Tokyo Tsukiji (東京築地食堂)", "Fisher & Farmer (漁牧)", "Rice Rule (飯規)", "Hot Pot Couple (夫妻沸片)", "King Fong Bing Teng (瓊芳冰廳)" and "Asam Chicken Rice (亞參雞飯)", the latter three of which were newly opened in FY2019, bringing more choices of cuisines to customers. This also marked a major milestone in 2019 of the Group by expanding its business presence in Taiwan, in which the Group opened two "Tai Hing" restaurants in Taiwan during the Review Year. Currently, the Group has a network of 205 restaurants (as at 31 December 2018: 185 restaurants) in Hong Kong, Mainland China, Macau and Taiwan.

1 Provisional statistics of restaurant receipts and purchases for fourth quarter of 2019 and for whole year of 2019
https://www.censtatd.gov.hk/press_release/pressReleaseDetail.jsp?charsetID=1&pressRID=4609

2 National Bureau of Statistics
http://www.stats.gov.cn/english/PressRelease/202001/t20200119_1723651.html

Business Segment Analysis

Tai Hing

As the signature brand of the Group, and one that has three decades of history in Hong Kong as well as over 14 years of operation in Mainland China, "Tai Hing" remains the key revenue generator of the Group. During the Review Year, Tai Hing restaurants generated HK$1,931.8 million (FY2018: HK$2,022.6 million) in revenue and accounted for 59.4% (FY2018: 64.7%) of the Group's total revenue. To capitalise on the strength of this renowned brand, the Group established its first Tai Hing restaurant in Taiwan in May 2019, which received overwhelmingly favourable response. Subsequently, a second restaurant was opened in November 2019.

Men Wah Bing Teng

During the Review Year, the "Men Wah Bing Teng" restaurant chain was warmly welcomed by the market, resulting in a significant 148.6% year-on-year rise in revenue to HK$299.5 million (FY2018: HK$120.5 million). The restaurant chain also achieved satisfactory same-store sales growth of 3.2% and an outstanding seat turnover rate of 15. Since the first Men Wah Bing Teng was opened in Guangzhou in July 2019, 2 more stores have been opened in Mainland China, which has significantly strengthened the brand's presence in the Greater Bay Area. Specifically, the operation opened 10 and 3 stores in Hong Kong and Mainland China respectively – the highest number of store openings among the Group's brands. As a testament to the successful positioning of Men Wah Bing Teng as a traditional bing teng, it has been awarded "Popular Food Restaurant" by "Shanghai on the tip of the tongue" Column group. To maintain its outstanding performance, the Group will further promote Men Wah Bing Teng in the Greater Bay Area, as well as other high potential markets, thus allow the Group to share Hong Kong's traditional bing sutt featuring Western-style fast food snacks to customers across the country.

Other Subsidiary Brands

The Group's other subsidiary brands have also performed favourably during the Review Year. Among them, "TeaWood" continued to deliver considerable revenue amounting to HK$521.5 million, accounting for 16.0% of the Group's total revenue. With respect to "Phở Lê", a restaurant chain specialising in Vietnamese beef noodles that was launched by the Group in 2017, it recorded a 43.9% year-on-year rise in revenue to HK$138.4 million, benefiting in part to the introduction of an expanded menu. As for the "Trusty Congee King" brand, the Group opened 1 and 2 stores in Hong Kong and Mainland China, respectively, during the Review Year. Revenue from the operation increased by 12.8% year-on-year to HK$235.5 million. In driving revenue growth, the Group introduced a new promotional campaign which aimed at increasing customer traffic during dinner hours, as well as launched a more diverse menu to appeal to the varied tastes of customers.

Indicative of the Group's desire to continuously enhance its offerings to customers through multi-brand strategy, three new sub-brands were launched during the Review Year. In January, it opened the first Taiwanese hotpot restaurant under the "Hot Pot Couple" brand in Mongkok, Hong Kong. This was followed by the launch of the classy "cha-chaan-teng" brand – "King Fong Bing Teng" in October, located in Elements, Tsim Sha Tsui; combining great food with a relaxing ambience. By December, the Group celebrated another opening, this time in Central, Hong Kong, with the introduction of the "Asam Chicken Rice" brand. Among the Southeast Asian delights on offer include Hainan Chicken Rice, Singapore Laksa, Penang shrimp noodles, and Beef Rendang.

As 2019 marked the 30th anniversary of the Group, it celebrated this special milestone with the implementation of a variety of cross-brand marketing campaigns and promotions. One campaign of particular note involved the introduction of cross-brand dining vouchers which achieved strong take-up. In view of its success, the Group will consider launching similar promotions or other cross-brand campaigns in the near future to enhance customer loyalty.

Prospects

The past financial year was highly challenging owing to social unrest and the uncertainty arising from the trade relations between China and the U.S. One after another, the outbreak of the novel coronavirus, coupled with the local social incidents in Hong Kong and slowdown of growth in the Chinese economy, may continue to affect both Hong Kong and Mainland China economies in varying degrees in 2020. Consequently, a further deterioration of the F&B sector can be expected.

Despite the aforementioned concerns, Hong Kong will remain the Group's principal market – presently accounting for approximately 80% of its business, having performed stably even amid the challenges. Such stability can be attributed to the long history it shares with the Hong Kong people, particularly the "Tai Hing" brand which local residents have enjoyed for the past 30 years, through good times and bad. Moreover, the Group has been effectively targeting the mass market customers, with the majority of restaurants located in neighbour-hood malls, where business is more resilient and stable. To maintain its stable business operation, the Group is also actively working alongside with third-party vendors to further enhance its delivery business, as well as launching various marketing promotions to attract customers.

In Mainland China, the Group's top priority will be to ensure the safety of customers and staff in the wake of the novel coronavirus outbreak, hence certain restaurants were closed during the Lunar New Year. It will continue to co-operate with the Chinese government, landlords and business partners, all of whom have a mutual consent to work side by side in confronting various hardships. Although the novel coronavirus has negatively impacted on business, the Group remains optimistic about its operation in Mainland China in the long run, hence it will consider introducing new brands tailored for its target customers in the country in future. Meanwhile, the Group will also explore potential partnerships in tapping the overseas markets which it sees huge growth potentials, as well as the provision of different cuisine to meet the tastes and preferences of global customers; ultimately facilitating overseas business expansion and sustaining its growth momentum.

While the Group is committed to driving business growth, including through network expansion, it will nonetheless take a prudent approach in view of the current economic and geopolitical climate. To enable the Group to develop in a stable manner, several strategies will be employed, including developing more canned food and beverage products by leveraging its factory, occupying approximately 253,430 sq. ft. in Dongguan, which commenced operation in October 2018. In doing so, the Group will be able to achieve the dual goals of expanding income streams and fully utilising the factory. Concurrently, the Group will continue to develop and improve its high-growth brands, including "Men Wah Bing Teng", "Phở Lê" and "Trusty Congee King" and at the same time to review the positioning of its mature brands to adjust strategies based on different market requirements.

The Group will also continue to co-operate with leading third-party food ordering platforms, both in Hong Kong and Mainland China, to increase its stake in the food delivery business. The Group's enhanced efforts to bolster its delivery operation starting from 2019 highlights its optimism towards such business, and in particular, its ability to cater for the rise in takeout food orders driven by the coronavirus outbreak in the first quarter of 2020. In addition, the Group is also working hands-in-hands with various food ordering platforms to raise its brands awareness with linkage with their respective signature products, so that various distinguished brands under the Group come immediately to mind when customers want fine cuisine delivered to their home. Further driving the takeaway food business will be the Group's "T-Factory" mobile application, which offers convenience, as well as builds customer loyalty. The technology also allows the Group to collect data on customers, which in turn enables it to promptly determine the latest market trends, leading to relevant adjustments to menus and marketing campaigns.

Though the business environment is expected to remain challenging in the coming year, the Group is committed to developing an effective omnichannel business which, with the support of its well-established business foundation, an experienced and resourceful management team, diligent workforce, and sound production capabilities will allow it to overcome the headwinds and facilitate its long-term growth.

FINAL DIVIDEND

The Board has proposed the payment of a final dividend of HK1.80 cents per share for the year ended 31 December 2019 payable to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 10 June 2020. The dividend warrants of the proposed final dividend are expected to be despatched to the Shareholders on or before Friday, 3 July 2020, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "Annual General Meeting").

CLOSURE OF REGISTER OF MEMBERS

(1) For determining the eligibility of the Shareholders to attend and vote at the Annual General Meeting or any adjournment of such meeting:–

    The Annual General Meeting is scheduled to be held on Tuesday, 2 June 2020. For determining the eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 28 May 2020 to Tuesday, 2 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer forms duly accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 27 May 2020.

(2) For determining the entitlement of the Shareholders to the proposed final dividend:–

    For determining the entitlement to the proposed final dividend for the year ended 31 December 2019, the register of members of the Company will be closed from Monday, 8 June 2020 to Wednesday, 10 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend for the year ended 31 December 2019, all transfer forms duly accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 5 June 2020.

USE OF NET PROCEEDS FROM LISTING

The Company successfully listed its shares on the Stock Exchange on 13 June 2019 and issued a total of 250,000,000 ordinary shares of the Company by way of share offer at the offer price of HK$3.00 on Listing. The net proceeds from the share offer in association with the Listing amounted to HK$694.5 million.

As of the date of this announcement, the Directors are not aware of any material change to the planned use of the proceeds as disclosed in the section under "Future Plans and Use of Proceeds" in the Prospectus.

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE, EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES AND OTHERS

Liquidity and Financial Resources

The principal sources of funds for the Group are through a combination of internally generated cash flows, bank borrowings and proceeds received from Listing. As at 31 December 2019, the Group's cash and cash equivalents were approximately HK$711.1 million (2018: approximately HK$242.2 million), representing an increase of approximately 193.6%. Majority of the bank deposits and cash were denominated in Hong Kong dollars and Renminbi. The additional funds raised from Listing would be used for implementing the future expansion plan.

As at 31 December 2019, the Group's total current assets and current liabilities were approximately HK$925.5 million (2018: approximately HK$416.7 million) and approximately HK$1,137.0 million (2018: approximately HK$532.6 million), respectively, while the current ratio of the Group (calculated by dividing total current assets by total current liabilities at the end of respective periods) was approximately 0.8 times (2018: approximately 0.8 times).

The Group had interest-bearing bank borrowings of approximately HK$307.5 million as at 31 December 2019 (2018: approximately HK$537.2 million). The interest-bearing bank borrowings were secured, denominated in Hong Kong dollars and subject to floating rate basis. During the year ended 31 December 2019, there were no financial instruments used for hedging purposes.

As at 31 December 2019, the gearing ratio of the Group (calculated by dividing the interest-bearing bank borrowings by equity attributable to owners of the Company) was approximately 31.8% (2018: approximately 146.7%).

Foreign Currency Risk

The Group's revenue and costs are mostly denominated in Hong Kong dollars and Renminbi. The change in value of the Renminbi against the Hong Kong dollars may fluctuate and is affected by changes in China's political and economic conditions. The appreciation or devaluation of the Renminbi against Hong Kong dollars may affect the Group's results. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. The Group will continue to closely monitor the foreign currency exposure and take appropriate measures to minimize the risk when necessary.

Contingent Liabilities

As at 31 December 2019, the Group had contingent liabilities of approximately HK$23.6 million (2018: approximately HK$15.7 million) in respect of bank guarantees given in favour of the landlords in lieu of rental deposits.

CHARGE ON GROUP ASSETS

As at 31 December 2019, the Group had certain property, plant and equipment and right-of-use assets with an aggregate net carrying value of approximately HK$262.6 million (31 December 2018: HK$272.2 million) were pledged to secure the bank borrowings granted to the Group.

MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed herein, throughout the period from Listing to 31 December 2019, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

EMPLOYEES

The Group had approximately 7,000 employees as at 31 December 2019 (31 December 2018: approximately 6,900). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

SHARE OPTION SCHEMES

The Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme of the Company (the "Share Option Schemes") were approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 22 May 2019 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group.

The principal terms of the Share Option Schemes are set out in "Appendix V (Statutory and General Information – D. Share Option Schemes)" to the Prospectus. Since the Adoption Date and up to 31 December 2019, no share options of the Company were granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme, and there were 6,375,000 outstanding share options of the Company under the Pre-IPO Share Option Scheme as at 31 December 2019.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Throughout the period from Listing to 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 December 2019.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2019, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout the period from Listing to 31 December 2019.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the period from Listing to 31 December 2019.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.taihing.com). The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Tai Hing Group Holdings Limited
Chan Wing On
Chairman

Hong Kong, 26 March 2020

As at the date of this announcement, the Board comprises:

Executive Directors
Mr. Chan Wing On (Chairman), Mr. Yuen Chi Ming, Mr. Lau Hon Kee and Ms. Chan Shuk Fong

Non-Executive Director
Mr. Ho Ping Kee

Independent Non-Executive Directors
Mr. Mak Ping Leung (alias: Mak Wah Cheung), Mr. Wong Shiu Hoi Peter and Dr. Sat Chui Wan