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)

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2017

FINAL RESULTS

The Board of Directors (the "Board") 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 July 2017, together with the audited comparative figures for the year ended 31 July 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 JULY 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*3*	**400,500**	386,516
Cost of sales		**(290,362)**	(317,802)
Gross profit		**110,138**	68,714
Other operating income	*3*	**23,538**	19,500
Selling and distribution expenses		**(35,531)**	(27,869)
Administrative expenses		**(146,319)**	(104,660)
Other expenses	*5*	**(3,047)**	(27,495)
Share of results of associates		**(1,625)**	(507)
Finance costs	*6*	**(21,254)**	(701)
Loss before tax		**(74,100)**	(73,018)
Income tax credit	*7*	**40**	768
Loss for the year	*8*	**(74,060)**	(72,250)
Loss for the year attributable to:			
Owners of the Company		**(72,943)**	(71,304)
Non-controlling interests		**(1,117)**	(946)
		(74,060)	(72,250)
Loss per share	*10*		
Basic (HK cents)		**(8.43)**	(9.12)
Diluted (HK cents)		**(8.43)**	(9.12)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year	**(74,060)**	(72,250)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of properties	**1,414**	9,325
Gain on revaluation of prepaid lease payments	**729**	8,290
	2,143	17,615
Items that may be reclassified subsequently to profit or loss:		
Release of exchange reserve upon deregistration of subsidiaries	**–**	(2,846)
Release of exchange reserve upon disposal of subsidiaries	**–**	59
Exchange differences arising on translating foreign operations	**(3,942)**	(19,989)
	(3,942)	(22,776)
Available-for-sale financial assets		
Net gain arising on revaluation of available-for-sale financial assets for the year	**837**	4,943
Release of revaluation of available-for-sale financial assets upon disposal	**(4,473)**	–
Reclassification adjustments for impairment loss included in the consolidated statement of profit or loss	**160**	667
	(3,476)	5,610
Share of other comprehensive expenses of associates		
Share of exchange difference of associates	**(42)**	(95)
Other comprehensive (expenses) income for the year	**(5,317)**	354
Total comprehensive expenses for the year, net of income tax	**(79,377)**	(71,896)
Total comprehensive expenses for the year, net of income tax, attributable to		
Owners of the Company	**(78,246)**	(70,949)
Non-controlling interests	**(1,131)**	(947)
	(79,377)	(71,896)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**249,971**	68,927
Intangible assets		**383**	–
Prepaid lease payments		**229,061**	7,107
Investment properties		**92,575**	89,935
Available-for-sale financial assets		**8,981**	24,539
Interests in associates		**2,816**	2,916
Deposits for acquisition of land use rights		**13,037**	12,066
		596,824	205,490
Current assets			
Deposits for acquisition of properties		**–**	41,469
Inventories		**35,540**	29,809
Trade and other receivables	*11*	**164,816**	111,014
Prepaid lease payments		**4,820**	232
Amount due from an associate		**65**	65
Income tax recoverable		**12**	4
Held-to-maturity investments		**34,739**	–
Held-for-trading investments		**680**	3,668
Structured deposits with banks		**–**	17,261
Short-term bank deposits		**–**	4,640
Bank balances and cash		**105,985**	154,094
		346,657	362,256
Non-current assets classified as held for sale		**11,022**	–
		357,679	362,256
Current liabilities			
Trade and other payables	*12*	**136,063**	77,780
Derivative financial instruments		**–**	11,753
Amount due to a director		**2,143**	–
Amount due to an associate		**1,324**	538
Loans from a related company		**5,000**	–
Loans from third parties		**26,197**	–
Income tax payable		**20,601**	20,747
Secured bank borrowings		**32,542**	33,282
		223,870	144,100
Net current assets		**133,809**	218,156
Total assets less current liabilities		**730,633**	423,646

	2017 *HK$'000*	2016 *HK$'000*
Capital and reserves		
Share capital	**87,118**	78,473
Reserves	**357,164**	332,036
Equity attributable to owners of the Company	**444,282**	410,509
Non-controlling interests	**(396)**	653
Total equity	**443,886**	411,162
Non-current liabilities		
Secured bank borrowings	**273,700**	–
Deferred income	**3,614**	3,668
Deferred tax liabilities	**9,433**	8,816
	286,747	12,484
	730,633	423,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

1. GENERAL

Ta Yang Group Holdings Limited (the "Company") is incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the Annual Report. The Company and its subsidiaries (hereafter collectively referred to as the "Group") are principally engaged in manufacturing and sale of silicone rubber and related products and provision of healthcare and hotel services.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC"), Macau and Indonesia whose functional currencies are Renminbi ("RMB"), Macau Pataca and Indonesian Rupiah respectively, the functional currency of the Company and its other subsidiaries is HK$.

At 31 July 2017, the directors of the Company consider the ultimate holding company of the Company to be Lyton Maison Limited which is incorporated in the British Virgin Islands ("BVI").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[4]
Amendments to HKAS 40	Transfer of Investment Property[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 cycle[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
4 Effective for annual periods beginning on or after 1 January 2019.
5 Effective date not yet been determined.

Except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial positions of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. HKFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. More disclosures relating to revenue are also required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detailed review is completed.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. As at 31 July 2017, the Group has non-cancellable operating lease commitments of approximately HK$2,469,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

3. REVENUE AND OTHER OPERATING INCOME

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 and other operating income recognised for the year are as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**393,761**	386,516
Healthcare and hotel services	**6,739**	–
	400,500	386,516
Other operating income		
Interest income		
— Bank deposits	**1,665**	3,493
— Held-to-maturity investments	**405**	1,244
— Structured deposits with banks	**132**	107
Total interest income	**2,202**	4,844
Dividend income	**1,742**	902
Fair value gain on investment properties	**250**	–
Gain on deregistration of subsidiaries	**–**	2,846
Gain on disposal of held-for-trading investments	**418**	–
Gain on disposal of property, plant and equipment	**81**	–
Gain on disposal of available-for-sale ("AFS") financial assets	**8,186**	–
Gain on disposal of subsidiaries	**–**	1,534
Government grants		
— Amortisation of deferred income for the year	**23**	24
— Grants related to expenses recognised as other operating income *(Note b)*	**33**	124
Net rental income *(Note a)*	**7,503**	7,110
Waiver of amount due to a joint venture	**–**	202
Waiver of other payables	**538**	–
Sundry income	**2,562**	1,914
	23,538	19,500

Notes:

(a) An analysis of the Group's net rental income is as follows:

	2017	2016
	HK$'000	*HK$'000*
Gross rental income	**8,057**	8,086
Less: Outgoings incurred for investment properties that generated rental income during the year	**(554)**	(976)
Net rental income	**7,503**	7,110

(b) For the years ended 31 July 2017 and 2016, the amounts represent unconditional grants from government for subsidising the operations of enterprises in the PRC.

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.

The segment of healthcare and hotel services is a new business segment of the Group through incorporation of subsidiaries in Hainan, the PRC during the year.

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

Segment revenue and results

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

For the year ended 31 July 2017

	Silicone rubber and related products *HK$'000*	**Healthcare and hotel services** *HK$'000*	**Total** *HK$'000*
REVENUE			
External sales	**393,761**	**6,739**	**400,500**
Segment results (including share of results of associates)	**14,495**	**(52,676)**	**(38,181)**
Unallocated expenses:			
Directors' emoluments			**(6,031)**
Central administrative costs			**(29,888)**
Loss before tax			**(74,100)**

For the year ended 31 July 2016

	Silicone rubber and related products *HK$'000*	Healthcare and hotel services *HK$'000*	Total *HK$'000*
REVENUE			
External sales	386,516	–	386,516
Segment results (including share of results of associates)	(49,545)	–	(49,545)
Unallocated expenses:			
Directors' emoluments			(5,292)
Central administrative costs			(18,181)
Loss before tax			(73,018)

The accounting policies of the operating segments are the same as the Group's accounting policies. Share of results of associates is included under silicone rubber and related products segment as CODM considers that their performance assessment is same as subsidiaries in this segment. Segment results represent profit earned by (loss from) each segment without allocation of directors' emoluments and central administrative costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: nil).

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2017 ***HK$'000***	2016 *HK$'000*
Silicone rubber and related products	**491,567**	567,746
Healthcare and hotel services	**462,022**	–
Total segment assets	**953,589**	567,746
Unallocated corporate assets	**914**	–
Consolidated total assets	**954,503**	567,746

Segment liabilities

	2017 ***HK$'000***	2016 *HK$'000*
Silicone rubber and related products	**163,524**	156,584
Healthcare and hotel services	**341,752**	–
Total segment liabilities	**505,276**	156,584
Unallocated corporate liabilities	**5,341**	–
Consolidated total liabilities	**510,617**	156,584

As at 31 July 2017, segment assets and liabilities of the silicone rubber and related products include interests in associates, amount due from an associate, amount due to an associate of approximately HK$2,816,000 (2016: HK$2,916,000), HK$65,000 (2016: HK$65,000) and HK$1,324,000 (2016: HK$538,000) respectively.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than assets for corporate use including certain furniture, fixtures and equipment, deposits and other receivables and bank balances and cash; and

- all liabilities are allocated to operating segments other than corporate liabilities including certain accrued expenses and other payables.

Other segment information

For the year ended 31 July 2017

	Unallocated *HK$'000*	**Silicone rubber and related products** *HK$'000*	**Healthcare and hotel services** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment results or segment assets:				
Additions of non-current assets	56	28,084	421,054	449,194
Allowance for inventories	–	–	–	–
Amortisation of prepaid lease payments	–	228	2,684	2,912
Depreciation of property, plant and equipment	60	14,126	3,559	17,745
Fair value gain on investment properties	–	(250)	–	(250)
Fair value loss on derivative financial instruments	–	–	–	–
Fair value loss on held-for-trading investments	–	184	–	184
Gain on disposal of AFS financial assets	–	(8,186)	–	(8,186)
Loss (gain) on disposal of property, plant and equipment	35	(249)	133	(81)
Impairment loss recognised in respect of:				
— trade receivables	–	1,402	–	1,402
— AFS financial assets	–	160	–	160
— property, plant and equipment	–	–	–	–
Interest expenses	–	844	20,410	21,254
Interest income	–	(2,164)	(38)	(2,202)
Investment loss from derivative financial instruments	–	2,469	–	2,469
Reversal of allowance for inventories	–	(4,376)	–	(4,376)
Reversal of impairment loss in respect of other receivables	–	(2,049)	–	(2,049)
Share of results of associates	–	1,625	–	1,625
Write-off of trade receivables	–	–	–	–

Other segment information

For the year ended 31 July 2016

	Unallocated *HK$'000*	Silicone rubber and related products *HK$'000*	Healthcare and hotel services *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment results or segment assets:				
Additions of non-current assets	234	16,842	–	17,076
Allowance for inventories	–	1,967	–	1,967
Amortisation of prepaid lease payments	–	243	–	243
Depreciation of property, plant and equipment	7	13,810	–	13,817
Fair value loss on investment properties	–	601	–	601
Fair value loss on derivative financial instruments	–	4,052	–	4,052
Fair value loss on held-for-trading investments	–	1,076	–	1,076
Gain on disposal of AFS financial assets	–	–	–	–
Loss on disposal of property, plant and equipment	–	3,218	–	3,218
Impairment loss recognised in respect of:				
— trade receivables	–	1,059	–	1,059
— AFS financial assets	–	667	–	667
— property, plant and equipment	–	4,097	–	4,097
Interest expenses	–	701	–	701
Interest income	–	(4,844)	–	(4,844)
Investment loss from derivative financial instruments	–	10,333	–	10,333
Reversal of allowance for inventories	–	(5,221)	–	(5,221)
Reversal of impairment loss in respect of other receivables	–	(1,116)	–	(1,116)
Share of results of associates	–	507	–	507
Write-off of trade receivables	–	4,877	–	4,877

Revenue from major products and services

The following is an analysis of the Group's revenue from sales of its major products and provision of services to external customers:

	2017 ***HK$'000***	2016 *HK$'000*
Consumer electronic devices peripheral products	**220,314**	175,054
Keypads for computers and notebooks	**49,504**	58,828
Lifestyle products	**29,300**	37,799
Mobile phone peripheral products	**14,002**	9,948
Automotive peripheral products	**32,650**	31,509
Chemical products	**14,980**	43,487
Other products	**33,011**	29,891
Provision of healthcare and hotel services	**6,739**	–
	400,500	386,516

Geographical information

The Group's operations are principally located in the PRC and Hong Kong.

Information about the Group's revenue from external customers based on the location of the customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (excluding Hong Kong)	**160,997**	176,541	**565,464**	159,301
Hong Kong	**69,143**	71,492	**9,333**	8,825
Other Asian countries	**69,973**	73,670	**13,046**	12,825
America	**75,807**	43,519	**–**	–
Europe	**24,580**	21,294	**–**	–
	400,500	386,516	**587,843**	180,951

Non-current assets exclude AFS financial assets.

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group in both years are as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**N/A**[2]	43,487[1]
Customer B	**54,938**[3]	N/A[2]

1 Sales are derived from the sale of chemical products.
2 The corresponding revenue did not contribute over 10% of the total revenue of the Group.
3 Sales are derived from the sale of consumer electronic devices peripheral products and automotive peripheral products.

5. OTHER EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Exchange losses	**234**	2,321
Fair value loss on derivative financial instruments	**–**	4,052
Fair value loss on held-for-trading investments	**184**	1,076
Fair value loss on investment properties	**–**	601
Impairment losses recognised in respect of:		
— AFS financial assets	**160**	667
— property, plant and equipment	**–**	4,097
Investment loss from derivative financial instruments	**2,469**	10,333
Loss on disposal of held-for-trading investments	**–**	1,130
Loss on disposal of property, plant and equipment	**–**	3,218
	3,047	27,495

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
Secured bank borrowings	**19,713**	701
Loans from a related company	**174**	–
Loans from third parties	**1,367**	–
	21,254	701

7. INCOME TAX CREDIT

	2017	2016
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**–**	8
(Over) under provision in prior years		
Hong Kong Profits Tax	**1**	–
PRC Enterprise Income Tax	**(7)**	(4)
	(6)	(4)
Deferred taxation		
Current year	**(34)**	(772)
	(40)	(768)

Hong Kong Profits Tax has not been provided for in the consolidated financial statements for the years ended 31 July 2017 and 2016 as the Group did not derive any assessable profits.

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

No provision for Indonesia Income Tax for the years ended 31 July 2017 and 2016 has been made as the subsidiary operating in Indonesia did not generate any assessable profits in Indonesia.

Ta Yang Group (Macao Commercial Offshore) Limited is incorporated as a commercial offshore entity in Macau and is exempted from Macau Complementary Income Tax.

No provision for Taiwan Profit-Seeking Enterprise Income Tax for the years ended 31 July 2017 and 2016 has been made as the Group did not generate any assessable profits in Taiwan.

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 both years.

The income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(74,100)**	(73,018)
Tax credit at rates applicable to loss in the jurisdictions concerned	**(11,987)**	(8,727)
Tax effect of income not taxable for tax purposes	**(3,785)**	(3,260)
Tax effect of expenses not deductible for tax purposes	**2,249**	3,033
Tax effect of share of results of associates	**268**	84
Utilisation of tax losses previously not recognised	**(773)**	(301)
Over provision in prior years, net	**(6)**	(4)
Tax effect of tax losses not recognised	**13,994**	8,407
Income tax credit for the year	**(40)**	(768)

8. LOSS FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,270**	1,270
Allowance for inventories (included in cost of sales)	**–**	1,967
Amortisation of prepaid lease payments	**2,912**	243
Costs of inventories sold *(Note)*	**288,659**	320,248
Depreciation of property, plant and equipment	**17,745**	13,817
Directors' emoluments	**6,031**	5,292
Impairment loss recognised in respect of trade receivables	**1,402**	1,059
Payments under operating leases in respect of land and buildings	**7,953**	9,968
Research and development costs	**4,110**	2,195
Reversal of allowance for inventories (included in cost of sales)	**(4,376)**	(5,221)
Reversal of impairment loss in respect of other receivables	**(2,049)**	(1,116)
Staff costs (excluding directors' emoluments)	**170,010**	154,590
Write-off of inventories (included in cost of sales)	**744**	808
Write-off of trade receivables	**–**	4,877

Note:

Cost of inventories sold includes approximately HK$98,336,000 (2016: HK$112,239,000) relating to staff costs, depreciation expenses and operating lease charges which amounts are also included in the respective total amounts disclosed separately above.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 July 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

10. LOSS PER SHARE

(a) 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 both years.

	2017	2016
Loss for the year attributable to owners of the Company (HK$'000)	**(72,943)**	(71,304)
Weighted average number of ordinary shares in issue ('000)	**865,257**	781,747
Loss per share (HK cents)	**(8.43)**	(9.12)

(b) Diluted

	2017	2016
Loss for the year attributable to owners of the Company (HK$'000)	**(72,943)**	(71,304)
Weighted average number of ordinary shares in issue ('000)	**865,257**	781,747
Effect of dilutive potential ordinary shares derived from exercising of share options	**–**	360
	865,257	782,107
Loss per share (HK cents)	**(8.43)**	(9.12)

During the year ended 31 July 2017, the basic loss per share and the diluted loss per share are the same because there are no potential dilutive shares outstanding.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade and bills receivables		
— from third parties	**114,768**	98,234
Less: Allowance for doubtful debts recognised in respect of trade and bills receivables from third parties	**(1,430)**	(1,748)
	113,338	96,486
Deposits and prepayments	**13,518**	7,484
Value-added tax receivables	**27,455**	1,157
Other receivables *(Note)*	**10,505**	5,887
	164,816	111,014

Note:

As at 31 July 2017, the carrying amount of other receivables has been netted off with accumulated impairment losses of approximately HK$175,000 (2016: HK$2,465,000). The amount impaired in the current year related to miscellaneous other receivables (2016: value-added tax receivables and miscellaneous other receivables). The directors of the Company assessed the recoverability of these other receivables was remote and impairment loss had been recognised accordingly. During the year, the Group recognised a reversal of impairment loss of approximately HK$2,049,000 (2016: HK$1,116,000) relates to the recovery of other receivables.

The Group did not hold any collateral over these balances.

The Group normally grants to its customers credit periods ranging from 30 to 135 days which are subject to periodic review by the management.

The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition date.

	2017	2016
	HK$'000	*HK$'000*
0–90 days	**101,362**	82,240
91 days to 1 year	**11,938**	14,246
More than 1 year	**38**	–
	113,338	96,486

12. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade and bills payables	**31,799**	27,734
Accrued expenses	**55,696**	31,725
Other payables	**12,289**	1,988
Other tax payables	**7,503**	7,456
Deposits received	**28,776**	8,877
	104,264	50,046
	136,063	77,780

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month or on demand	**16,820**	11,238
More than 1 month but less than 3 months	**12,635**	13,551
More than 3 months but less than 12 months	**1,482**	1,463
More than 12 months	**862**	1,482
	31,799	27,734

The average credit period on purchases of goods is ranging from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. EVENTS AFTER THE REPORTING PERIOD

(a) On 24 August 2017, the Group and Dyp Corp. (the "Purchaser"), an independent third party, entered into a sale and purchase agreement, pursuant to which, the Group has conditionally agreed to sell, and the Purchaser has conditionally agreed to buy, the Group's entire equity interest in Ta Yang UDE Limited ("UDE"), an associate of the Group, at a total cash consideration of US$290,155 (equivalent to approximately HK$2,246,000). The disposal of UDE has been completed on 24 August 2017. At the date of disposal, the carrying amount of UDE was approximately HK$2,876,000, a loss on disposal of approximately HK$630,000 was resulted. Afterwards, the Group did not have any equity interest in UDE.

(b) On 11 October 2017, the Group and UDE, an independent third party, entered into a sale and purchase agreement, pursuant to which, the Group has conditionally agreed to sell, and UDE has conditionally agreed to buy, the entire share capital of Dongguan Tai Yang Rubber Plastic Industrial Company Limited, an indirect wholly-owned subsidiary of the Company at a total consideration of HK$55,783,623. Up to approval date of the consolidated financial statements, the disposal is yet to be completed. Details are set out in the announcement of the Company dated 11 October 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review & Outlook

Market Review

During the financial year which is an eventful period with a number of "black swan" events globally, such as U.S. President Donald Trump's protectionist policies, Brexit and North Korea crisis, it brought uncertainty to the worldwide economy. With U.S. rate-hike cycle rolling into motion, currencies of many developing countries are bound to experience increased volatility, potentially disrupting their fragile economic recoveries. As a result, the consumer confidence and spending remained weak especially on the traditional electronic products.

On the other hand, the immense popularity for silicone rubber made products show signs of recovery of the Group's business. Silicone rubber are now used in plenty of innovative and trendy products and this help to broaden the customer base and hence the sales orders.

Business Review

Company's Overall Performance

The revenue for the financial year ended 31 July 2017, increased by 3.6% as compared to last year. The primary source of income of the Group still derived from sales of consumer electronic devices peripheral products and computers, and its percentage to total revenue were 55.0% and 12.4% respectively. During the year, the conventional electronic products continued to contract, some of our customers were facing downwards pressure on sales orders.

To cope with the shrink of keypads products market, the Group has succeeded to explore the market of non-keypad products.

With the nature of more environmental friendly and fancy design, the daily living products made of silicone rubber become more common. This trend also extended to those peripheral products of consumer electronic devices. During the year, the Group was placing more effort towards the introduction of application of silicone material and demonstrated the ability to meet the customers' specific requirement. The success in expansion in customer base caused the proportion of non-keypad sales are acting as a new driving force and has dramatically contribution to the revenue, offsetting the drop of sales orders of traditional products.

The operating environment in the PRC has improved slightly during the year. The production costs have been decreasing following the continuous depreciation of the RMB. Together with the tight cost controls measure and improvement in operational efficiency, the gross profit margins recorded an obvious improvement for the consecutive year.

Outlook

The macro environment is expected to remain challenging, particularly in the PRC which will face higher wages, inflation, changing regulatory requirements and currency fluctuations. Additionally, geo-political influences in the U.S. and Europe could potentially drive significant marco-economic uncertainties as well as increased foreign currency risks. In light of these headwinds, the Group will continue to implement strategies to mitigate and minimize any potential effects.

As part of streamlining efforts, the Group will continue to control the operating expenses at reasonable level and to dispose of non-core business. Specifically, the Group is targeted to evolves from a traditional manufacturer into a technology-driven solution provider, so the Group will continue to put more efforts on research and development to improve product quality, develop application ability of raw material and build up closer relationship with the customers. This proactive strategy will enable the Group to pursue higher profit margin.

As the use of silicone rubber are becoming more and more common in daily life, and broaden its product mix to convert to a silicone rubber producer from a keypad producer, which can have a broader mix in customer portfolio.

With the Group's long term business strategies to explore other business opportunities and diversify the income stream of the Group into different areas, the Group has penetrated into medical and healthcare business by acquiring a multi-purpose leisure project in Hainan, PRC which was in process of re-development into a high-end healthcare holiday resort. The project started to generate revenue and we expect that it will generate profits from the high-end residential sales, leasing and healthcare services in the foreseeable future. Besides, the Group will endeavor to explore other business opportunities, including the feasibility of diversifying the income stream of the Group by exploring business and investment opportunities into different business areas.

Financial Review

Revenue

Revenue represents gross revenue generated from the sales of our products and service provided, net of sales tax and other similar taxes.

The consolidated revenue for the year ended 31 July 2017 was increased by 3.6% to HK$400.5 million (2016: HK$386.5 million) while our loss attributable to equity shareholders was HK$74.1 million (2016: HK$72.3 million).

Basic loss per share of the Company was HK8.43 cents (2016: HK9.12 cents) per share based on the weighted average number of 865,257,000 (2016: 781,747,000) shares in issue during the year.

SALES BY PRODUCT

Silicone Rubber and Related Products

Consumer electronic devices peripheral products

Revenue for the consumer electronic devices peripheral products increased by approximately 25.9% to HK$220.3 million in 2017 from HK$175.1 million in 2016.

During the year, consumer sentiment on the conventional electronic products was still weak, especially for those with keypads, the sales orders from those products continued to shrink. In order to fill up the shortfall due to the drop of those sales, the Group has put more effort to explore the market of non keypad products. Although the competition in the saturated market is fierce, the Group succeeded get more orders from new innovative products such as sporty bands. As a result, the sales of consumer electronic devices peripheral products had a considerable growth during the year. The Group will continue to expand the customer base on non keypad products by providing robust product quality and attractive prices.

Mobile phone peripheral products

Revenue for the sales of mobile phone peripheral products increased by approximately 40.8% to HK$14.0 million in 2017 from HK$9.9 million in 2016. The smartphones with touch-screen panels has received mainstream attention in the market from consumers, so the demand for the conventional mobile phones with keypads was gradually phased out. However, the Group has succeed to explore the mobile phone market of non-keypad products. This caused the revenue in this segment to increase for the consecutive years.

Keypads for computers and notebooks

Revenue for the sales of keypads for computers and notebooks decreased by approximately 15.8% to HK$49.5 million in 2017 from HK$58.8 million in 2016. With the faltering growth of global economy, the PC market continued to progress towards saturation. According to the market research, the global PC shipments has declined during the financial year. Therefore, the sales in this segment had been negatively impacted by the persistent shrinkage of the market.

Automotive peripheral products

Revenue for the sales of automotive peripheral products increased by approximately 3.6% to HK$32.7 million in 2017 from HK$31.5 million in 2016. As the global economy was till sluggish which caused the consumer sentiment on the automotive market to be weak. This led the sales orders for automotive peripheral products had similar level compared with last year.

Lifestyle products

Revenue for sales of lifestyle products decreased by 22.5% to HK$29.3 million in 2017 from HK$37.8 million in 2016. Market competition was still keen in lifestyle products and most of the customers have adopted conservative approach towards restocking inventory, the revenue has decreased during the year accordingly. The Group will continue to put more effort to explore the market and work with our customers to develop more unique products to protect and elevate their position in the market.

Chemical products

Revenue for sales of chemical products decreased significantly by 65.6% to HK$15.0 million in 2017 from HK$43.5 million in 2016. As the market is new to the Group, the performance was still unstable. With the close relationship with our suppliers which specialised in application of chemicals, the Group will continue to explore this market to broaden the product mix.

Healthcare and Hotel Services

Revenue from provision of healthcare and hotel services was HK$6.7 million for the year ended 31 July 2017. During the year, after the acquisition of multi-purpose leisure project in Hainan and re-development into high-end healthcare holiday resort, properties has started operation and continued to develop into hotel room/service apartment for rental and healthcare-related business. The business has succeeded to gain more and more customers' support. To sustain its growth, the Group will continue to put more effort to explore the market to capture the immense awareness of importance of healthcare in the PRC. Except for 5 out of 194 rooms have contracted to be disposed, the Group will expand the scale of hotel and healthcare business by turning the remaining rooms into hotel rooms and healthcare facilities because of boomed development of the market in Hainan.

Cost of Sales

Cost structure

The overall cost of sales decreased by approximately 8.6% from HK$317.8 million in 2016 to HK$290.4 million in 2017. The operating environment still very tough for all PRC based manufacturers. Fortunately, the production costs have been decreasing following the depreciation of RMB. Together with effort of tight cost control and operational efficiency, the rate of decrease in cost of sales is much higher than that of revenue.

Gross Profit

The gross profit of the Group for the year increased by approximately HK$41.4 million from HK$68.7 million in 2016 to HK$110.1 million in 2017. Apart from the success to decrease the production cost in the PRC by consolidation of production process and deprecation of RMB, the change in product mix which included higher proportion of high margin products also contribute to the increase.

Other Operating Income

Other operating income increased by approximately 20.7% to HK$23.5 million in 2017 from HK$19.5 million in 2016. The increase was primarily due to gain on disposal of available for sales investments.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 27.5% to HK$35.5 million in 2017 from HK$27.9 million in 2016. When counted as a percentage of revenue, the total amount was 8.9% (2016: 7.2%). The increase was due to the rise in promotion and marketing cost related to multi-purpose medical and healthcare project in Hainan.

Administrative Expenses

Administrative expenses increased by approximately 39.8% to HK$146.3 million in 2017 from HK$104.7 million in 2016. Despite of the cost control measures and the result of operation efficiency improvement, the reason for the increase in amount was due to additional cost incurred to explore the investment opportunity in other business areas together with the persistent development of the medical and healthcare business in Hainan Province.

Loss attributable to Shareholders

Loss attributable to shareholders for the year ended 31 July 2017 was HK$74.1 million (2016: HK$72.3 million). The net loss margin of our Group decreased from 18.7% for the year ended 31 July 2016 to 18.5% for the year ended 31 July 2017.

DIVIDEND POLICY

Our Directors expect that dividends will be paid as interim and/or final dividends. We currently intend to pay annual cash dividends of not less than 30% of our Group's audited consolidated profits after taxation to our shareholders for the applicable year. However, the determination to pay such dividends will be made at the discretion of our Board and will be based upon our operating results, cash flows, financial positions, capital requirements and other relevant circumstances that the Board deems relevant. The payment of dividends may be limited by legal restrictions and by agreements that we may enter into in the future. Our Directors are of the views that our dividend policy will not affect the sufficiency of our working capital in the coming years.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on uncommitted funds. The net proceeds from the international offering (as defined in the Prospectus) have mainly been placed on short-term deposits with authorised financial institutions in Hong Kong.

During the year, the Group's receipts were mainly denominated in US dollars, Hong Kong dollars and RMB. Payments were mainly made in US dollars and RMB.

In respect of the US dollar, the management regards that the foreign exchange risk for Hong Kong dollar to US dollar is not material because (i) Hong Kong dollar remains pegged to the US dollar and (ii) most of the Group's purchases are denominated in US dollars, which are to be settled by sales receipts in US dollars.

In respect of the RMB, as the Group's production plants are located in the PRC, most of our labour costs, manufacturing overheads, selling and administrative expenses were denominated in RMB. Therefore, the appreciation of RMB will adversely affect the Group's profitability.

During the year, the Group has entered into some RMB/USD structured forward contracts to partly hedge the risk exposure. The Group will continue to closely monitor foreign exchange exposure for RMB and consider hedging significant exposure should the need arises.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's source of fund was cash generated from net proceeds of the international offering and operating activities.

	As at 31 July 2017 *HK$'000*	As at 31 July 2016 *HK$'000*
Cash and cash equivalents	**105,985**	154,094
Net cash (outflow) inflow	**(45,780)**	54,781
Current ratio	**1.6**	2.5
Quick ratio	**1.4**	2.3

With our strong financial background upon Listing on the Stock Exchange, we expect we will have sufficient cash to cover future capital expenditure requirements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group had no material acquisition or disposal of any subsidiaries and associated companies for the year ended 31 July 2017.

CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

Capital commitments contracted by the Group but not yet provided for in the financial statements as at 31 July 2017 were approximately HK$11.0 million (2016: HK$379.6 million), which was mainly related to the acquisition of land use right in Indonesia and expansion of production capacity in the PRC. Such capital commitments will be financed by the net proceeds from the international offering.

As at 31 July 2017, the Group had no material contingent liabilities.

As at 31 July 2017, certain properties of the Group of HK$398.9 million (2016: HK$7.9 million) were pledged to secure banking facilities or bank borrowings granted to the Group.

HUMAN RESOURCES AND REMUNERATION POLICIES

As the Group is committed to expand our production capacity and develop high value-added products, such as mobile phone keypads, experienced workers, engineers and professionals are the most important assets to the Group. We offer on-the-job training and encourage staff to attend continuous professional training in order to update their skills and knowledge.

We offer competitive remuneration package, including quality staff quarters, trainings, medical, insurance coverage and retirement benefits, to all employees in Hong Kong and in the PRC. As at 31 July 2017, the Group has 1,448 permanent and temporary employees (2016: 1,370). The total salaries and related costs for the year ended 31 July 2017 amounted to approximately HK$170.0 million (2016: HK$154.6 million).

CLOSURE OF REGISTER OF MEMBERS

In order to determine members who are entitled to attend the annual general meeting of the Company to be held on 14 December 2017, the register of members of the Company will be closed from Tuesday, 12 December 2017 to Thursday, 14 December 2017, both days inclusive, during which period no transfer of shares can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:30 p.m. on Monday, 11 December 2017.

FINAL DIVIDEND

The directors of the Company do not recommend the payment of final dividend for the year ended 31 July 2017 (2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 July 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 July 2017 except:

(i) the code provision A.2.1 which requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, Ms. Shi Qi is acting as both the chairman of the Board (the "Chairman") and the Chief Executive Officer (the "CEO").

The Board believes that vesting the roles of both the Chairman and the CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired since the responsibilities of the Chairman and the CEO have been clearly established and set out in writing. It is also adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

(ii) the code provision A.2.7, which requires the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year ended 31 July 2017, a formal meeting could not be arranged between the Chairman and the non-executive Directors (including independent non-executive Directors) without the executive Directors present due to their tight schedules. Although such meeting was not held during the year, the Chairman could be contacted by email or phone to discuss any potential concerns and/or questions that the non-executive Director and the independent non-executive Directors might have and would arrange to set up follow-up meetings, whenever necessary.

(iii) the code provision C.1.2 which requires the management of the Company to 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.

During the year, the management of the Company did not provide monthly updates to all members of the Board as required by the code provision C.1.2, as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including non-executive Directors and independent non-executive Directors) quarterly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular board meetings of the Company.

In addition, the management of the Company has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. In response to the specific enquiry by the Company, all the Directors confirmed that they have complied with the required standard as set out in the Model Code during the year.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, to discuss the risk management and internal control systems of the Group with management, and to review the Company's annual report and half-yearly reports to provide advice and comments thereon to the Board. Currently, the Audit Committee comprises of Mr. Pak Wai Keung, Martin (Chairman), Ms. Zhang Lijuan and Ms. Lian Yi, all of whom are independent non-executive Directors of the Company.

The Audit Committee has reviewed the Group's annual results for the year ended 31 July 2017 in conjunction with the Company's auditors.

PUBLICATION ON ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

All the financial and other related information required by Appendix 16 of the Listing Rules will be published on the websites of the Stock Exchange and the Company (www.tayang.com) in due course.

By Order of the Board
Shi Qi
Chairlady & Chief Executive Officer

Hong Kong, 24 October 2017

As at the date hereof, the Board consists of four executive Directors, namely Ms. Shi Qi, Ms. Xu Chendi, Mr. Qiu Yonghao and Mr. Huang Te-Wei, three non-executive Directors, namely Mr. Gao Feng, Mr. Han Lei and Ms. Wang Yayuan and three independent non-executive Directors, namely Ms. Zhang Lijuan, Mr. Pak Wai Keung, Martin and Ms. Lian Yi. The figures in respect of the preliminary announcement of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 July 2017 have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by SHINEWING (HK) 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.