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# 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 2020

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 2020 together with the comparative figures for the year ended 31 December 2019 as set out below:

### FINANCIAL HIGHLIGHTS

- The Group's business and operations during the year were adversely affected by the outbreak of the COVID-19 pandemic. Revenue decreased by approximately 14.0% to HK$2,797.9 million in 2020 (2019: HK$3,252.3 million).
- Profit attributable to owners of the Company for the year ended 31 December 2020 increased by 54.8% to HK$119.0 million (2019: HK$76.9 million).
- Gross profit margin dropped 0.7 percentage point to 70.6% (2019: 71.3%).
- The Group received subsidies of HK$158.1 million under the Employment Support Scheme ("ESS") of the Hong Kong Government. All ESS subsidies, which accounted for approximately 19.8% of the Group's staff costs in Hong Kong (before ESS) during the year, were used for paying salaries and wages of employees.
- Basic earnings per share were HK11.89 cents (2019: HK8.65 cents).
- Maintain a healthy and liquid balance sheet with cash and cash equivalents of HK$562.1 million as at 31 December 2020.
- Final dividend of HK6.42 cents per share (2019: HK1.8 cents per share) was proposed, representing a total dividend per share for the year of HK7.72 cents and a payout ratio of 65%.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
*Year ended 31 December 2020*

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **REVENUE** | 5 | **2,797,923** | 3,252,250 |
| Cost of materials consumed | | **(821,648)** | (932,544) |
| Gross profit | | **1,976,275** | 2,319,706 |
| Other income and gains, net | 5 | **70,614** | 25,395 |
| Staff costs | | **(825,896)** | (1,096,440) |
| Depreciation and amortisation | | **(155,288)** | (155,762) |
| Amortisation of right-of-use assets, rental and related expenses | | **(437,904)** | (486,953) |
| Other operating expenses, net | | **(412,012)** | (386,837) |
| Impairment losses on property, plant and equipment and right-of-use assets | | **(47,818)** | (29,563) |
| Finance costs | 6 | **(46,670)** | (54,768) |
| Listing expenses | | **–** | (18,016) |
| **PROFIT BEFORE TAX** | 7 | **121,301** | 116,762 |
| Income tax expense | 8 | **(3,539)** | (39,595) |
| **PROFIT FOR THE YEAR** | | **117,762** | 77,167 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **118,959** | 76,864 |
| Non-controlling interests | | **(1,197)** | 303 |
| | | **117,762** | 77,167 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | | |
| – Basic | 10 | **HK11.89 cents** | HK8.65 cents |
| – Diluted | 10 | **HK11.84 cents** | HK8.62 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
*Year ended 31 December 2020*

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **PROFIT FOR THE YEAR** | **117,762** | 77,167 |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **14,992** | (11,696) |
| Reclassification adjustment for foreign operations deregistered during the year | **(1,106)** | (1,093) |
| | **13,886** | (12,789) |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | |
| Gain on asset revaluation | **–** | 4,631 |
| Other comprehensive income/(loss) for the year | **13,886** | (8,158) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | **131,648** | 69,009 |
| Attributable to: | | |
| Owners of the Company | **132,592** | 68,766 |
| Non-controlling interests | **(944)** | 243 |
| | **131,648** | 69,009 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*31 December 2020*

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment and right-of-use assets | | **2,195,312** | 2,283,539 |
| Investment properties | | **36,867** | 29,945 |
| Intangible assets | | **1,012** | 1,167 |
| Prepayments, deposits and other receivables | | **141,244** | 143,425 |
| Deferred tax assets | | **26,311** | 21,174 |
| Total non-current assets | | **2,400,746** | 2,479,250 |
| **CURRENT ASSETS** | | | |
| Inventories | | **78,800** | 77,097 |
| Trade receivables | *11* | **24,331** | 24,503 |
| Prepayments, deposits and other receivables | | **130,716** | 112,076 |
| Tax recoverable | | **17,953** | 744 |
| Cash and cash equivalents | | **562,081** | 711,079 |
| Total current assets | | **813,881** | 925,499 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *12* | **91,935** | 120,611 |
| Other payables and accruals | | **248,796** | 216,424 |
| Contract liabilities | | **77,847** | 83,897 |
| Interest-bearing bank borrowings | | **24,230** | 137,613 |
| Lease liabilities | | **555,028** | 550,065 |
| Tax payable | | **11,500** | 28,343 |
| Total current liabilities | | **1,009,336** | 1,136,953 |
| **NET CURRENT LIABILITIES** | | **(195,455)** | (211,454) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,205,291** | 2,267,796 |

| | Note | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | | **1,029,264** | 1,081,188 |
| Other payables and accruals | | **33,589** | 37,325 |
| Interest-bearing bank borrowings | | **54,545** | 169,849 |
| Deferred tax liabilities | | **4,881** | 8,580 |
| Total non-current liabilities | | **1,122,279** | 1,296,942 |
| Net assets | | **1,083,012** | 970,854 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | *13* | **10,019** | 10,000 |
| Reserves | | **1,067,441** | 956,721 |
| | | **1,077,460** | 966,721 |
| **Non-controlling interests** | | **5,552** | 4,133 |
| Total equity | | **1,083,012** | 970,854 |

## 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 (the "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 2020, the Group had net current liabilities of HK$195,455,000 which included current portion of lease liabilities of HK$555,028,000. 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 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.

**Basis of consolidation**

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKFRS 3 | *Definition of a Business* |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | *Interest Rate Benchmark Reform* |
| Amendments to HKAS 16 | *Covid-19-Related Rent Concessions* (early adopted) |
| Amendments to HKAS 1 and HKAS 8 | *Definition of Material* |

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's buildings have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments of HK$56,246,000 arising from these rent concessions has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

## 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, 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 2020 and 2019

| | **Hong Kong, Macau and Taiwan** | | **Mainland China** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment revenue** | | | | | | |
| Sales to external customers* | **2,269,710** | 2,581,312 | **528,213** | 670,938 | **2,797,923** | 3,252,250 |
| Intersegment sales | **–** | – | **84,964** | 47,838 | **84,964** | 47,838 |
| **Revenue** | **2,269,710** | 2,581,312 | **613,177** | 718,776 | **2,882,887** | 3,300,088 |
| Reconciliation: | | | | | | |
| Elimination of intersegment sales | | | | | **(84,964)** | (47,838) |
| | | | | | **2,797,923** | 3,252,250 |
| **Segment results** | **181,729** | 185,480 | **(49,717)** | (35,780) | **132,012** | 149,700 |
| *Reconciliation:* | | | | | | |
| Elimination of intersegment results | | | | | **(2,858)** | (552) |
| Finance costs (other than interest on lease liabilities) | | | | | **(7,853)** | (14,370) |
| Listing expenses | | | | | **–** | (18,016) |
| Profit before tax | | | | | **121,301** | 116,762 |

As at 31 December 2020 and 2019

| | Hong Kong, Macau and Taiwan | | Mainland China | | Total | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment assets** | **1,871,950** | 1,877,182 | **735,320** | 793,403 | **2,607,270** | 2,670,585 |
| *Reconciliation:* | | | | | | |
| Corporate and other unallocated assets | | | | | **607,357** | 734,164 |
| Total assets | | | | | **3,214,627** | 3,404,749 |
| **Segment liabilities** | **1,505,432** | 1,511,198 | **531,027** | 578,312 | **2,036,459** | 2,089,510 |
| *Reconciliation:* | | | | | | |
| Corporate and other unallocated liabilities | | | | | **95,156** | 344,385 |
| Total liabilities | | | | | **2,131,615** | 2,433,895 |

* 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 | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| **Revenue from contracts with customers** | | |
| **(i) Disaggregated revenue information** | | |
| **Types of goods or services** | | |
| Revenue from restaurant operations | **2,730,083** | 3,186,471 |
| Revenue from the sale of food products | **67,840** | 65,779 |
| Total revenue from contracts with customers | **2,797,923** | 3,252,250 |
| **Geographical markets** | | |
| Hong Kong, Macau and Taiwan | **2,269,710** | 2,581,312 |
| Mainland China | **528,213** | 670,938 |
| Total revenue from contracts with customers | **2,797,923** | 3,252,250 |
| **Timing of revenue recognition** | | |
| At a point in time | **2,797,923** | 3,252,250 |

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 | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Revenue recognised that was included in the contract liabilities at the beginning of the year – Restaurant operation | **64,026** | 56,227 |

**(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 delivery and acceptance of the products by the customers. 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 | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| **Other income and gains, net** | | |
| Bank interest income | **7,524** | 7,505 |
| Rental income | **981** | 444 |
| Royalty income | **1,090** | 5,319 |
| Subsidies received from utility companies for purchases of items of property, plant and equipment* | **3,249** | 2,964 |
| Government grants* | **47,706** | 480 |
| Cash coupon forfeited | **1,364** | 1,676 |
| Fair value gain on investment properties | **–** | 102 |
| Gain on deregistration of subsidiaries | **1,106** | 1,093 |
| Others | **7,594** | 5,812 |
| | **70,614** | 25,395 |

* Government grants during the year ended 31 December 2020 included COVID-19 relief subsidies received. As at the end of the reporting periods, there were no unfulfilled conditions or other contingencies attaching to the subsidies and government grants that had been recognised by the Group.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings | **7,853** | 14,370 |
| Interest on lease liabilities | **38,817** | 40,398 |
| | **46,670** | 54,768 |

## 7. PROFIT BEFORE TAX

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

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Cost of materials consumed | **821,648** | 932,544 |
| Depreciation of items of property, plant and equipment | **155,133** | 155,608 |
| Amortisation of intangible assets | **155** | 154 |
| Amortisation of right-of-use assets* | **409,145** | 355,190 |
| Lease payments not included in the measurement of lease liabilities* | **27,545** | 50,135 |
| Covid-19-related rent concessions from lessors* | **(56,246)** | – |
| Contingent rents* | **7,885** | 12,360 |
| Auditor's remuneration | **3,400** | 4,135 |
| Employee benefit expenses (including directors' and chief executive's remuneration): | | |
| Salaries, allowances and benefits in kind*** | **774,985** | 1,025,874 |
| Equity-settled share option expenses | **8,323** | 2,180 |
| Pension scheme contributions | **42,588** | 68,386 |
| | **825,896** | 1,096,440 |
| Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties | **87** | 177 |
| Foreign exchange differences, net** | **(627)** | 579 |
| Impairment of right-of-use assets | **34,482** | 26,229 |
| Impairment of items of property, plant and equipment | **13,336** | 3,334 |
| Loss on disposal of items of property, plant and equipment**** | **30,735** | 8,466 |
| Fair value gain on financial assets at fair value through profit or loss | **–** | (104) |
| Fair value loss/(gain) on investment properties, net | **1,957** | (102) |
| Listing expenses | **–** | 18,016 |
| Utilities expenses**** | **101,534** | 120,171 |
| Packing and consumables**** | **52,506** | 47,433 |
| Cleaning expenses**** | **35,713** | 35,968 |
| Transportation and logistics**** | **23,118** | 29,939 |

* These are included in "Amortisation of right-of-use assets, rental and related expenses" in profit or loss.

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

*** Employment support scheme subsidies from HKSAR Government of HK$158,139,000 are included in "Staff costs" in profit or loss.

**** These items are included in "Other operating expenses, 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 2020 (2019: 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 | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Current – Hong Kong | | |
| Charge for the year | **12,120** | 17,502 |
| (Over)/underprovision in prior years | **(392)** | 395 |
| Current – Elsewhere | **223** | 5,090 |
| Deferred tax | **(8,412)** | 16,608 |
| Total tax charge for the year | **3,539** | 39,595 |

## 9. DIVIDENDS

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Interim dividend – HK1.30 cents (2019: HK3.24 cents) per ordinary share | **13,019** | 32,400 |
| Proposed final dividend – HK6.42 cents (2019: HK1.80 cents) per ordinary share | **64,320** | 18,000 |
| | **77,339** | 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.

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 before the Listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 13 June 2019 (the "Listing").

## 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 2020 is based on the profit for the year attributable to owners of the Company of HK$118,959,000 (2019: HK$76,864,000) and the weighted average number of ordinary shares of 1,000,762,000 (2019: 888,356,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of diluted earnings per share amount for the year ended 31 December 2020 is based on the profit for the year attributable to owners of the Company of HK$118,959,000. The weighted average number of ordinary shares used in the calculation is 1,000,762,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 3,727,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

## 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:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **17,316** | 18,356 |
| 1 to 2 months | **4,036** | 4,418 |
| 2 to 3 months | **677** | 287 |
| Over 3 months | **2,302** | 1,442 |
| | **24,331** | 24,503 |

## 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:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **75,729** | 82,969 |
| 1 to 2 months | **10,256** | 22,409 |
| 2 to 3 months | **849** | 4,781 |
| Over 3 months | **5,101** | 10,452 |
| | **91,935** | 120,611 |

## 13. ISSUED CAPITAL

| | Number of shares | Share capital *HK$'000* |
|---|---|---|
| **Authorised:** | | |
| At 1 January 2019 | 38,000,000 | 380 |
| Increase of authorised share capital with par value of HK$0.01 each on 22 May 2019 *(note a)* | 9,962,000,000 | 99,620 |
| As at 31 December 2019, 1 January 2020 and 31 December 2020 | 10,000,000,000 | 100,000 |
| **Issued and fully paid:** | | |
| At 1 January 2019 | 100,000 | 1 |
| Capitalisation of shares *(note b)* | 749,900,000 | 7,499 |
| Shares issued pursuant to the share offer *(note c)* | 250,000,000 | 2,500 |
| As at 31 December 2019 and 1 January 2020 | 1,000,000,000 | 10,000 |
| Share options exercised *(note d)* | 1,873,000 | 19 |
| As at 31 December 2020 | 1,001,873,000 | 10,019 |

*Notes:*

(a) 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.

(b) 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.

(c) 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.

(d) During the year ended 31 December 2020, the subscription rights attaching to 1,873,000 share options were exercised at the subscription price of HK$0.45 per share, resulting in the issue of 1,873,000 shares for a total cash consideration, before expenses, of approximately HK$842,850. An amount of HK$4,343,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

## 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, 1,873,000 share options were exercised during the year, and there were 4,502,000 outstanding share options as at 31 December 2020. During the year ended 31 December 2020, the Group recognised equity-settled share option expenses of approximately HK$8,323,000 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 2020.

## 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 of the Group for the year ended 31 December 2020 (the "Review Year" or "FY2020").

FY2020 began against a backdrop of uncertainty resulting from the novel coronavirus disease outbreak 2019 (COVID-19). The pandemic inevitably resulted in impacts across the Group's business operations in Mainland China, Hong Kong, Macau and Taiwan. Given the challenging business environment, the Group has implemented measures to save costs and explore new income sources while managing to maintain stable income growth by leveraging its well-established multi-brand strategy. In Hong Kong, faced with reduced dine-in traffic due to strict social distancing measures implemented by the government, the Group shifted its focus to takeaway and delivery services, which partly offset the decline in dine-in traffic. As for Mainland China, due to stringent and proactive social distancing measures implemented across the country, the Group temporarily suspended the operation of its restaurants in February. However, as the measures were considered sufficient at containing the COVID-19 outbreak, the government gradually relaxed restrictions. Consequently, the Group could reopen its restaurants starting in March to capitalise on a return in dine-out traffic, which enabled sales revenue from the Mainland China market to rebound significantly in the second half of FY2020.

During the Review Year, the Group recorded revenue of HK$2,797.9 million (FY2019: HK$3,252.3 million), representing a year-on-year decline of 14.0%. Gross profit and gross profit margin were HK$1,976.3 million (FY2019: HK$2,319.7 million) and 70.6% (FY2019: 71.3%), respectively. Profit attributable to owners of the Company was HK$119.0 million (FY2019: HK$76.9 million). Basic earnings per share were HK11.89 cents (FY2019: HK8.65 cents). Despite the challenging business environment, the Group's financial status remains healthy with sufficient cash and stable operating cash inflow to allow it to weather the current headwinds and facilitate its future development. As at 31 December 2020, the Group had cash and cash equivalents of HK$562.1 million (As at 31 December 2019: HK$711.1 million).

To share the Group's achievements with its shareholders, the Board has resolved to propose a final dividend of HK6.42 cents per ordinary share for the year ended 31 December 2020. Together with an interim dividend of HK1.3 cents paid during FY2020, the total dividend will amount to HK7.72 cents.

*Measures Taken to Tackle COVID-19*

Since the outbreak of COVID-19, the Group has taken swift action to mitigate its impact on operations. Such action has included establishing a "Committee on Emergency Management" to closely monitor market conditions and adjust its response strategies in a timely manner. The Group has also implemented measures, including taking voluntary 20% salary cuts among executive directors and members of senior management for one financial quarter; offering flexible working hours; encouraging back-office colleagues to take accumulated annual leave during off-seasons; negotiating with landlords for rental reductions; seeking the most favourable terms with suppliers; and bolstering food delivery and takeaway services.

In addition, efforts at keeping all restaurants clean have been strengthened including regular cleaning of carpets, door handles, dining tables, chairs and cashier counters with appropriate disinfectants.

## Operating Cost

*Cost of Materials Consumed*

The cost of materials consumed amounted to HK$821.6 million (FY2019: HK$932.5 million). As a percentage of revenue, the cost has remained stable 29.4% (FY2019: 28.7%). Since the outbreak of COVID-19, the Group has maintained close contact with its suppliers and has negotiated for higher discounts or more extended credit periods during this challenging juncture. By also making timely adjustments to its menus, the Group has been able to mitigate cost fluctuations of various ingredients. Another measure employed involves bulk purchasing, which allows for larger discounts. In addition, the operation of the Mainland China Food Factory and the Hong Kong Food Factory, have steadily contributed the greater economies of scale to the production output. Consequently, the Group has been able to control food costs effectively.

*Staff Costs*

The Group's staff costs for the Review Year reached approximately HK$825.9 million, representing a decrease of approximately 24.7% as compared with HK$1,096.4 million in FY2019. Staff costs to revenue ratio declined to 29.5% (FY2019: 33.7%). The Group has received pandemic relief and subsidies from the Hong Kong Government, including HK$158.1 million from the Employment Support Scheme ("ESS") during the Review Year. The subsidies, which accounted for approximately 19.8% of the Group's staff cost in Hong Kong during the Review Year, were directly used to pay the salaries and wages of employees, hence helping alleviate such cost pressure on the Group. In addition, the Group has implemented a 20% voluntary reduction in salary among all executive directors and senior management for three months to further control staff costs.

*Amortisation of Right-of-use Assets, rental and related expenses*

During the Review Year, the Group's amortisation of right-of-use assets, rental and related expenses amounted to HK$437.9 million (FY2019: HK$487.0 million). Since the COVID-19 outbreak, the Group has negotiated with landlords for rent reductions and transitional concessions totalling HK$56.2 million. At the same time, the Group has favourable offers from certain landlords to open new branches of its brands at some better locations yet at a discounted rent. As a consequence, the Group has been able to keep rental and related expenses at a lower level.

*Government subsidies from Hong Kong and Mainland China government*

Social distancing, seating restrictions, reduced dining hours and temporary closure of certain restaurants all combined to create tough business environment. Pandemic relief and subsidies received from both the Hong Kong and Mainland China governments did help mitigate the impact of such situations on revenue partly. During the Review Year, the Group received government subsidies totalling HK$206.2 million, which included HK$158.1 million from the ESS and HK$42.0 million under the Anti-epidemic Fund of the Hong Kong Government.

**Industry Review**

In Hong Kong, the COVID-19 pandemic and associated social distancing measures have seriously impacted different sectors of the economy, with food and beverage being among the industries especially hard hit. According to figures released by the Census and Statistics Department of Hong Kong, the aggregate revenue generated by restaurants in the territory for the whole year of 2020 was estimated at HK$79.4 billion, decreased by 29.4% in value and 30.0% in volume compared with the previous year. Moreover, total purchases during the same period were estimated at HK$25.8 billion, representing a year-on-year decline of 28.4%[1].

In Mainland China, the government was able to gain the upper hand on the COVID-19 situation, hence gradually eased restrictions, which enabled the local economy to achieve a gradual rebound in the second quarter of 2020. According to the National Bureau of Statistic of China, GDP bounced back to record an expansion of 3.2% in the second quarter and 6.5% in the fourth quarter, which is a sharp increase from the first quarter when the GDP contracted by 6.8%[2]. As for the local catering industry, revenue amounted to RMB3,952.7 billion in 2020, down by 16.6% from the corresponding period last year.

**Geographical Analysis**

In Hong Kong, pandemic-related restrictions on public gatherings and bans on dining services after 6:00 p.m. inevitably affected the Group's business performance. Nonetheless, by the Group's swift response to the "new normal", it was able to enhance the performance of other business interests, namely takeaway and delivery services. Consequently, revenue from the operations mentioned above increased appreciably, accounting for approximately 33% of total revenue, thus helping offset the loss in dine-in revenue.

Concerning the Mainland China market, the Group's restaurants gradually resumed operation in March as measures at preventing COVID-19 transmission proved useful. High-growth brands that cater to the mass market performed particularly encouragingly, including "Men Wah Bing Teng (敏華冰廳)". Since entering the market in the second half of 2019, the restaurant chain has received an overwhelmingly favourable response from local customers. Hence the Group achieved a significant rebound in revenue in the second half of the Review Year, which in turn helped narrow the overall decline in revenue.

1 Census and Statistics Department
https://www.statistics.gov.hk/pub/B10800022020QQ04B0100.pdf

2 The National Bureau of Statistics of China
http://www.stats.gov.cn/english/PressRelease/202101/t20210120_1812680.html

**Business Segment Analysis**

Tai Hing is a multi-brand casual dining restaurant group rooted in Hong Kong, with a market presence stretching over 30 years. Apart from its flagship "Tai Hing (太興)" brand, the Group has continued to expand its brand portfolio, which consists of self-developed brands and acquired and licensed brands. Presently, this portfolio includes a total of 15 brands, including "Tai Hing (太興)", "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)", "Asam Chicken Rice (亞參雞飯)", "Daocheng (稻埕飯店)", "Winter Joy (冬悦)", "White Little (小白條)" and "Dimpot (點煲)", in which the latter four were introduced in FY2020, thus bringing even more choices to customers. As at the Review Year, the Group had a network of 213 restaurants (as at 31 December 2019: 205 restaurants) in Hong Kong, Mainland China, Macau and Taiwan.

The high-growth "Men Wah Bing Teng" brand has continued to outperform the market. During the Review Year, it achieved significant revenue growth, climbing by 64.7% to HK$493.2 million (FY2019: HK$299.5 million). Thus, the business thus became the second largest revenue contributor of the Group in FY2020, accounting for 17.6% of the Group's total revenue. "Men Wah Bing Teng" has demonstrated tremendous resilience against the economic downturn and weak consumption sentiment due to COVID-19 and has been warmly welcomed by the market, which especially true in Mainland China, where revenue increased by 545.2% in FY2020. Adding to its accomplishments has been several awards, including "The Most Popular Cuisine Ranking" in Hangzhou by Dianping.com (大眾點評).

Recognising the tremendous potential of "Men Wah Bing Teng", the Group opened more stores in Hong Kong and Mainland China during the Review Year. Net addition of seven stores in the former and 11 stores in the latter that represented the highest number of store openings among the Group's brands in FY2020, and will go towards raising the stature of "Men Wah Bing Teng" even further.

"Tai Hing" as the signature brand of the Group, with a history of operating in Hong Kong stretching three decades, as well as over 15 years in Mainland China, continued to contribute the largest share of revenue to the Group, generating HK$1,472.1 million (FY2019: HK$1,931.8 million) in revenue, and accounting for 52.6% of the Group's total revenue. In Hong Kong, revenue generated from the "Tai Hing" brand amounted to HK$1,104.9 million and the brand maintained a stable restaurant network of 54 stores, hence again demonstrating its resilience – performing steadily despite the mandatory social distancing measures implemented by the government to contain COVID-19. To keep pace with the catering trends in Mainland China, the Group is presently reviewing its positioning and consolidating its local store network in the Greater Bay Area. Enhancement efforts will continue in the near term to reach its full potential in the Mainland China market.

Other important revenue streams of the Group include “TeaWood”, which has been its third largest contributor, generating HK$398.2 million in revenue, and accounting for 14.2% of the Group’s total revenue in FY2020. Still another brand among the recent launches that the Group is pleased with is “Asam Chicken Rice”. During the Review Year, the Group opened six more “Asam Chicken Rice” restaurants in various Hong Kong districts to build on the positive momentum. It is worth noting that since some “Asam Chicken Rice” restaurants were only opened in the latter half of FY2020, their contributions were not fully reflected during the Review Year. The brand nonetheless possesses the potential for becoming another “rising star” of the Group.

With the upward trend in “home meals”, the Group has rolled out initiatives to capture the resultant business opportunities. Tremendous effort has been placed on enhancing the takeaway and delivery operations. Correspondingly, the Group has introduced “Fanfanslife”, a self-developed online ordering platform to boost the performance of the takeaway food business while at the same time ensure added convenience for customers. Also, the Group has continued 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. More efforts were also placed in food delivery promotions and discounts on takeaway services to bolster the food delivery and takeaway business further. Consequently, revenue from such services as a percentage of total revenue from restaurant operations increased appreciably to over 33% compared with the previous year.

**Prospects**

The Group believes that its multi-brand strategy will continue to be paramount to its success, further consolidating and expanding its restaurant network, while remaining fully mindful of the present economic and market conditions. The Group will enhance market penetration by opening restaurants from its various brands to satisfy different customers’ needs in line with such objectives. Besides, with an outstanding track record in developing new brands, including “Men Wah Bing Teng” and “Asam Chicken Rice”, the Group will leverage its experience to introduce more “star brands” in Hong Kong and Mainland China to tap market trends and address the preferences of its customers. Outside of its traditional markets, the Group will continue to explore both independent and collaborative opportunities for expanding to the Southeast Asia market.

In line with its commitment to promptly responding to customers’ interests, the Group will continue to seize opportunities arising from takeaway and food delivery. The Group will further enhance the strategy on takeaway business and upgrade its self-developed ordering platform “Fanfanslife” to encourage more takeaway orders. The Group will also continue cooperating with leading third-party food ordering platforms further to increase its stake in the food delivery business.

Concerning automation, the Group will step up efforts in introducing the next generation of food processing equipment to its restaurants and thus uphold its tradition of innovation and industry leadership. Furthermore, it persistently streamlines its production processes to derive greater efficiencies and cost savings. At the same time, more resources will be directed to the deployment of various advanced technology systems, upgrading the IT systems, and boosting big data applications, to support the expansion of the Group’s restaurant network and facilitate sustainable development in the long run.

Despite the conclusion of a challenging Review Year, the management remains confident in the Group's ability to persevere and move towards a more favourable trajectory once market conditions improve.

## FINAL DIVIDEND

The Board has proposed the payment of a final dividend of HK6.42 cents per share for the year ended 31 December 2020 payable to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Friday, 4 June 2021. The dividend warrants of the proposed final dividend are expected to be despatched to the Shareholders on or before Friday, 18 June 2021, 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 Friday, 28 May 2021. For determining the eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, 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 Monday, 24 May 2021.

(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 2020, the register of members of the Company will be closed from Thursday, 3 June 2021 to Friday, 4 June 2021, 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 2020, 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, 2 June 2021.

## 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.

The use of the net proceeds from the Listing Date to 31 December 2020 was as follows:

| Use of net proceeds | Percentage of net proceeds | Net proceeds *(in HK$ million)* | Amount utilised *(in HK$ million)* | Amount remaining *(in HK$ million)* | Expected timeline for utilization of the unused net proceeds |
|---|---|---|---|---|---|
| Opening new restaurants in Hong Kong and Mainland China | 44.0% | 305.6 | 164.6 | 141.0 | On or before 31 December 2022 |
| Enhancement and expansion of food factories in Hong Kong and Mainland China | 35.0% | 243.0 | 40.8 | 202.2 | On or before 31 December 2023 |
| Renovation of existing restaurants in Hong Kong and Mainland China | 11.0% | 76.4 | 26.3 | 50.1 | On or before 31 December 2022 |
| Additional working capital and other general corporate purposes | 10.0% | 69.5 | 69.5 | – | |
| **Total** | **100.0%** | **694.5** | **301.2** | **393.3** | |

By gradually implementing its business strategy of continuously developing of the brand portfolio, the Group has been expanding its restaurant network and renovating the existing restaurants in Hong Kong and Mainland China, while the net proceeds from the Listing allocated for such purpose has been utilised accordingly. In light of the persistently uncertain business environment and the outbreak of the COVID-19 pandemic, barring any unforeseen situations beyond the Group's control, it is expected that the unused net proceeds of approximately HK$141.0 million for the opening of new restaurants and approximately HK$50.1 million for the renovation of existing restaurants in Hong Kong and Mainland China as at 31 December 2020 to be fully utilised on or before 31 December 2022.

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 and the supplemented announcement dated 19 August 2020.

## 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 2020, the Group's cash and cash equivalents were approximately HK$562.1 million (2019: approximately HK$711.1 million), representing a decrease of approximately 21.0%. 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 2020, the Group's total current assets and current liabilities were approximately HK$813.9 million (2019: approximately HK$925.5 million) and approximately HK$1,009.3 million (2019: approximately HK$1,137.0 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 (2019: approximately 0.8 times).

The Group had interest-bearing bank borrowings of approximately HK$78.8 million as at 31 December 2020 (2019: approximately HK$307.5 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 2020, there were no financial instruments used for hedging purposes.

As at 31 December 2020, the gearing ratio of the Group (calculated by dividing the interest-bearing bank borrowings by equity attributable to owners of the Company) was approximately 7.3% (2019: approximately 31.8%).

### 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 2020, the Group had contingent liabilities of approximately HK$40.1 million (2019: approximately HK$23.6 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 2020, the Group had certain property, plant and equipment and right-of-use assets with an aggregate net carrying value of approximately HK$253.0 million (31 December 2019: HK$262.6 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 2020, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

## EMPLOYEES

The Group had approximately 6,900 employees as at 31 December 2020 (31 December 2019: approximately 7,000). 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. During the year ended 31 December 2020, 1,873,000 share options were exercised. There were 4,502,000 outstanding share options of the Company under the Pre-IPO Share Option Scheme as at 31 December 2020.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, 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 of the Company 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 2020.

## 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 2020, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 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 year ended 31 December 2020.

## 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 year ended 31 December 2020.

## 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 2020 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, 25 March 2021

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*