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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)

MAJOR TRANSACTION ACQUISITION OF PROPERTIES

Financial adviser



YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

THE ACQUISITION

On 20 June 2016 (after trading hours), the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell, and the Company has agreed to acquire the entire interest in the Target Properties for the total Consideration of approximately RMB357,488,000 (equivalent to approximately HK\$421,836,000).

The Target Properties consist of four hotel buildings with an aggregate of 194 rooms, and a total gross floor area of approximately 16,627.23 square meters at Sanya Yalong Bay National Resort District, Sanya City, Hainan Province, PRC.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios of the Acquisition are more than 25%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is therefore subject to Shareholders' approval requirement under Chapter 14 of the Listing Rules.

A circular containing, among other things, (i) details of the Sale and Purchase Agreements; (ii) unaudited pro forma statement of assets and liabilities of the Group; (iii) report in respect of the valuation of the Target Properties; and (iv) other information as required under the Listing Rules will be despatched to the Shareholders within 15 Business Days after the publication of this announcement.

As the Acquisition is subject to a number of Conditions Precedent and may or may not complete, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Reference is made to the announcement of the Company dated 4 June 2016 in respect of the entering into of the MOU.

The Board announces that the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell, and the Company has agreed to acquire the entire interest of the Target Properties for the total Consideration of RMB357,488,000 (equivalent to approximately HK\$421,836,000). Major terms of the Sale and Purchase Agreement are as follows.

THE SALE AND PURCHASE AGREEMENT

Date: 20 June 2016 (after trading hours)

Parties: (1) the Company as the Purchaser; and
(2) Sanya Hongxia Development and Construction Limited (三亞虹霞開發建設有限公司) as the Vendor

The Vendor is a company incorporated in the PRC with limited liability and its principal activity is properties development. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be Acquired

The entire interest in the Target Properties, which consists of four hotel buildings with an aggregate of 194 rooms, and a total gross floor area of approximately 16,627.23 square meters.

The Target Properties are located at Sanya Yalong Bay National Resort District, Sanya City, Hainan Province, PRC, a multipurpose leisure project consisting hotels, convention center, villas, bungalows and other ancillary facilities.

Consideration

The Consideration for the Acquisition is approximately RMB357,488,000 (equivalent to approximately HK\$421,836,000), which is based on the unit cost for the Target Properties of RMB21,500 per square meter. The Consideration is payable in cash, which shall be satisfied by the Company in the following manner:

1. An initial deposit of RMB20,000,000 (equivalent to approximately HK\$23,600,000), has been paid by the Company to the Vendor upon the signing of the MOU;
2. RMB15,749,000 (equivalent to approximately HK\$18,584,000) shall be payable by the Company within 10 Business Days upon signing of the Sale and Purchase Agreement; and
3. The remaining balance of RMB321,739,000 (equivalent to approximately HK\$379,652,000), shall be payable by the Company within 45 Business Days upon signing of the Sale and Purchase Agreement.

The total Consideration shall be finalised in accordance with the total gross floor area as stated on the ownership certificates of the Target Properties to be obtained and shall be adjusted accordingly.

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to, among others, the prevailing market price of properties similar to the Target Properties of nearby areas and preliminary valuation report from an independent professional valuer engaged by the Company.

The Directors consider that the Consideration is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Source of Funding

The Company will fund the Acquisition by internal resources of the Group, bank borrowings and/or equity or debt financing.

Conditions Precedent

Completion is conditional upon the satisfaction of the following conditions:

- (a) the Target Properties had not been leased and no leasing agreement was entered into with any other third party, and no claim having been filed by other third party regarding the leasing of Target Properties;
- (b) all necessary approvals, permits, consents and authorizations (including but not limited to approvals from the Stock Exchange and the SFC) in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;
- (c) the Board and Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the articles of associations of the Company, relevant laws, regulations and the Listing Rules;

- (d) the Vendor has obtained (if necessary) all necessary approvals from third party or authorities confirmation, exemption or consent for the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (e) the Vendor has fulfilled its obligations specified under “6. Transfer of ownership of the Target Properties” in the Sale and Purchase Agreement, which includes, inter alia, (i) the Vendor shall allow the Company to start renovation and preparation work of the Target Properties and assist the Company to obtain all the approvals in accordance with the laws and regulations of the PRC; (ii) the Vendor shall deliver the Target Properties within 5 Business Days after the Purchaser has satisfied the Consideration in full and that the Vendor warrants the Target Properties to be delivered will satisfy the deliver conditions as stated in the Sale and Purchase Agreement; (iii) the delivery of the Target Properties and its relevant documents, and transfer of ownership registration shall be based on the Real Estate Sales Contracts and laws and regulations of the PRC, and that any tax raised thereof shall be borne by respective parties; and (iv) enter into of the Real Estate Sales Contracts effecting the transfer of the Target Properties;
- (f) the warranties given by the Vendor remaining true, accurate and not misleading in all material respects upon the Completion Date.

Conditions (e) and (f) above may be waived by the Purchaser.

The Vendor shall use its best endeavors to fulfill conditions (d), (e) and (f) and the Purchaser shall use its best endeavors to fulfill condition (b).

Except for condition (b), if any condition above has not been fulfilled or waived on or before the Completion Date, the Purchaser will not be obligated to complete the Acquisition. If condition (b) has not been fulfilled within 45 Business Days after the signing of the Sale and Purchase Agreement, the Sale and Purchase Agreement shall lapse and all sums made by the Purchase to the Vendor in respect of the Acquisition shall be refunded.

Undertaking, Warranties and Indemnity

The Vendor has given customary warranties to the Purchaser, including but not limited to, legal ownership of the Target Properties under the Sale and Purchase Agreement.

The Purchaser has also given customary warranties to the Vendor under the Sale and Purchase Agreement.

Completion

Completion shall take place after (i) all the Conditions Precedent have been satisfied or waived (as the case may be); (ii) entering into of the Real Estate Sales Contracts for the Target Properties; (iii) satisfying of rights and obligations under the laws and regulations of the PRC by both parties; and (iv) obtain of the ownership certificates of the Target Properties.

Event of Default

In event that delivery from the Vendor has been delayed, it shall pay the Purchaser a compensation of 0.03% of all sums paid by the Purchaser for each overdue day. If the delivery has been delayed for over 10 Business Days, the Purchaser can (i) request of an immediate delivery of the Target Properties plus a compensation of 0.03% of all sums paid by the Purchaser for each overdue day; or (ii) terminate of the Sale and Purchase Agreement, where all sums paid by the Purchaser (without interest) shall be refunded to the Purchaser plus a compensation of RMB20,000,000 shall be paid by the Vendor (if the aforementioned compensation does not cover all the losses of the Purchaser, the Vendor shall also cover all the remaining losses).

In event that delivery from the Purchaser has been delayed, it shall pay the Vendor a compensation of 0.03% of the Consideration not yet paid for each overdue day. If the delivery has been delayed for over 10 Business Days, the Vendor can (i) request of an immediate payment of the remaining Consideration plus a compensation of 0.03% of the Consideration not yet paid for each overdue day; or (ii) terminate of the Sale and Purchase Agreement, where all sums paid by the Purchaser (without interest) shall be refunded to the Purchaser plus a compensation of RMB20,000,000 shall be paid by the Purchaser (if the aforementioned compensation does not cover all the losses of the Vendor, the Purchaser shall also cover all the remaining losses).

INFORMATION OF THE VENDOR

The Vendor is a property development company incorporated in the PRC with limited liability and directly holds the entire interest in the Target Properties. The Vendor is an indirect non wholly-owned subsidiary of Joy City Property Limited (00207.HK), which in turn is non wholly-owned by COFCO Group, who is a leading supplier of agri-products, diversified foodstuffs and services in the PRC. COFCO Group is the controlling shareholder of four other listed companies in Hong Kong, namely, China Foods Limited (00506.HK), China Agri-Industries Holdings Limited (00606.HK), Mengniu Dairy (02319.HK), CPMC Holdings Limited (00906.HK) and three listed companies in mainland China, namely, COFCO Tunhe Co., Ltd. (600737.SH), Jiugui Liquor Co., Ltd. (000799.SZ) and COFCO Property (Group) Co., Ltd. (000031.SZ).

REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

As at the date of this announcement, the Group is principally engaged in designing and manufacturing of silicone rubber input devices, mainly used in consumer electronic devices, keypads for computers and notebooks, mobile phone handsets and automotive peripheral products.

Pursuant to the composite document of the Company dated 6 April 2016, the controlling Shareholder intends to conduct a detailed review of the operations and business activities of the Group and formulate business strategies for the Group's long-term development and will explore other business opportunities for the Group, including the feasibility of diversifying the income stream of the Group into different business areas such as, without limitation to, medical and healthcare industry.

The Directors consider that the Acquisition represents an attractive investment opportunity for the Group to enter into the medical and healthcare business, which has a substantial growth potential. The Company plans to develop the Target Properties into a high-end healthcare holiday resort, providing a one-stop shop for medical and healthcare-related services with world-class technologies. The Company also plans to introduce timeshare concept for the rest of the hotel units, operating them as high-end serviced apartments. It will also be leveraging on the adjacent international exhibition center for hosting healthcare-related forums and conferences, as well as members' social events.

The Board believes that the Acquisition would conform to the current trend of domestic economic development and have a positive impact on the Company's future business development. In addition, the Acquisition would enable the Company to enter into the real estate and tourism industries in Sanya Yalong Bay, which is believed to continue to grow as a major tourism and in particular, medical tourism destination.

As certain newly appointed Directors possess extensive experience in real estate investment and development, medical healthcare and leisure related business, the Board is of the view that these Directors will be able to contribute to and proactively supervise the operation of the medical healthcare resort project.

The Board believes that the Acquisition can broaden the Group's business spectrum and will contribute positively to the Group.

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GENERAL

As the Acquisition is subject to a number of Conditions Precedent, and may or may not complete, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires.

"Acquisition" the proposed acquisition of the entire interest in the Target Properties by the Purchaser from the Vendor as contemplated under the Sale and Purchase Agreement

“Board”	board of Directors
“Business Days”	a day (other than a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning signal no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open for banking business in Hong Kong
“COFCO Group”	China National Cereals, Oils and Foodstuffs Corporation, a PRC state owned enterprise
“Company”	Ta Yang Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	the date of Completion
“Conditions Precedent”	the conditions precedent set out in the Sale and Purchase Agreement, details of which are set out in the subsection headed “Conditions Precedent” in this announcement
“Consideration”	the total consideration payable by the Company for the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOU”	memorandum of understanding entered by the Company and the Vendor on 4 June 2016
“Purchaser”	the Company
“PRC”	The People’s Republic of China

“Real Estate Sales Contract(s)”	the sale contract(s) to be entered into by the Purchaser and the Vendor for each unit of the Target Properties, which will be submitted to PRC government authorities for approval of transfer of ownership
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into by the Purchaser and the Vendor on 20 June 2016 (after trading hours) in relation to the Acquisition
“SFC”	the Securities and Futures Commission in Hong Kong
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Properties”	building 1, 2, 3 and 5 on Longxi Road, Yalong Bay, Sanya City, Hainan Province, PRC, wholly owned by the Vendor
“Vendor”	Sanya Hongxia Development and Construction Limited (三亞虹霞開發建設有限公司), a company incorporated in the PRC with limited liability which is indirect non wholly-owned by the COFCO Group

By order of the Board of
TA YANG GROUP HOLDINGS LIMITED
Shi Qi
Chairman and Chief Executive Officer

Hong Kong, 20 June 2016

As at the time of issue of this announcement, the Board comprises Ms. Shi Qi, Ms. Xu Chendi, Mr. Qiu Yonghao and Mr. Huang Te-Wei as executive Directors, Mr. Gao Feng and Mr. Han Lei as non-executive Directors and Ms. Zhang Lijuan, Mr. Yeung Chi Tat and Mr. Pak Wai Keung, Martin as independent non-executive Directors

For illustrative purpose of this announcement and unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.18.