TA YANG GROUP HOLDINGS LIMITED

大洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1991)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINAL RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Ta Yang Group Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021, together with the audited comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	3	**362,528**	354,190
Cost of sales		**(286,247)**	(276,520)
Gross profit		**76,281**	77,670
Other income and net gain		**63,102**	36,522
Selling and distribution expenses		**(22,125)**	(17,893)
Administrative expenses		**(157,023)**	(118,359)
Other operating expenses		**(6,472)**	(13,938)
Share of results of associates		**(214)**	(97)
Finance costs		**(22,816)**	(21,137)
Impairment losses on interests in associates		**(18,968)**	(18,939)
Impairment losses on goodwill		**–**	(8,008)
Impairment losses under expected credit loss model, net of reversal		**(4,558)**	(10,808)
Loss before tax		**(92,793)**	(94,987)
Income tax credit/(expense)	5	**7,025**	(838)
Loss for the year	6	**(85,768)**	(95,825)
Loss for the year attributable to:			
Owners of the Company		**(84,901)**	(95,822)
Non-controlling interests		**(867)**	(3)
		(85,768)	(95,825)
			(Restated)
Loss per share	8		
Basic (HK cents)		**(7.52)**	(10.48)
Diluted (HK cents)		**(7.52)**	(10.48)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	HK$'000	*HK$'000*
Loss for the year	**(85,768)**	(95,825)
Other comprehensive income/(expenses)		
Item that will not be reclassified subsequently to profit or loss:		
Fair value gain on financial assets at fair value through other comprehensive income ("FVTOCI")	**828**	108
	828	108
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations	**(10,792)**	34,813
Share of other comprehensive income of associates	**3,847**	2,186
	(6,945)	36,999
Other comprehensive (expenses)/income for the year	**(6,117)**	37,107
Total comprehensive expenses for the year, net of income tax	**(91,885)**	(58,718)
Total comprehensive expenses for the year, net of income tax, attributable to:		
Owners of the Company	**(91,010)**	(58,705)
Non-controlling interests	**(875)**	(13)
	(91,885)	(58,718)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		**49,893**	151,497
Right-of-use assets		**64,908**	135,688
Investment properties		**–**	93,650
Goodwill		**2,166**	–
Financial assets at fair value through other comprehensive income		**3,921**	2,756
Interests in associates		**31,882**	45,175
Deferred tax assets		**545**	–
Loan receivables		**3,206**	–
Deposit		**24,400**	–
		180,921	428,766
Current assets			
Inventories		**63,987**	34,877
Trade and other receivables	*9*	**243,014**	238,275
Loan receivables		**35,871**	52,626
Held-for-trading investments		**24**	22
Bank balances and cash		**59,579**	31,774
		402,475	357,574
Assets of disposal group classified as held for sales		**205,053**	–
		607,528	357,574
Current liabilities			
Trade and other payables	*10*	**121,129**	197,689
Income tax payable		**17,128**	40,818
Borrowings		**13,500**	234,027
Lease liabilities		**14,085**	8,553
		165,842	481,087

	2021	2020
	HK$'000	*HK$'000*
Liabilities of disposal group classified as held for sales	**327,177**	–
	493,019	481,087
Net current assets/(liabilities)	**114,509**	(123,513)
Total assets less current liabilities	**295,430**	305,253
Capital and reserves		
Share capital	**130,677**	87,118
Reserves	**111,783**	187,942
Equity attributable to owners of the Company	**242,460**	275,060
Non-controlling interests	**(522)**	3,142
Total equity	**241,938**	278,202
Non-current liabilities		
Borrowings	**2,146**	3,564
Lease liabilities	**49,065**	5,451
Deferred income	**2,281**	3,165
Deferred tax liabilities	**–**	14,871
	53,492	27,051
	295,430	305,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL AND BASIS OF PREPARATION

Basis of Preparation

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China ("PRC") and the United Kingdom of Great Britain and Northern Ireland ("UK") whose functional currencies are Renminbi ("RMB") and Pound Sterling ("GBP") respectively, the functional currency of the Company and its other subsidiaries is HK$. As the Company is listed in Hong Kong, the Directors consider that it is appropriate to present the consolidated financial statements in HK$.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

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

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 — 2020	1 January 2022
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

(a) Amendment to HKFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment extends the time limit in one of the qualifying criteria of the practical expedient for COVID-19 related rent concessions from 30 June 2021 to 30 June 2022. As such, the use of the practical expedient is available to most rent concessions, in particular those involving reduction in lease payments originally due after 30 June 2021 but before 30 June 2022.

A lessee is required to apply the amendment retrospectively, with the cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of equity at the beginning of the annual reporting period. Lessees that had elected to apply the practical expedient in their previous financial statements are required to apply the extension to eligible contracts with similar characteristics and in similar circumstances.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

(b) Amendments to HKAS 1: Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

3. REVENUE

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

Revenue recognised for the year are as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue		
Sales of goods — point of time	**361,234**	343,922
Healthcare and hotel services — overtime	**1,294**	10,268
	362,528	354,190

4. SEGMENT INFORMATION

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

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

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

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

Segment revenues and results

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

2021

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

2020

	Silicone rubber and related products *HK$'000*	Healthcare and hotel services *HK$'000*	Total *HK$'000*
REVENUE			
External sales	343,922	10,268	354,190
Segment results	8,860	(27,854)	(18,994)
Unallocated income			1,962
Unallocated expenses			(77,955)
Loss before tax			(94,987)

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

Segment revenues reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2021 and 2020.

5. INCOME TAX (CREDIT)/EXPENSE

	2021	2020
	HK$'000	*HK$'000*
PRC Land Appreciation Tax	**3,607**	100
Current Taxation		
Provision for the year	**5,587**	–
Overprovision in prior years	**(573)**	–
	5,014	–
Deferred taxation		
Current year	**(15,646)**	738
	(7,025)	838

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

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

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

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

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

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

6. LOSS FOR THE YEAR

	2021	2020
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging/(crediting):		
Auditor's remuneration		
— Audit services	**1,660**	1,580
— Non-audit services	**1,010**	420
Gain on disposal of property, plant and equipment	**7,330**	–
Gain on disposal of investment properties	**31,437**	–
Allowance for inventories, net of reversal (included in cost of sales)	**–**	(20)
Costs of inventories sold *(Note)*	**284,122**	274,481
Depreciation of right-of-use assets	**12,019**	11,571
Depreciation of property, plant and equipment	**20,518**	14,504
Directors' emoluments	**8,487**	6,716
Staff costs (excluding directors' emoluments)	**124,642**	92,264

Note:

Cost of inventories sold includes approximately HK$87,499,000 (2020: HK$73,979,000) relating to staff costs, depreciation of property, plant and equipment and depreciation of right-of-use assets which amounts are also included in the respective total amounts disclosed separately above.

7. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2021 and 2020.

	2021	2020
Loss for the year attributable to owners of the Company (HK$'000)	**(84,901)**	(95,822)
		(Restated)
Weighted average number of ordinary shares in issue ('000)	**1,129,295**	914,178

During the years ended 31 December 2021 and 2020, the basic loss per share and the diluted loss per share are the same because there are no dilutive shares outstanding.

9. TRADE RECEIVABLES

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

	2021	2020
	HK$'000	*HK$'000*
0–90 days	**86,292**	78,722
91 days to 1 year	**11,686**	5,731
	97,978	84,453

10. TRADE PAYABLES

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

	2021	2020
	HK$'000	*HK$'000*
Within 30 days or on demand	**18,238**	14,739
31–90 days	**26,539**	22,424
91 days to 1 year	**11,462**	27,565
Over 1 year	**6,413**	860
	62,652	65,588

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2021, the Group was principally engaged in (i) designing and manufacturing of silicone rubber products (the "**Silicone Business**"); and (ii) providing healthcare and hotel services (the "**Healthcare and Hotel Business**"). In January 2022, the Group also resolved to formally commence its business of retail services (the "**Retail Business**") in the United Kingdom.

For the year ended 31 December 2021, the business environment of the Group was generally challenging, mainly due to the COVID-19 epidemic, the global market fluctuation, the geopolitical environment and the competition pressure. In order to tackle such hardship, the Group decided to (i) enhance competitive advantages of the core business which is the Silicone Business; (ii) explore realisation opportunity for the underperforming business which is the Healthcare and Hotel Business; and (iii) seek diversification opportunities with promising prospects, such as the Retail Business.

Looking back into 2021, the strategies of the Group have been proven as feasible, suitable and promising. For the year ended 31 December 2021, the Group recorded an improved performance with (i) an increased revenue of approximately HK$362.5 million (2020: approximately HK$354.2 million), representing an increase of approximately 2.3% as compared with the corresponding period in 2020; (ii) a decreased loss for the year of approximately HK$85.8 million (2020: approximately HK$95.8 million), representing a decrease of approximately 10.4% as compared with the corresponding period in 2020; and (iii) a decreased loss per share of approximately HK$7.52 cent (2020: approximately HK$10.48 cent), representing a decrease of approximately 28.2% as compared with the corresponding period in 2020.

The Silicone Business

For the year ended 31 December 2021, the Silicone Business remained as the core business of the Group in terms of the operation size and the staff headcount, and has recorded an improved performance when facing challenges of the COVID-19 epidemic and competition pressure in the manufacturing sector.

The Silicone Business stayed committed to enhance its competitiveness by lowering the production costs and expanding the product category. Measures for cost control included adopting new technologies, sourcing cost-effective materials and improving staff productivity. The Group also invested in research and development activities to expand product portfolio and to optimise product mix. For the year ended 31 December 2021, major products of the Silicone Business included consumer electronic devices' peripheral products and lifestyle products. As a response to the ever-changing tastes of the customers, more products of the Silicone Business will be introduced in the future.

On the other hand, the Group closely monitored the operation efficiency of the Silicone Business, and continuously explored improvement measures. For the year ended 31 December 2021, the Group conducted a disposal of properties in Huzhou, Zhejiang Province, the PRC, mainly because the production capacity of the Huzhou base had not been fully utilised and the income generated did not justify the maintenance and operation costs. Upon completion of such disposal, the Group deployed more resources into more profitable and sustainable production bases, such as the core production factory located in Dongguan, Guangdong Province, the PRC.

The Healthcare and Hotel Business

For the year ended 31 December 2021, the Healthcare and Hotel Business continuously incurred an operational loss under travel restrictions due to the COVID-19 epidemic and market fluctuation in the property industry. In light of such underperformance, the Group had been exploring opportunities to realise value of its investment in the Healthcare and Hotel Business.

In July 2021, the Company entered into a sale and purchase agreement to dispose of 71% interests in Ta Yang Medical Investment Limited（大洋醫療投資有限公司）which operates the Healthcare and Hotel Business. However, such disposal was terminated in January 2022, due to the purchaser's failure to fully and punctually pay the consideration. Nevertheless, the Group will continue to seek other opportunities to realise value of its investment in the Healthcare and Hotel Business.

The Retail Business

In January 2022 and after carefully studying the local market, the Group resolved to formally commence the Retail Business in the United Kingdom and to launch products of the Silicone Business directly to end customers.

The Retail Business aimed to build a brand — "YOHOME Oriental Life Style（有家東方生活範兒）" which mainly focuses on the products manufactured in the Silicone Business. The product catalogue of the Retail Business covered high-quality silicone rubber products with oriental characteristics, and ranged from living utensils, kitchen utensils, stationaries to beauty products. The Retail Business intended to create a cultural and life-style circle with oriental hints in the United Kingdoms, and to serve the overseas Chinese and local customers who are fond of Asian culture. For the year ended 31 December 2021, 2 physical stores of the Retail Business have been opened.

OUTLOOK

Looking forward, the business environment remains challenging. Firstly, the COVID-19 epidemic is continuously causing difficulty and inefficiency, and sometimes a total halt of operation, in the areas where the Silicone Business and the Healthcare and Hotel Business operate. On the other hand, the worldwide political and economic environment is unpredictable, and intensive conflict arises from time to time. As the Group in now further expanding its business portfolio into the international level, any fluctuation in the politics or economies will lead to new challenges.

Nevertheless, the Group remains positive about its prospects with the diligent works of the management and employees. Historical performance records have proven the strategies of the Group as feasible, suitable and promising. Then the Group will continuously explore measures to improve its profitability, to create return to its investors and to maintain a positive relationship with its stakeholders.

The Silicone Business

The Silicone Business will remain as the principal business and the core revenue generator of the Group. The Group is confident that it will be capable of securing profitable orders, given its low sales price, cordial client relationship and vast production experience. Also, the Group expects to introduce more new products by conducting research and development activities. The strategies on cost control and new product introduction were effective in the past, and expected to remain so in the future.

The Healthcare and Hotel Business

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

The Retail Business

Since the Retail Business was newly launched, its potential of profitability may take some time to realise. As at this moment, the Retail Business is directing its resources and effects on physical retailing stores, but will actively study expansion opportunities, such as launching brand flagship stores and life-experiencing halls, or establishing online shopping platform. Given that the local market has a large demand, the Retail Business is expected to become a key revenue stream of the Group in the future.

Other potential opportunities

The Group will continuously look for opportunities which can reinforce its existing business portfolio or provide sound diversification prospects, with an aim to improve the performance and maximize the return. In addition to going downstream of its industry chain, the Groups is also actively exploring opportunities in the upstream, including the silicone/rubber raw material sector for the Silicone Business. There has been a shortage of raw materials over the past years which caused cost pressure and hence adversely affected the gross margin of the Group. By going upstream, the Group will be able to lower costs, and then enhance profitability. Should there be any development for such potential opportunities, the Company will make further announcement(s) as and when appropriate.

RIGHTS ISSUE

On 13 May 2021, the Company announced a rights issue to raise a maximum of approximately HK$61 million, whereby 435,589,000 rights shares would be allotted on the basis of one rights share for every two shares held on the record date (i.e. 28 May 2021) at the subscription price of HK$0.14 per rights share (representing a discount of approximately 22.22% to the closing price of HK$0.18 per share on 12 May 2021). The rights issue was declared unconditional on 16 June 2021, and a total of 435,589,000 ordinary shares in the par value of HK$0.1 each were issued to qualifying shareholders.

After deducting professional fees and other related expenses, net proceeds of approximately HK$60 million (representing a net subscription price of approximately HK$0.14 per right share) were raised for the following: (i) approximately HK$42 million will be used for repayment of the outstanding loan amount and/or settlement of other payables; and (ii) approximately HK$18 million will be used as general working capital of the Group on purchase of raw materials for its manufacturing of silicone rubber and related products. The proceeds of the rights issue were used according to the intension previously disclosed by the Company. The rights issue enabled the Company to strengthen its capital base and to enhance the financial position of the Group without increasing its debt or finance costs. Following the rights issue, the shareholder base of the Company was increased, while the liquidity and financial resources of the Group were improved.

Save for the rights issue, the Company has not conducted any equity fund raising activities for the year ended 31 December 2021.

TERMINATED DISPOSAL OF THE HEALTHCARE AND HOTEL BUSINESS

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

But the July SPA did not complete and was later terminated, mainly because the consideration was not fully paid. On 28 January 2022, relevant parties entered into a termination agreement to terminate the July SPA immediately. In particular, all transaction arrangements which had occurred by cause of the July SPA should be restored to the position before entering into of the July SPA.

Termination of the July SPA has not caused any material adverse impact on the financial position and operation of the Group.

DISPOSAL OF THE HUZHOU PROPERTIES

On 10 September 2021, Huzhou Tayang Electronic Technology Co., Ltd.* (湖州大洋電子科技有限公司), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**September SPA**") to dispose of properties (the "**Huzhou Properties**") to an independent third party at the consideration of RMB115 million.

The Huzhou Properties are located at No. 389 Cheng Ye Road, Huzhou, Zhejiang Province, the PRC, and are for industrial use purpose. The Huzhou Properties mainly comprise the land with site area of approximately 66,679 m^2 and the buildings of the industrial complex with total gross floor area of approximately 71,042 m^2. There are industrial buildings and structures attaching to the land and the properties (such as roads, fences and drainage), electricity equipment and green areas. Before the disposal, the Huzhou Properties were mainly used by the Group for manufacturing of silicone rubber input devices and certain part of the Huzhou Properties had been rented out for rental income.

The Huzhou Properties were acquired by the Group before 2010. Based on historical information, performances of the production associated with the Huzhou Properties had fallen behind expectation. In particular, the production capacity of the Huzhou Properties was not fully utilised. As the income generated by the Huzhou Properties did not justify the maintenance and operation costs, the Group decided to proceed the disposal and to deploy its resources into more profitable and sustainable production bases.

MEMORANDUM OF UNDERSTANDING IN RELATION TO ACQUISITION OF THE POSSIBLE PACKAGING BUSINESS

On 15 December 2021, Elegant Giant Holdings Limited (鉅麗控股有限公司), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "**December MOU**"), according to which the Group intended to acquire the entire issued share capital of Fan Tat Packaging Limited (泛達包裝有限公司). The target group under the December MOU is principally engaged in the manufacturing of packaging and containers for food and beverage. The December MOU granted the Group an exclusivity period of six months for due diligence and term negotiation. In return, the Group paid a refundable deposit of RMB20 million which could be used as partial payment for the consideration, if an acquisition materialises.

As at the date of this announcement, the Group is in the course of due diligence review on the target group under the December MOU, mainly focusing on the asset valuation, financial position and business prospects. Should there be any development, the Company will make further announcement(s) in relation to the above matters as and when appropriate.

FINANCIAL REVIEW

Revenue

For year ended 31 December 2021, the Group recorded a revenue of approximately HK$362.5 million (2020: approximately HK$354.2 million), representing an increase of approximately 2.3% as compared with the corresponding period in 2020.

The revenue was principally contributed by the Silicone Business which recorded a revenue of approximately HK$361.2 million for the year ended 31 December 2021 (2020: approximately HK$343.9 million), which accounted for approximately 99.6% of the total revenue of the Group (2020: approximately 97.1%). The revenue fluctuation of the Silicone Business was mainly due to the sales volume change, including increase in certain non-recurring orders placed during the year ended 31 December 2021.

On the other hand, the Healthcare and Hotel Business remained unsatisfactory, and recorded a revenue of approximately HK$1.3 million for the year ended 31 December 2021 (2020: approximately HK$10.3 million), which accounted for approximately 0.4% of the total revenue of the Group (2020: approximately 2.9%). The decrease in revenue of Healthcare and Hotel Business was affected by the transaction related to the potential disposal of 71% interest in Ta Yang Medical Investment Limited which was subsequently terminated in January 2022.

Gross profit

For year ended 31 December 2021, the gross profit was approximately HK$76.3 million (2020: approximately HK$77.7 million), representing a decrease of approximately 1.8% as compared with the corresponding period in 2020. For year ended 31 December 2021, the gross profit margin decreased to approximately 21.0% (2020: 21.9%). This was caused by the fact that the COVID-19 epidemic leaded to a tougher business environment for the Silicone Business. Also, the power restriction and the supply shortage caused higher cost for raw materials and other materials.

Other income and net gain

For the year ended 31 December 2021, the other income and net gain was approximately HK$63.1 million (2020: approximately HK$36.5 million), representing an increase of approximately 72.9% as compared with the corresponding period in 2020. The change in other income and net gain was mainly due to the one-off disposal of the Huzhou Properties and the decrease in the related rental income.

Expenses

For the year ended 31 December 2021, the selling and distribution expenses were approximately HK$22.1 million (2020: approximately HK$17.9 million), representing an increase of approximately 23.5% as compared with the corresponding period in 2020. For year ended 31 December 2021, the administrative expenses were approximately HK$157.0 million (2020: approximately HK$118.4 million), representing an increase of approximately 32.6% as compared with the corresponding period in 2020. Such increase in the selling and distribution expenses and the administrative expenses were mainly caused by increase in staff cost, marketing expenses for promoting silicone rubber and related products, and legal and professional fee incurred for corporate transactions.

Loss attributable to owners of the Company

For the year ended 31 December 2021, the Group recorded loss attributable to owners of the Company of approximately HK$84.9 million (2020: loss of approximately HK$95.8 million), representing a decrease of approximately 11.4% as compared with the corresponding period in 2020. For the year ended 31 December 2021, loss per share was approximately HK$7.52 cent (2020: approximately HK$10.48 cent), representing a decrease of approximately 28.2% as compared with the corresponding period in 2020. Such changes were mainly due to the improved performance of the Group, as well as an increased shareholder base.

Liquidity and financial resources

For the year ended 31 December 2021, the Group's major source of funds was cash generated from operating and financing activities, and the Group's liquidity improved as compared with the corresponding period in 2020.

	2021	2020
Cash and cash equivalents (HK$'000)	**59,579**	31,774
Current ratio	**1.2**	0.7
Quick ratio	**1.1**	0.7
Gearing ratio*	**0.8**	0.9

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

Save for a stable operation performance, the improved liquidity and financial resources of the Group was also caused by a rights issue of the Company which was completed in June 2021. Net proceeds of approximately HK$60 million from the rights issue were raised for repayment of the outstanding loan amount, settlement of other payables and general working capital of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Business risk

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

Industry risk

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

Credit risk

As at 31 December 2021, the Group recorded total current assets of approximately HK$607.5 million and total current liabilities of approximately HK$493.0 million. Despite that the Company has conducted certain fund-raising activities (including a rights issue in May and June 2021) and certain disposal (including the disposal of the Huzhou Properties), the bank balances and cash on hand of the Group remained tight when compared with its current liabilities. The Group is required to recover its trade and other receivables for repayment of certain current liabilities. If the receivables are not fully recovered, the Group may not have sufficient resources to repay its short-term obligations as they fall due.

Event risk

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

For the year ended 31 December 2021, the COVID-19 epidemic has caused a lot of uncertainties in economy, and also increased the safety and hygiene regulations imposed by the governments which in turn put a higher cost pressure to the Group. Due to the safety and hygiene concerns, the Group found that it is more difficult to maintain a smooth and effective operation when compared with before. As a response, the Group adopted a flexible working schedule and re-arranged the production flow.

SHARE CAPITAL STRUCTURE

For the year ended 31 December 2021, there was no change to the authorised share capital of the Company which is HK$2,000,000,000 dividable into 20,000,000,000 shares in the par value of HK$0.1 each.

As at 1 January 2021, the Company had issued a total of 871,178,000 shares in the par value of HK$0.1 each. In May and June 2021, the Company conducted a rights issue on the basis of one rights share for every two existing shares held on the record date (i.e. 28 May 2021) at the subscription price of HK$0.14 per rights share. The rights issue was declared unconditional on 16 June 2021, and a total of 435,589,000 rights shares were allotted and issued. As at 31 December 2021, the Company had issued a total of 1,306,767,000 shares in the par value of HK$0.1 each, and all shares were fully paid and rank pari passu with each other in all respects.

As at 31 December 2021, the Company had no outstanding options, warrants, convertibles or other arrangements to issue shares.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Save for the disclosed, the Group had no significant investment as at 31 December 2021.

PLEDGE OF ASSETS

Capital commitments contracted by the Group but not yet provided for in the financial statements as at 31 December 2021 were approximately HK$6.0 million (2020: approximately HK$2.1 million), which was mainly related to the expansion of production capacity of the Silicone Business. Such capital commitments will be financed by the net proceeds from operating activities. As at 31 December 2021, certain properties of the Group of approximately HK$152.5 million (2020: approximately HK$301.3 million) were pledged to secure banking facilities or bank and other borrowings granted to the Group.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2021 (2020: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the disclosed, the Group had no material acquisition or disposal of any subsidiaries, associates or joint ventures for the year ended 31 December 2021.

TRANSACTIONS AFTER THE REPORTING PERIOD

Termination of a disposal of 71% interest in Ta Yang Medical Investment Limited

In July 2021, the Company entered into a sale and purchase agreement to dispose of 71% interests in Ta Yang Medical Investment Limited (大洋醫療投資有限公司) which operates the Healthcare and Hotel Business. However, such disposal was terminated in January 2022, due to the purchaser's failure to fully and punctually pay the consideration. Termination of such disposal did not have any material adverse impact on the financial position and operation of the Group.

Formal commencement of the Retail Business

In January 2022, the Group resolved to formally commence its business of retail services in the United Kingdom and launch the Group's silicone products directly to the end customers. Commencement of the Retail Business was an organic extension of the Silicone Business and might increase profitability of the Group.

Save as disclosed, the Directors were not aware of any significant event requiring disclosure that had taken place subsequent to 31 December 2021 and up to the date of this announcement.

CURRENCY MANAGEMENT AND TREASURY POLICY

For the year ended 31 December 2021, the Group's cash receipts were denominated in US dollars, Hong Kong dollars, Pound Sterling ("**GBP**") and Renminbi ("**RMB**"), while the labour costs, manufacturing overheads, selling and administrative expenses of the Group were mostly negotiated, measured and settled in RMB. As the Retail Business in the United Kingdom has become a principal business of the Group, it is expected that the GBP will constitute a key functional currency of the Group in the future. Therefore, fluctuations of RMB and GBP will affect the Group's profitability. The Group will closely monitor the currency movements and take appropriate measures to deal with such exchange-rate exposure.

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

HUMAN RESOURCES AND REMUNERATION POLICIES

As the Group is committed to improving production capacity, developing high-quality products, and expanding industry chain, experienced workers, engineers and professionals are crucial to the Group. The Group offers on-the-job training and encourages staff to attend continuous professional training in order to enhance their skills and knowledge. The Group also offers competitive remuneration packages, including quality staff quarters, medical care, insurance coverage and retirement benefits, to employees. As at 31 December 2021, the Group employed 1,164 permanent and temporary employees (2020: 1,080). The total salaries and related costs for the year ended 31 December 2021 amounted to approximately HK$124.7 million (2020: approximately HK$92.3 million).

FINAL DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2021 (2020: nil).

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")(the "**Listing Rules**") and amended from time to time throughout the year ended 31 December 2021, except:

(i) Code provision C.1.6 stipulates that independent non-executive directors and other non-executive directors, as equal board members, generally should attend general meetings and develop a balanced understanding of the views of shareholders. Two non-executive Directors and four independent non-executive Director were unable to attend the annual general meeting of the Company held on 29 June 2021 due to inconvenience caused by the COVID-19 epidemic and their respective business matters. Nevertheless, other members of the Board attended this annual general meeting to ensure effective communication with the shareholders of the Company.

(ii) Code provision D.1.2 stipulates that the management of the Company should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. For the year ended 31 December 2021, the management of the Company did not provide monthly updates to all members of the Board, as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performances, positions and prospects of the Group. On the other hand, the management provided to all Directors from time to time a balanced and understandable assessment of the Group's performances, positions and prospects in sufficient detail. In addition, the management provided all members of the Board, in a timely manner, updates on any material changes and sufficient background or explanatory information.

(iii) Code provision F.2.2 stipulates that the chairman of the Board should attend the annual general meeting of the Company. Ms. Shi Qi, chairman of the Board, was unable to attend the annual general meeting of the Company held on 29 June 2021 due to the COVID-19 epidemic. However, she invited other members of the Board (including the Chief Executive Officer and an independent non-executive Director) to attend this annual general meeting to ensure effective communication with the shareholders of the Company.

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**") set out in Appendix 10 to the Listing Rules. Specific enquiries had been made to all Directors and each Director had confirmed that she/he had complied with the Model Code for the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 13 December 2018, the shareholders of the Company approved adoption of the share option scheme of the Company (the "**Scheme**"). The Scheme was later adopted by the Company. For the year ended 31 December 2021, no options or securities had been granted, exercised, cancelled or lapsed under the Scheme. As at 1 January 2021 and 31 December 2021, there was no outstanding option under the Scheme.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

Currently, the Audit Committee comprises Mr. Lin Bing (chairman), Mr. Hu Jiangbing and Ms. Wang Lina, all being independent non-executive Directors. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, financial reporting, risk management and internal control matters. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2021, and is of the view that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

SCOPE OF WORK OF AUDITOR

The figures in respect of the consolidated financial statements as set out in this result announcement have been agreed by the Group's independent auditor, Elite Partners CPA Limited, to the amounts set out in the consolidated financial statements for the year ended 31 December 2021. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Elite Partners CPA Limited on this result announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This result announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.tayanggroup.com). The annual report will be dispatched to the shareholders of the Company, and will be available on websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting, together with a circular therefor, will be dispatched to the shareholders of the Company, and will be available on websites of the Stock Exchange and the Company in the manner as required by the Listing Rules in due course.

APPRECIATION

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

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

Hong Kong, 31 March 2022

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