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 2021 AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ADOPTION OF NEW ARTICLES OF ASSOCIATION

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 2021 together with the comparative figures for the year ended 31 December 2020 as set out below:

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 13.4% to HK$3,173.0 million in 2021 (2020: HK$2,797.9 million).
- Gross profit margin rose 1.7 percentage points to 72.3% (2020: 70.6%).
- Profit attributable to owners of the Company for the year ended 31 December 2021 decreased by 16.2% to HK$99.7 million (2020: HK$119.0 million).
- Basic earnings per share were HK9.94 cents (2020: HK11.89 cents).
- Maintain a healthy and liquid financial position with cash and cash equivalents of HK$452.6 million as at 31 December 2021.
- Final dividend of HK4.95 cents per share (2020: HK6.42 cents per share) was proposed, representing a total dividend per share for the year of HK7.45 cents and a payout ratio of 75%.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
REVENUE	*5*	**3,173,027**	2,797,923
Cost of materials consumed		**(878,279)**	(821,648)
Gross profit		**2,294,748**	1,976,275
Other income and gains, net	*5*	**51,995**	70,614
Staff costs		**(1,081,700)**	(825,896)
Depreciation and amortisation		**(157,650)**	(155,288)
Amortisation of right-of-use assets, rental and related expenses		**(453,807)**	(437,904)
Other operating expenses, net		**(443,915)**	(412,012)
Impairment losses on property, plant and equipment and right-of-use assets		**(46,512)**	(47,818)
Finance costs	*6*	**(34,855)**	(46,670)
PROFIT BEFORE TAX	*7*	**128,304**	121,301
Income tax expense	*8*	**(32,949)**	(3,539)
PROFIT FOR THE YEAR		**95,355**	117,762
Profit for the year attributable to:			
Owners of the Company		**99,716**	118,959
Non-controlling interests		**(4,361)**	(1,197)
		95,355	117,762
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic	*10*	**HK9.94 cents**	HK11.89 cents
— Diluted	*10*	**HK9.92 cents**	HK11.84 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**95,355**	117,762
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**4,909**	14,992
Reclassification adjustment for foreign operations deregistered during the year	**(326)**	(1,106)
Other comprehensive income for the year	**4,583**	13,886
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**99,938**	131,648
Attributable to:		
Owners of the Company	**103,846**	132,592
Non-controlling interests	**(3,908)**	(944)
	99,938	131,648

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**2021** *HK$'000*	2020 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment and right-of-use assets		**1,781,055**	2,195,312
Investment properties		**52,778**	36,867
Intangible assets		**–**	1,012
Prepayments, deposits and other receivables		**138,582**	141,244
Deferred tax assets		**30,560**	26,311
Total non-current assets		**2,002,975**	2,400,746
CURRENT ASSETS			
Inventories		**96,854**	78,800
Trade receivables	*11*	**28,087**	24,331
Prepayments, deposits and other receivables		**154,547**	130,716
Tax recoverable		**3,717**	17,953
Cash and cash equivalents		**452,607**	562,081
Total current assets		**735,812**	813,881
CURRENT LIABILITIES			
Trade payables	*12*	**106,376**	91,935
Other payables and accruals		**241,256**	248,796
Contract liabilities		**73,359**	77,847
Interest-bearing bank borrowings		**–**	24,230
Lease liabilities		**400,647**	555,028
Tax payable		**30,859**	11,500
Total current liabilities		**852,497**	1,009,336
NET CURRENT LIABILITIES		**(116,685)**	(195,455)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,886,290**	2,205,291

	Note	**2021**	2020
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**755,405**	1,029,264
Other payables and accruals		**29,925**	33,589
Interest-bearing bank borrowings		**–**	54,545
Deferred tax liabilities		**5,782**	4,881
Total non-current liabilities		**791,112**	1,122,279
Net assets		**1,095,178**	1,083,012
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*13*	**10,036**	10,019
Reserves		**1,083,498**	1,067,441
		1,093,534	1,077,460
Non-controlling interests		**1,644**	5,552
Total equity		**1,095,178**	1,083,012

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.

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 2021, the Group had net current liabilities of HK$116,685,000 which included current portion of lease liabilities of HK$400,647,000. 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 following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform — Phase 2*
Amendments to HKAS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest-bearing bank borrowings and interest rate hedging relationships as at 31 December 2021.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK$17,331,000 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 2021. There was no impact on the opening balance of equity as at 1 January 2021.

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 intersegment results and finance costs other than interest on lease liabilities 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 2021 and 2020

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers*	**2,462,372**	2,269,710	**710,655**	528,213	**3,173,027**	2,797,923
Intersegment sales	**–**	–	**129,299**	84,964	**129,299**	84,964
Revenue	**2,462,372**	2,269,710	**839,954**	613,177	**3,302,326**	2,882,887
Reconciliation:						
Elimination of intersegment sales					**(129,299)**	(84,964)
					3,173,027	2,797,923
Segment results	**169,151**	181,729	**(38,627)**	(49,717)	**130,524**	132,012
Reconciliation:						
Elimination of intersegment results					**(620)**	(2,858)
Finance costs (other than interest on lease liabilities)					**(1,600)**	(7,853)
Profit before tax					**128,304**	121,301

As at 31 December 2021 and 2020

	Hong Kong, Macau and Taiwan		Mainland China		Total	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,527,728**	1,871,950	**724,175**	735,320	**2,251,903**	2,607,270
Reconciliation:						
Corporate and other unallocated assets					**486,884**	607,357
Total assets					**2,738,787**	3,214,627
Segment liabilities	**1,120,256**	1,505,432	**486,712**	531,027	**1,606,968**	2,036,459
Reconciliation:						
Corporate and other unallocated liabilities					**36,641**	95,156
Total liabilities					**1,643,609**	2,131,615

* 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	
	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers		
(i) Disaggregated revenue information		
Types of goods or services		
Revenue from restaurant operations	**3,105,745**	2,730,083
Revenue from the sale of food products	**67,282**	67,840
Total revenue from contracts with customers	**3,173,027**	2,797,923
Geographical markets		
Hong Kong, Macau and Taiwan	**2,462,372**	2,269,710
Mainland China	**710,655**	528,213
Total revenue from contracts with customers	**3,173,027**	2,797,923
Timing of revenue recognition		
At a point in time	**3,173,027**	2,797,923

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	
	2021	2020
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liabilities at the beginning of the year — Restaurant operation	**57,984**	64,026

(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	
	2021	2020
	HK$'000	*HK$'000*
Other income and gains, net		
Bank interest income	**2,110**	7,524
Rental income	**1,392**	981
Royalty income	**526**	1,090
Subsidies received from utility companies for purchases of items of property, plant and equipment*	**3,261**	3,249
Fair value gain on investment properties	**2,582**	–
Government grants*	**33,251**	47,706
Cash coupon forfeited	**1,291**	1,364
Gain on deregistration of subsidiaries	**326**	1,106
Others	**7,256**	7,594
	51,995	70,614

* Government grants during the years ended 31 December 2021 and 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	
	2021	2020
	HK$'000	*HK$'000*
Interest on bank borrowings	**1,600**	7,853
Interest on lease liabilities	**33,255**	38,817
	34,855	46,670

7. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Cost of materials consumed	**878,279**	821,648
Depreciation of items of property, plant and equipment	**157,559**	155,133
Amortisation of intangible assets	**91**	155
Amortisation of right-of-use assets*	**416,928**	409,145
Lease payments not included in the measurement of lease liabilities*	**31,094**	27,545
Covid-19-related rent concessions from lessors*	**(17,331)**	(56,246)
Contingent rents*	**10,084**	7,885
Gain on lease modification*	**(35,011)**	(3,996)
Auditor's remuneration	**3,500**	3,400
Employee benefit expenses (including directors' and chief executive's remuneration):		
Salaries, allowances and benefits in kind	**1,009,571**	933,124
Employment support scheme subsidies	**–**	(158,139)
Equity-settled share option expenses	**863**	8,323
Pension scheme contributions****	**71,266**	42,588
	1,081,700	825,896
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**49**	87
Foreign exchange differences, net**	**(70)**	(627)
Impairment of right-of-use assets	**29,721**	34,482
Impairment of items of property, plant and equipment	**16,791**	13,336
Impairment of intangible assets	**921**	–
Loss on disposal of items of property, plant and equipment***	**16,662**	30,735
Fair value (gain)/loss on investment properties, net	**(2,582)**	1,957
Utilities expenses***	**117,811**	101,534
Packing and consumables***	**37,590**	52,506
Cleaning expenses***	**33,114**	35,713
Transportation and logistics***	**29,935**	23,118

* 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.

*** These items are included in "Other operating expenses, net" in profit or loss.

**** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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 2021 (2020: 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	
	2021	2020
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**34,721**	12,120
Overprovision in prior years	**(827)**	(392)
Current — Elsewhere	**2,951**	223
Deferred	**(3,896)**	(8,412)
Total tax charge for the year	**32,949**	3,539

9. DIVIDENDS

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Interim dividend — HK2.50 cents (2020: HK1.30 cents) per ordinary share	**25,090**	13,019
Proposed final dividend — HK4.95 cents (2020: HK6.42 cents) per ordinary share	**49,678**	64,320
	74,768	77,339

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

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 2021 is based on the profit for the year attributable to owners of the Company of HK$99,716,000 (2020: HK$118,959,000) and the weighted average number of ordinary shares in issue of 1,002,704,000 (2020: 1,000,762,000) in issue during the year, as adjusted to reflect the shares issued during the year.

The calculation of diluted earnings per share amount for the year ended 31 December 2021 is based on the profit for the year attributable to owners of the Company of HK$99,716,000 (2020: HK$118,959,000). The weighted average number of ordinary shares used in the calculation is 1,002,704,000 (2020: 1,000,762,000) in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 2,458,000 (2020: 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, is as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Within 1 month	**21,775**	17,316
1 to 2 months	**4,116**	4,036
2 to 3 months	**980**	677
Over 3 months	**1,216**	2,302
	28,087	24,331

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:

	2021 ***HK$'000***	2020 *HK$'000*
Within 1 month	**91,609**	75,729
1 to 2 months	**10,749**	10,256
2 to 3 months	**426**	849
Over 3 months	**3,592**	5,101
	106,376	91,935

13. ISSUED CAPITAL

	Number of shares	Share capital *HK$'000*
Authorised:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000,000	100,000
Issued and fully paid:		
As at 1 January 2020	1,000,000,000	10,000
Share options exercised (*note*)	1,873,000	19
As at 31 December 2020 and 1 January 2021	1,001,873,000	10,019
Share options exercised (*note*)	1,723,000	17
As at 31 December 2021	1,003,596,000	10,036

Note: During the year ended 31 December 2021, the subscription rights attaching to 1,723,000 (2020: 1,873,000) share options were exercised at the subscription price of HK$0.45 (2020: HK$0.45) per share, resulting in the issue of 1,723,000 (2020: 1,873,000) shares for a total cash consideration, before expenses, of approximately HK$775,000 (2020: HK$843,000). An amount of HK$3,874,000 (2020: 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.

There were 4,502,000 outstanding share options under the Pre-IPO Share Option Scheme as at 31 December 2020, 1,723,000 share options were exercised and 916,000 share options were lapsed during the year ended 31 December 2021, and there were 1,863,000 outstanding share options as at 31 December 2021. During the year ended 31 December 2021, the Group recognised equity-settled share option expenses of approximately HK$863,000 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 (the "Adoption Date") 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.

Since the Adoption Date and up to 31 December 2021, no share options of the Company were granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Board of Directors of Tai Hing Group Holdings Limited (the "Board"), together with its subsidiaries (the "Group"), are pleased to announce the annual results of the Group for the year ended 31 December 2021 (the "Review Year" or "FY2021").

With the increase in COVID-19 vaccination rate and stringent anti-pandemic measures implemented by the government, the epidemic gradually eased during the Review Year. As such, the HKSAR Government, on the basis of the "vaccine bubble", further relaxed restrictions on restaurant operations and disbursed HK$5,000 to citizens under the "Consumption Voucher Scheme" which helped stimulate consumption sentiment, and in turn customer traffic and turnover of restaurants. In Mainland China, despite the sporadic surfacing of COVID-19 cases in some provinces prompting corresponding tightening of anti-pandemic measures which inevitably impacted the Group, timely contingency measures were implemented by the Group to reduce costs and increase profits. Amid the pandemic, the Group optimised its internal management, restaurant network and marketing strategies, as well as promoted digitalised operations, which consequently enabled it to achieve satisfactory overall results.

During the Review Year, the Group recorded a solid 13.4% overall revenue growth to HK$3,173.0 million (FY2020: HK$2,797.9 million), turning around the decline last year. Gross profit and gross profit margin were HK$2,294.7 million (FY2020: HK$1,976.3 million) and 72.3% (FY2020: 70.6%). Profit attributable to owners of the Company amounted to HK$99.7 million (FY2020: HK$119.0 million). Basic earnings per share were HK9.94 cents (FY2020: HK11.89 cents). Excluding the allowances from the Hong Kong Government's "Employment Support Scheme", other government subsidies and rent reduction, the Group's performance for FY2021 had significant improvement against FY2020, showing clearly the greater resilience of the Group's business model.

Albeit the challenging business environment, the Group has implemented prudent financial management policies, which enables it to maintain a healthy financial position with sufficient cash on hand and steady operating cash flows, and allows it to weather ongoing adversities as well as driving business growth. As at 31 December 2021, it had fully repaid all bank loans, and had cash and cash equivalents of HK$452.6 million (as at 31 December 2020: HK$562.1 million).

To share the Group's achievements with shareholders, the Board has resolved to propose a final dividend of HK4.95 cents per ordinary share for the year ended 31 December 2021. Together with the interim dividend of HK2.50 cents per share already paid, the total dividend for FY2021 will be HK7.45 cents per share.

Operating Costs

Cost of Materials Consumed

During the Review Year, cost of materials consumed amounted to HK$878.3 million (FY2020: HK$821.6 million) and expressed as a percentage of revenue, it dropped to 27.7% (FY2020: 29.4%). The Group's food factory in Dongguan, China reported steady productivity growth and was recorded a profit. Together with Hong Kong food factory, the Group is able to control costs more effectively and to achieve greater economies of scale. In addition, the Group has continued to adjust the menus of its various brands and added easy-to-cook options under new brands to mitigate the impact of ingredient cost fluctuation. It has also obtained more discounts through bulk purchase and negotiation with suppliers.

Staff Costs

During the Review Year, the Group actively optimised workflow to further reduce staff costs, including increase in investment in digital devices and system. Installing a QR code self-ordering system in its restaurants, for example, not only has enhanced the speed and efficiency of order taking, but also optimised customers' dining experience and reduced the Group's manpower burden. Staff costs rose to HK$1,081.7 million in FY2021 (FY2020: HK$825.9 million) in the absence of subsidies under the Hong Kong Government's "Employment Support Scheme". However, it is worth noting that excluding the subsidies under the Employment Support Scheme, the staff costs to revenue ratio for the Review Year decreased compared to that of FY2020.

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$453.8 million (FY2020: HK$437.9 million). Boasting leadership in the casual dining industry in the region and a proven capable multi-brand business model, plus taking into account the pandemic prevailing, the Group has greater bargaining power in leasing and has been able to secure shop spaces in prime locations at favourable rentals and leasing terms, allowing it to enhance its restaurant network and better prepare for post-pandemic development. The Group has also set up an internal team to conduct more detailed internal analysis of leasing arrangements so as to reduce leasing related expenses. It is worth mentioning that although the Group received significant drop in COVID-19 related rent concessions during the Review Year as compared with the previous financial year, it still recorded a decrease in rental and related expenses to revenue ratio.

Industry Review

In Hong Kong, with the COVID-19 pandemic easing in the second half of the year and the government relaxing social distance measures and restrictions on restaurants, the catering industry gradually warmed up. According to Hong Kong Census and Statistics Department figures, restaurants in Hong Kong made an estimated total revenue of HK$92.7 billion in 2021, up 16.8% and 14.8% in terms of value and volume respectively against 2020. In addition, their total purchases in the same period were estimated at HK$30.2 billion, up 16.8%[1] year-on-year.

In Mainland China, the economy gradually resumed normal operation. According to National Bureau of Statistics of China data, GDP of the country increased by 8.1%[2] year-on-year in 2021. By type of consumption, the catering industry saw the biggest revenue growth in 2021, with revenue at RMB4,689.5 billion, up 18.6%[3] year-on-year.

Geographical Analysis

In Hong Kong, the COVID-19 Vaccination Programme has been rolled out steadily. To promote economic activities and people's daily life gradually returns to normal, the HKSAR Government, on the basis of the "vaccine bubble", has adopted a four-grade system in relaxing operational restrictions on restaurants and introduced the HK$5,000 "Consumption Voucher Scheme", which brought positive impact on the catering industry during the Review Year. In addition, there was increase in demand for takeaway and delivery services as people reduce going out to follow government policies. To seize the opportunities in the takeaway and delivery services market, the Group has forged partnership with third-party food ordering platforms.

1 Census and Statistics Department
https://www.censtatd.gov.hk/en/data/stat_report/product/B1080002/att/B10800022021QQ04B0100.pdf

2 National Bureau of Statistics of China
http://www.stats.gov.cn/english/PressRelease/202201/t20220119_1826672.html

3 National Bureau of Statistics of China
http://www.stats.gov.cn/english/PressRelease/202201/t20220118_1826503.html

As for the Mainland China market, with the epidemic coming and going and China has adopted "zero tolerance" strategy, the Group's business has been inevitably impacted. During the Review Year, the Group optimised its restaurant network and implemented timely various effective contingency measures, including shifting focus on takeaway and delivery services. In view of the outstanding performance of high-growth mass market brands such as "Men Wah Bing Teng (敏華冰廳)", which were well received by customers during the Review Year, the Group strategically added 13 new restaurants under this brand to meet customer demand. At the same time, it also took "Asam Chicken Rice (亞參雞飯)", also with promising potential, into the Mainland market. The Group has also launched other new brands in Mainland China to cater for local palates.

Business Segment Analysis

Tai Hing is a multi-brand casual dining restaurant group rooted and boasting an over 30 years' presence in Hong Kong. Apart from its flagship "Tai Hing (太興)" brand, the Group has launched, acquired and licensed multiple brands. The names in its extensive brand portfolio included "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)", "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)", "Dao Cheng (稻埕)", "Dimpot (點煲)", "Dumpling Station (餃子駅)" and "Hing Ye Dai Pai Dong (興爺大排檔)", giving customers diverse choices.

As at 31 December 2021, the Group had a network of 217 restaurants (as at 31 December 2020: 213 restaurants) in Hong Kong, Mainland China, Macau and Taiwan.

"Men Wah Bing Teng" continued to be a key revenue growth driver and the second largest revenue source of the Group, recording a significant revenue growth of 54.2% to HK$760.5 million (FY2020: HK$493.2 million) during the Review Year, accounting for 24.0% (FY2020: 17.6%) of the Group's total revenue. That shows to the resilience of this brand amid the pandemic. The brand had the most restaurants added during the Review Year. To unleash the full potential of the brand, the Group strategically added 7 and 13 new restaurants in Hong Kong and Mainland China respectively, bringing the total number to 58, to optimise the performance of this brand.

During the Review Year, in terms of revenue growth, the Southeast Asian gourmet brand "Asam Chicken Rice" stood out among the different brands, with revenue up in folds, by 414.9% year-on-year, to HK$145.2 million (FY2020: HK$28.2 million). Offering generic menu options, relatively less manpower is required to operate "Asam Chicken Rice". The Group believes the development prospect and competitiveness of the operation model are not to be underestimated. Heeding the enthusiastic market response to the brand, the Group took the opportune time to open 7 additional "Asam Chicken Rice" restaurants in core business and residential areas in Hong Kong to meet the catering needs of consumers in those areas. In September 2021, the Group opened the first "Asam Chicken Rice" in Mainland China, a move reflective its hope to build a restaurant network for the brand in the Mainland market.

The Group's flagship brand "Tai Hing" is relatively well established and has continued to deliver strong and steady performance. During the Review Year, "Tai Hing" recorded revenue of HK$1,464.0 million (FY2020: HK$1,472.1 million), accounting for 46.1% (FY2020: 52.6%) of the Group's total revenue, and continued to be the largest revenue source of the Group. In the second half year of 2021, the Group launched a series of marketing and promotional activities for the brand, including the new "Excellent BBQ Pork, Excellent Taste" (「太好叉燒 太好味道」) TV commercial and the new limited-time upgraded version of BBQ pork dish called "Golden Foil BBQ Pork", which attracted consumer attention as well as enhanced the image of the brand. The marketing initiatives were highly effective at low costs.

"TeaWood" remained the Group's third largest revenue contributor, with revenue amounting to HK$364.6 million (FY2020: HK$398.2 million), accounting for 11.5% (FY2020: 14.2%) of the Group's total revenue. During the Review Year, the Group actively mounted a series of online and offline marketing activities to boost promotion of the "Teawood" brand to enhance brand coverage and awareness. To ensure the brand is in sync with market trend, the Group will design for it a new menu and adjust related marketing strategy, with the aim of presenting a brand new image of "Teawood" to customers. During the Review Year, the first and second restaurant of the new brand "Dumpling Station" opened in Hong Kong and, in one short year, they started contributing revenue to the Group. For "Dimpot", which performance exceeded expectations, the Group will strive to realise its market potential with the aim of nurturing it into another new "star brand".

PROSPECT

Stepping into 2022, with the COVID variant Omicron spreading rapidly, the government has once again tightened social distancing measures, including suspending dine-in after 6:00 p.m., casting a heavier shadow on market outlook. With prudence and a pragmatic attitude, the Group will continue to enhance internal operation and management and re-examine its restaurant network strategy taking into account pandemic situations, so that it can respond with flexibility to the changes in dining patterns and demands in the market and of consumers in the current challenging environment. It will also stringently control costs to strengthen the resilience of its businesses.

The Group, via its multi-brand business model and adopting heedful marketing strategy, is well-geared to maintain and seize opportunities to expand its market share. In Hong Kong, drawing on its outstanding experience in creating such high-return and high-growth brands as "Men Wah Bing Teng" and "Asam Chicken Rice", the Group will nurture more unique and potential-rich brands to help it capitalise on market trends and suit different tastes of customers, in turn widen its customer base. In addition, the Group will optimise its restaurant network, thereby increase market penetration. In Mainland China, to meet new consumer demands amid the pandemic, the Group will gradually improve and consolidate its restaurant network, with a focus on the Greater Bay Area. To capitalise on the booming fast food trend, the Group will strategically develop its own model of restaurant network, targeting high customer traffic locations and choosing smaller shop spaces to provide takeaway services which are in rising demand.

Well-aware of technology trends in the catering industry such as digitalisation and integrating innovative technologies into different operations, the Group will invest more resources in introducing advanced technology systems and equipment to upgrade its existing information technology systems. It will also enhance big data application, so as to identify potential business opportunities, enhance operational efficiency and efficiently control costs, all conducive to maintaining its leadership and competitiveness in the casual dining industry in the region. In particular, the Group's first integrated mobile application will be launched shortly, which will not only be a platform that provides customers with one-stop takeaway ordering service, but one that can also help foster customer loyalty to the Group and strengthen customer relations management. It can also allow the Group to swiftly deliver latest news of its different brands directly to customers, thus help build up their image.

The Group will closely watch market development, including the impacts of the COVID-19 pandemic on its operations and changes in consumers' catering patterns. That will allow it to seize opportunities amid the pandemic to steadily consolidate and expand business, and be ready to achieve brilliant results post-pandemic.

FINAL DIVIDEND

The Board has proposed the payment of a final dividend of HK4.95 cents per share for the year ended 31 December 2021 (2020: HK6.42 cents) payable to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Friday, 10 June 2022, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "Annual General Meeting"). The dividend warrants of the proposed final dividend are expected to be despatched to the Shareholders on or before Thursday, 23 June 2022.

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 Thursday, 2 June 2022. For determining the eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, 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 Friday, 27 May 2022.

(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 2021, the register of members of the Company will be closed from Thursday, 9 June 2022 to Friday, 10 June 2022, 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 2021, 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, 8 June 2022.

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 and proceeds received from listing of shares of the Company on the Main Board of the Stock Exchange on 13 June 2019 ("Listing"). As at 31 December 2021, the Group's cash and cash equivalents were approximately HK$452.6 million (2020: approximately HK$562.1 million), representing a decrease of approximately 19.5%, as the Group has repaid all the bank loans during the Review Year. 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 2021, the Group's total current assets and current liabilities were approximately HK$735.8 million (2020: approximately HK$813.9 million) and approximately HK$852.5 million (2020: approximately HK$1,009.3 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 0.9 times (2020: approximately 0.8 times).

The Group did not have any interest-bearing bank borrowings as at 31 December 2021 (2020: approximately HK$78.8 million). During the year ended 31 December 2021, there were no financial instruments used for hedging purposes.

As at 31 December 2021, the gearing ratio of the Group (calculated by dividing the interest-bearing bank borrowings by equity attributable to owners of the Company) dropped to zero (2020: approximately 7.3%) after the full settlement of debt during the year.

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 2021, the Group had contingent liabilities of approximately HK$48.5 million (2020: approximately HK$40.1 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 2021, the Group had certain property, plant and equipment and right-of-use assets with an aggregate net carrying value of approximately HK$239.0 million (31 December 2020: HK$253.0 million) were pledged to secure the bank facilities granted to the Group.

MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed herein, for the year ended 31 December 2021, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments nor capital commitment.

EMPLOYEES

The Group had approximately 6,700 employees as at 31 December 2021 (31 December 2020: approximately 6,900). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

SHARE OPTION SCHEMES

The Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme of the Company (the "Share Option Schemes") were approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 22 May 2019 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 2021, 1,723,000 share options were exercised and 916,000 share options were lapsed. There were 1,863,000 outstanding share options of the Company under the Pre-IPO Share Option Scheme as at 31 December 2021.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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.

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 consolidated financial statements for the year ended 31 December 2021.

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 2021, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 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 as set out in Appendix 14 of the Rules Governing the listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2021.

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") set out in Appendix 10 of the Listing Rules as its own code of conduct for Directors in their dealing in the securities of the Company. Having made specific enquiries with the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2021 except for Ms. Chan Shuk Fong ("Ms. Chan"), an executive director of the Company, had one transaction involving the purchase of 97,000 Shares by her sister on 13 August 2021 through a brokerage account under the joint names of Ms. Chan and her sister, without any prior communication and/or consensus from Ms. Chan (the "Transaction"). Ms. Chan has subsequently noticed that the Transaction fell within the blackout period which constituted non-compliance with Rule A1, A.3(a)(ii) and B.8 of the Model Code. Save for the Transaction, Ms. Chan has complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ADOPTION OF NEW ARTICLES OF ASSOCIATION

The Board proposes to amend the existing articles of association (the "Articles") of the Company (the "Proposed Amendments") and to adopt the second amended and restated articles of association of the Company ("New Articles") for the purposes of, among others, (i) amending the Articles to reflect certain updates in line with the amended Appendix 3 to the Listing Rules which came into effect on 1 January 2022 and applicable laws of the Cayman Islands; (ii) allowing general meetings of the Company to be held as hybrid meetings or electronic meetings where the Shareholders may attend by electronic means in addition to or in place of attending physical meetings in person; and (iii) incorporating other house-keeping amendments to the existing Articles including to update, modernise or clarify provisions of the Articles where it is considered desirable.

The Proposed Amendments and the adoption of the New Articles are subject to the approval of the Shareholders by way of special resolution at the Annual General Meeting, and will become effective upon the approval by the Shareholders at the Annual General Meeting.

A circular of the Annual General Meeting containing, among other matters, details of the Proposed Amendments and the adoption of the New Articles, together with a notice of the Annual General Meeting will be despatched to the Shareholders in due course.

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 2021 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, 28 March 2022

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