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 2018

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 2018, together with the audited comparative figures for the year ended 31 July 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 JULY 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*3*	**377,160**	400,500
Cost of sales		**(294,303)**	(290,362)
Gross profit		**82,857**	110,138
Other operating income	*3*	**111,372**	23,538
Selling and distribution expenses		**(26,726)**	(35,531)
Administrative expenses		**(122,455)**	(146,319)
Other expenses	*5*	**(5,738)**	(3,047)
Share of results of associates		**(77)**	(1,625)
Finance costs	*6*	**(23,746)**	(21,254)
Profit (loss) before tax		**15,487**	(74,100)
Income tax (expense) credit	*7*	**(19,797)**	40
Loss for the year	*8*	**(4,310)**	(74,060)

	Note	**2018**	2017
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(3,756)**	(72,943)
Non-controlling interests		**(554)**	(1,117)
		(4,310)	(74,060)
Loss per share			
Basic (HK cents)	*10*	**(0.43)**	(8.43)
Diluted (HK cents)		**(0.43)**	(8.43)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(4,310)**	(74,060)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of properties, net of tax	**2,078**	1,414
Gain on revaluation of prepaid lease payments, net of tax	**2,110**	729
	4,188	2,143
Items that may be reclassified subsequently to profit or loss:		
Release of exchange reserve upon deregistration of subsidiaries	**(4,787)**	–
Release of exchange reserve upon disposal of associates	**118**	–
Exchange differences arising on translating foreign operations	**(539)**	(3,942)
	(5,208)	(3,942)
Available-for-sale financial assets		
Net gain arising on revaluation of available-for-sale financial assets for the year	**3,807**	837
Release of revaluation of available-for-sale financial assets upon disposal	**(1,159)**	(4,473)
Reclassification adjustments for impairment loss included in the consolidated statement of profit or loss	**–**	160
	2,648	(3,476)
Share of other comprehensive income (expenses) of associates		
Share of exchange difference of associates	**19**	(42)
Other comprehensive income (expenses) for the year	**1,647**	(5,317)
Total comprehensive expenses for the year, net of income tax	**(2,663)**	(79,377)
Total comprehensive expenses for the year, net of income tax, attributable to		
Owners of the Company	**(2,109)**	(78,246)
Non-controlling interests	**(554)**	(1,131)
	(2,663)	(79,377)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment		**171,954**	249,971
Intangible assets		**383**	383
Prepaid lease payments		**120,406**	229,061
Investment properties		**102,442**	92,575
Available-for-sale financial assets		**9,219**	8,981
Interests in associates		**–**	2,816
Deposits for acquisition of land use rights		**14,065**	13,037
		418,469	596,824
Current assets			
Inventories		**46,404**	35,540
Trade and other receivables	*11*	**229,859**	164,816
Prepaid lease payments		**4,824**	4,820
Amount due from an associate		**–**	65
Income tax recoverable		**–**	12
Held-to-maturity investments		**–**	34,739
Held-for-trading investments		**582**	680
Bank balances and cash		**192,888**	105,985
		474,557	346,657
Non-current assets classified as held for sale		**21,214**	11,022
		495,771	357,679
Current liabilities			
Trade and other payables	*12*	**89,897**	136,063
Amount due to a director		**–**	2,143
Amount due to an associate		**–**	1,324
Loans from a related party		**–**	5,000
Loans from third parties		**–**	26,197
Income tax payable		**40,458**	20,601
Secured bank borrowings		**322,605**	32,542
		452,960	223,870
Net current assets		**42,811**	133,809
Total assets less current liabilities		**461,280**	730,633

	2018	2017
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**87,118**	87,118
Reserves	**355,055**	357,164
Equity attributable to owners of the Company	**442,173**	444,282
Non-controlling interests	**4,211**	(396)
Total equity	**446,384**	443,886
Non-current liabilities		
Secured bank borrowings	**–**	273,700
Deferred income	**3,453**	3,614
Deferred tax liabilities	**11,443**	9,433
	14,896	286,747
	461,280	730,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

1. GENERAL AND BASIS OF PREPARATION

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 2018, 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").

Going concern basis

During the year ended 31 July 2018, the Group incurred a net loss of approximately HK$4,310,000 and net cash operating outflow of approximately HK$45,324,000.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group has breached the covenant requirement of a secured bank borrowing of approximately HK$273,700,000 as at 31 July 2018, which may cause such amount to become immediately repayable. As at 31 July 2018, the full amount of secured bank borrowing was classified as current liability.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account that the Group is negotiating with the relevant bank (i) on restructuring the respective borrowing based on the secured sold and unsold properties; and (ii) no action will be taken by the relevant bank to demand immediate repayment of the portion of bank borrowing relating to the secured unsold properties. However, written agreement of waiver for the breach of loan covenant has not been obtained as at the date of approval of these consolidated financial statements.

The directors of the Company consider that it is highly probable to obtain waiver from the relevant bank such that the bank will not demand immediate repayment of the borrowing in relation to those secured unsold properties. Accordingly, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements. The directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12

Except as described below, the application of other 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.

Amendment 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.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in the consolidated financial statements. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in the consolidated financial statements, the directors of the Company considered that these amendments have had no impact on the Group's 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[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property [1]
HK (IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC)–Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced 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 HKFRS 9 (2014) 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 have performed a preliminary analysis of the Group's financial instruments as at 31 July 2018 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated with irrevocable election to present in other comprehensive income the changes in fair value. For the available-for-sale equity investments that are not held for trading and are currently stated at cost less impairment, the Group has made an irrevocable election to present in other comprehensive income the changes in fair value.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. The application of the expected credit loss model may result in earlier recognition of credit loss for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

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.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods and provision of services. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue.

Furthermore, HKFRS 15 requires the transaction price be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements.

However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 July 2018.

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 Leases. 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 2018, the Group has non-cancellable operating lease commitments of approximately HK$8,786,000 as disclosed in consolidated financial statements. 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. The Directors are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**362,494**	393,761
Healthcare and hotel services	**14,666**	6,739
	377,160	400,500
Other operating income		
Interest income		
— Bank deposits	**603**	1,665
— Held-to-maturity investments	**105**	405
— Structured deposits with banks	**–**	132
Total interest income	**708**	2,202
Dividend income	**306**	1,742
Net exchange gain	**32**	–
Fair value gain on investment properties	**252**	250
Gain on deregistration of subsidiaries	**4,787**	–
Gain on disposal of held-for-trading investments	**–**	418
Net gain on disposal of non-current assets classified as held for sale *(Note a)*	**7,604**	–
Net gain on disposal of property, plant and equipment *(Note a)*	**41,100**	81
Net gain on disposal of prepaid lease payments *(Note a)*	**42,019**	–
Gain on disposal of available-for-sale ("AFS") financial assets	**1,223**	8,186
Government grants		
— Amortisation of deferred income for the year	**168**	23
— Government grants *(Note b)*	**451**	33
Net rental income *(Note c)*	**7,470**	7,503
Waiver of other payables	**704**	538
Sundry income	**4,548**	2,562
	111,372	23,538

Notes:

(a) The amount represented the disposal of certain properties held by the Group located in Hong Kong, Macau and the PRC. The net gain on the disposal of non-current assets classified as held for sale, the properties and prepaid lease payments included the expenses incurred in relation to the disposal. The outgoings included commission and other taxes incurred for the disposal of properties.

(b) For the years ended 31 July 2018 and 2017, the amounts represent unconditional grants from government for subsidising the operations of the subsidiaries in the PRC.

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

	2018 ***HK$'000***	2017 *HK$'000*
Gross rental income	**8,041**	8,057
Less: Outgoings incurred for investment properties that generated rental income during the year	**(571)**	(554)
Net rental income	**7,470**	7,503

4. SEGMENT INFORMATION

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

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

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

No 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 2018

	Silicone rubber and related products *HK$'000*	**Healthcare and hotel services** *HK$'000*	**Total** *HK$'000*
REVENUE			
External sales	**362,494**	**14,666**	**377,160**
Segment results (including share of results of associates)	**34,551**	**18,828**	**53,379**
Unallocated income			**1,531**
Unallocated expenses			**(39,423)**
Profit before tax			**15,487**

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 income			8,604
Unallocated expenses			(44,523)
Loss before tax			(74,100)

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 during the years ended 31 July 2018 and 2017.

Segment assets and liabilities

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

Segment assets

	2018	2017
	HK$'000	*HK$'000*
Silicone rubber and related products	**415,358**	472,896
Healthcare and hotel services	**473,963**	462,022
Total segment assets	**889,321**	934,918
Unallocated corporate assets	**24,919**	19,585
Consolidated total assets	**914,240**	954,503

Segment liabilities

	2018	2017
	HK$'000	*HK$'000*
Silicone rubber and related products	**150,575**	163,524
Healthcare and hotel services	**313,334**	341,752
Total segment liabilities	**463,909**	505,276
Unallocated corporate liabilities	**3,947**	5,341
Consolidated total liabilities	**467,856**	510,617

As at 31 July 2018 and 2017, segment assets and liabilities of the silicone rubber and related products include interests in associates, amount due from an associate and amount due to an associate.

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 AFS financial assets, held-for-trading investments, 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 2018

	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:				
Allowance for inventories	–	185	67	252
Additions of non-current assets	28	19,721	10,182	29,931
Amortisation of prepaid lease payments	–	237	4,655	4,892
Depreciation of property, plant and equipment	49	14,108	9,538	23,695
Fair value gain on investment properties	–	(252)	–	(252)
Gain on disposal of property, plant and equipment	–	(10,913)	(30,187)	(41,100)
Gain on disposal of prepaid lease payment	–	–	(42,019)	(42,019)
Gain on disposal of non-current asset classified as held for sale	–	–	(7,604)	(7,604)
Impairment loss recognised in respect of:				
— trade receivables	–	251	–	251
— property, plant and equipment	–	–	5,010	5,010
Interest expenses	–	1,485	22,261	23,746
Interest income	(2)	(585)	(121)	(708)
Share of results of associates	–	77	–	77
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Fair value loss on held-for-trading investments	98	–	–	98
Gain on disposal of AFS financial assets	(1,223)	–	–	(1,223)

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
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)
(Gain) loss on disposal of property, plant and equipment	35	(249)	133	(81)
Impairment loss recognised in respect of trade receivables	–	1,402	–	1,402
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
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Fair value loss on held-for-trading investments	184	–	–	184
Gain on disposal of AFS financial assets	(8,186)	–	–	(8,186)
Gain on disposal of held-for-trading investments	(418)	–	–	(418)

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:

	2018	2017
	HK$'000	*HK$'000*
Consumer electronic devices peripheral products	**205,707**	220,314
Keypads for computers and notebooks	**47,056**	49,504
Lifestyle products	**24,093**	29,300
Mobile phone peripheral products	**15,502**	14,002
Automotive peripheral products	**26,004**	32,650
Chemical products	**8,265**	14,980
Other products	**35,867**	33,011
Provision of healthcare and hotel services	**14,666**	6,739
	377,160	400,500

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	
	2018	2017	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The PRC (excluding Hong Kong)	**166,984**	205,348	**387,759**	565,464
Hong Kong	**87,498**	69,143	**7,420**	9,333
Other Asian countries	**14,938**	25,622	**14,071**	13,046
America	**87,907**	75,807	**–**	–
Europe	**19,833**	24,580	**–**	–
	377,160	400,500	**409,250**	587,843

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:

	2018 *HK$'000*	2017 *HK$'000*
Customer A	**N/A[2]**	54,938[1]
Customer B	**46,645[1]**	N/A[2]
Customer C	**46,245[1]**	N/A[2]

[1] Sales are derived from the sale of consumer electronic devices peripheral products and automotive peripheral products.

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER EXPENSES

	2018 *HK$'000*	2017 *HK$'000*
Exchange losses	**–**	234
Fair value loss on held-for-trading investments	**98**	184
Impairment losses recognised in respect of:		
— AFS financial assets	**–**	160
— property, plant and equipment	**5,010**	–
Investment loss from derivative financial instruments	**–**	2,469
Loss on disposal of associates	**630**	–
	5,738	3,047

6. FINANCE COSTS

	2018 *HK$'000*	2017 *HK$'000*
Interest on:		
Secured bank borrowings	**23,725**	19,713
Loans from a related party	**–**	174
Loans from third parties	**21**	1,367
	23,746	21,254

7. INCOME TAX EXPENSE (CREDIT)

	2018	2017
	HK$'000	*HK$'000*
PRC land appreciation Tax	**20,536**	–
(Over) under provision in prior years		
Hong Kong Profits Tax	**–**	1
PRC Enterprise Income Tax	**(708)**	(7)
	19,828	(6)
Deferred taxation		
Current year	**(31)**	(34)
	19,797	(40)

Hong Kong Profits Tax has not been provided for in the consolidated financial statements for the years ended 31 July 2018 and 2017 as the Group did not derive any assessable profits in Hong Kong.

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 2018 and 2017 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 2018 and 2017 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.

8. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,290**	1,270
Allowance for inventories (included in cost of sales)	**252**	–
Amortisation of prepaid lease payments	**4,892**	2,912
Costs of inventories sold *(Note)*	**277,784**	288,659
Depreciation of property, plant and equipment	**23,695**	17,745
Directors' emoluments	**8,275**	6,031
Impairment loss recognised in respect of trade receivables	**251**	1,402
Payments under operating leases in respect of land and buildings	**9,197**	7,953
Research and development costs	**5,265**	4,110
Reversal of allowance for inventories (included in cost of sales)	**–**	(4,376)
Reversal of impairment loss in respect of other receivables	**–**	(2,049)
Staff costs (excluding directors' emoluments)	**137,502**	170,010
Write-off of inventories (included in cost of sales)	**–**	744

Note:

Cost of inventories sold includes approximately HK$96,442,000 (2017: HK$98,336,000) 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 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during both years.

	2018	2017
Loss for the year attributable to owners of the Company (HK$'000)	**(3,756)**	(72,943)
Weighted average number of ordinary shares in issue ('000)	**871,178**	865,257

During the years ended 31 July 2018 and 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

	2018	2017
	HK$'000	*HK$'000*
Trade and bills receivables		
— from third parties	**98,556**	114,768
Less: Allowance for doubtful debts recognised in respect of trade and bills receivables from third parties	**(976)**	(1,430)
	97,580	113,338
Deposits and prepayments	**14,772**	13,518
Consideration receivable from disposal of properties *(Note a)*	**103,571**	–
Value-added tax receivables	**4,527**	27,455
Other receivables *(Note b)*	**9,409**	10,505
	229,859	164,816

Note:

(a) During the year ended 31 July 2018, certain buildings and respective prepaid lease payments located in Hainan, the PRC, have been disposed at cash consideration of HK$257,837,000 (excluding outgoing expenses). As at 31 July 2018, the consideration receivables of approximately HK$103,571,000 was non-interest bearing and repayable within one year.

(b) As at 31 July 2017, the carrying amount of other receivables has been netted off with accumulated impairment losses of approximately HK$175,000 (2018: nil). The amount impaired related to miscellaneous other receivables. During the year ended 31 July 2017, the Group recognised a reversal of impairment loss of approximately HK$2,049,000 (2018: nil) 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.

	2018	2017
	HK$'000	*HK$'000*
0-90 days	**91,207**	101,362
91 days to 1 year	**6,373**	11,938
Over 1 year	**–**	38
	97,580	113,338

12. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and bills payables	**33,308**	31,799
Accrued expenses	**28,314**	55,696
Other payables	**9,689**	12,289
Other tax payables	**10,059**	7,503
Deposits received	**8,527**	28,776
	56,589	104,264
	89,897	136,063

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month or on demand	**15,951**	16,820
More than 1 month but less than 3 months	**15,325**	12,635
More than 3 months but less than 12 months	**403**	1,482
More than 12 months	**1,629**	862
	33,308	31,799

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

Subsequent to the end of the reporting period, the Group has entered into a cooperation agreement with two independent parties, Yunnan Investment Construction Co., Ltd and China Technology Emerging City Construction Development Co., Ltd to establish a jointly owned entity, a limited liability company. The Group is committed to contribute approximately RMB52.5 million (equivalent to approximately HK$60.4 million) which representing 35% of the registered capital of this entity.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Company's Overall Performance

The revenue for the financial year ended 31 July 2018, decreased by 5.8% as compared to last year. Silicone rubber business is still the Group's core business, the primary source of income of the Group still derived from sales of consumer electronic devices peripheral products and keypads for computers and notebooks, and its percentage to total revenue were 54.5% and 12.5% respectively.

Ta Yang Group is still focusing on the manufacturing and sale of silicone rubber as its core business. During the financial year, the Group has established silicone rubber production age, instead of hovering over keypad production model; besides, with all the staff of the Group being united and integrated, we have strengthened product R & D capabilities, improved products quality and passed yield, increased raw materials' applications, optimized products mix, consolidated our real-time communication and mutual trust with customers and taken various measures to increase income and reduce cost, which enable us to maintain the Group's capability to expand business and perform well.

Meanwhile, during the financial year, the Group sold a part of high-end healthcare holiday resort project and brings revenue for the Group.

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 2018 was decreased by 5.8% to HK$377.2 million (2017: HK$400.5 million) while our loss attributable to equity Shareholders was HK$4.3 million (2017: HK$74.1 million loss).

Basic loss per share of the Company was HK0.43 cents (2017: HK8.43 cents loss) per share based on the weighted average number of 871,178,000 (2017: 865,257,000) 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 decreased by approximately 6.6% to HK$205.7 million in 2018 from HK$220.3 million in 2017.

During the year, consumer sentiment on the conventional electronic products was still weak, especially for those with video and photography devices, the sales orders from those products continued to shrink. To maintain the products' competitiveness, the sales price per unit had been adjusted which resulted in decreased total revenue. The Group has put more efforts to explore the market of portable products and allocate resources to research and develop innovative products such as sporty wristbands to obtain new orders. Although the competition in the saturated market is fierce, the Group will continue to provide high quality products with tempting prices to enlarge customer base.

Mobile phone peripheral products

Revenue for the sales of mobile phone peripheral products increased by approximately 10.7% to HK$15.5 million in 2018 from HK$14.0 million in 2017. One major customer of the Group has innovated a new mobile phone which brings the Group a lot of new orders. Besides, the non-keypad products mobile phone market which had been successfully established by the Group also increases this segment's revenue stably.

Keypads for computers and notebooks

Revenue for the sales of keypads for computers and notebooks decreased by approximately 4.9% to HK$47.1 million in 2018 from HK$49.5 million in 2017. With the mounting tension amid trade war between China and the U.S, the consumer market's environment is instable and the PC market has not recovered yet. Overseas PC shipments continued to decline. 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 decreased by approximately 20.4% to HK$26 million in 2018 from HK$32.7 million in 2017. As the global economy was still sluggish which caused the consumer sentiment on the automotive market to be weak. This led the sales orders and sales price per unit of automotive peripheral products continue to decline. The Group will focus on researching and developing high quality products to enlarge customer base and increase gross profit margin on sales.

Lifestyle products

Revenue for sales of lifestyle products decreased by 17.8% to HK$24.1 million in 2018 from HK$29.3 million in 2017. Competition is still fierce in lifestyle products market. The Group decline some customers' orders due to their low gross profit margin in order to maintain its capacity to fill those orders with high gross profit margin. The Group will continue to put more efforts to explore the market and work with our customers to develop more unique products to protect and elevate their positions in the market.

Chemical products

Revenue for sales of chemical products decreased by 44.8% to HK$8.3 million in 2018 from HK$15.0 million in 2017 due to stagnant customers population over the past 2 years and very high development cost. The Group will focus on other products that have high gross profit margin and potential customers.

Healthcare and Hotel Services

Revenue from provision of healthcare and hotel services increased by 117.6% to HK$14.7 million in 2018 from HK$6.7 million in 2017. During the year, the Group disposed 82 rooms and planned to sell another 11 rooms, after disposal, the property management continues to operate the remaining 101 hotel rooms/service apartments for rental and healthcare-related business. The business has succeeded in gaining more and more customers' support. To sustain its growth, the Group will continue to put more efforts to explore the market to capture the immense awareness of importance of healthcare in the PRC.

Cost of Sales

Cost structure

The overall cost of sales increased by approximately 1.3% from HK$290.4 million in 2017 to HK$294.3 million in 2018. The operating environment is still very tough for all PRC based manufacturers. Due to the increase of raw materials cost and government regulations such as environmental protection rules, the manufacturing cost rises. For the healthcare and hotel service segment, the increase of sales cost is predominantly from the increased numbers of hotel employees and the depreciation of medical facilities.

Gross Profit

The gross profit of the Group for the year decreased approximately 24.8% from HK$110.1 million in 2017 to HK$82.9 million in 2018. It was primarily due to decreased gross profit margin. Due to difficult business environment for organic silicone business, in order to attract customers, sales price per unit had to be lowered. On the other hand, due to the limited supply and the increased cost in raw materials, the Group's gross profit decreased.

Other Operating Income

Other operating income increased by approximately 374.0% to HK$111.4 million in 2018 from HK$23.5 million in 2017. The increase was primarily due to gain on disposal of a part of high-end healthcare holiday resort project in Hainan.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 24.8% to HK$26.7 million in 2018 from HK$35.5 million in 2017. When counted as a percentage of revenue, the total amount was 7.0% (2017: 8.9%). The decrease was due to the reduction of promotion and marketing cost related to multi-purpose medical healthcare project in Hainan and silicone segment's marketing staff's cost.

Administrative Expenses

Administrative expenses decreased by approximately 16.3% to HK$122.5 million in 2018 from HK$146.3 million in 2017. The Group continues to implement cost control measures and improve operation efficiency, administrative staff's salary cost decreases significantly, resulting in a significant reduction in administrative expenses.

Loss attributable to Shareholders

Loss attributable to Shareholders for the year ended 31 July 2018 was HK$4.3 million (2017: HK$74.1 million). The net loss margin of the Group decreased from 18.5% for the year ended 31 July 2017 to 1.1% for the year ended 31 July 2018.

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.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The auditor's opinion on the Group's consolidated financial statements for the year ended 31 July 2018 is extracted as below:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on uncommitted funds.

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.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's source of fund was from cash generated from operating activities.

	As at 31 July 2018	As at 31 July 2017
	HK$'000	*HK$'000*
Cash and cash equivalents	**192,888**	105,985
Net cash (outflow) inflow	**90,110**	(45,780)
Current ratio	**1.1**	1.6
Quick ratio	**1.0**	1.4
Gearing ratio	**0.72**	0.69

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

On 11 October 2017, Elegant Giant Holdings Limited, an indirect wholly owned subsidiary of the Company (the "Seller") and Ta Yang UDE Limited, an independent third party to the Company and its connected person (the"Purchaser") entered into the sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Seller conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of Donguan Tai Yang Rubber Plastic Industrial Company Limited, an indirect wholly-owned subsidiary of the Company (the "Target Company"), for the total consideration of HK$55,783,623. As one or more of the applicable percentage ratios in respect of the transaction as calculated under Rule 14.07 of the Listing Rules exceed(s) 25% but is/are less than 75%, the transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

As one or more of the conditions could not be fulfilled, the Seller and the Purchaser, after arm's length negotiations, have agreed not to proceed with the transaction. On 5 March 2018, the Seller and the Purchaser entered into a termination agreement (the "Termination Agreement") to terminate the Sale and Purchase Agreement. Pursuant to the Termination Agreement, the Sale and Purchase Agreement shall terminate and no party to the Sale and Purchase Agreement shall have any claim against the other, including without limitation any claim for liquidated damages pursuant to the Sale and Purchase Agreement. Subject to and without prejudice to the aforesaid, the Seller has undertaken to refund to the Purchaser all amounts received by the Seller or the Target Company from the Purchaser pursuant to the Sale and Purchase Agreement within 3 business days from the date of the Termination Agreement.

Please refer to the announcements dated 11 October 2017 and 5 March 2018.

Saved as disclosed above, the Group had no material acquisition or disposal of any subsidiaries and associated companies for the year ended 31 July 2018.

DISPOSAL OF PROPERTIES

On 27 March 2018, 大洋(海南)健康產業發展有限公司, an indirect wholly-owned subsidiary of the Company, (the "Vendor") and 海南泛海頤和房產經紀有限公司, an independent third party to the Company and its connected persons (the "Buyer") entered into a property underwriting agreement pursuant to which the Buyer has conditionally agreed to underwrite the purchase of an aggregate of 86 rooms with total gross floor area of approximately 7,494.74 sq. m. from building one and building three on Longxi Road, Yalong Bay, Sanya City, Hainan Province, PRC, for the consideration of approximately RMB239.8 million (equivalent to approximately HK$292.6 million) from the Vendor. As one of the applicable percentage ratios in respect of the transaction as calculated under Rule 14.07 of the Listing Rules exceeds 25% and all applicable ratios are less than 75%, the transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements. The Company obtained a written approval from Lyton Maison Limited, the controlling Shareholder holding 436,540,400 Shares with voting rights (representing approximately 50.11% of the 871,178,000 Shares with voting rights in issue as at the date of this announcement), in respect of the transaction. Pursuant to Rule 14.44 of the Listing Rules, such written approval from Lyton Maison Limited can be accepted in lieu of holding a general meeting for the purpose of approving the transaction.

Please refer to the announcement dated 27 March 2018.

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 2018 were approximately HK$5.6 million (2017: HK$11.0 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 2018, the Group had no material contingent liabilities.

As at 31 July 2018, certain properties of the Group of HK$211.9 million (2017: HK$398.9 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 2018, the Group has 1,263 permanent and temporary employees (2017: 1,448). The total salaries and related costs for the year ended 31 July 2018 amounted to approximately HK$137.5 million (2017: HK$170.0 million).

EVENT AFTER REPORTING PERIOD

Proposed Adoption of Share Option Scheme

On 13 September 2018, the Board proposed the adoption of a share option scheme (the "Share Option Scheme") for the approval by the Shareholders.

The purposes of the Share Option Scheme are to recognise and acknowledge the contributions to those who had made, may have made or will make contributions to the Group. The Share Option Scheme will provide those who are eligible opportunities to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate them to optimize their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an ongoing business relationship with those whose contributions are or will be beneficial to the long-term growth of the Group.

Please refer to the announcement dated 13 September 2018.

Entering into of Cooperation Agreement

On 8 October 2018 (after trading hours), Tayang Tongchuang (Chengdu) New Energy Co., Ltd.* (大洋同創(成都)新能源有限公司), a company established under the PRC law and an indirect wholly-owned subsidiary of the Company ("Tayang Tongchuang"), Yunnan Investment Construction Co., Ltd.* (雲南雲投建設有限公司) ("Yunnan Investment Construction"), a company established under the PRC law, and China Technology Emerging City Construction Development Co., Ltd.* (中科新興城市建設發展有限公司) ("China Technology Emerging"), a company established under the PRC law entered into a cooperation agreement in relation to funds contribution to establish a joint venture, a limited liability company. Tayang Tongchuang shall contribute RMB52.5 million, representing 35% of the registered capital of the joint venture. The operation period of the Joint venture shall be ten years, which may be extended or shortened by resolution of the general meeting of the Joint venture. In the event that the accumulative return on net assets of the Joint venture fails to reach 24% for three consecutive years, Yunnan Investment Construction shall be entitled to choose to exit the investment while China Technology Emerging and Tayang Tongchuang shall be obliged to take up the equity interests transferred by Yunnan Investment Construction at a price no less than the valuation of the equity interests held by Yunnan Investment Construction (the valuation reference date shall be determined based on the point of exit) and the paid-in capital contribution by Yunnan Investment Construction × (1+8%) (the number of days that Yunnan Investment Construction fully paid the capital contribution/365). As stated in the above, while failing to meet the condition thereunder, the Company shall be obliged to take up the equity interests transferred by Yunnan Investment Construction. It constitutes an option to acquire assets as defined in Rules 14.04(1)(b) and 14.72 of the Listing Rules while the Company has no discretion in the asset acquisition option. Therefore, the total consideration must comprise capital contribution amount of Tayang Tongchuang and the consideration of the asset acquisition option. As a result, as one of the applicable percentage ratios in respect of the entering into of the Cooperation Agreement as calculated under Rule 14.07 of the Listing Rules exceeds 25% and all applicable ratios are less than 100%, the entering into of the Cooperation Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements. To the best of the Directors' knowledge and information, and having made all reasonable enquiries, no Shareholder has any material interest in the entering into of the Cooperation Agreement. As such, no Shareholder is required to abstain from voting if a general meeting of the Company were convened to approve the entering into of the Cooperation Agreement. The Company intends to obtain a written approval from Lyton Maison Limited, the controlling Shareholder holding 436,540,400 Shares with voting rights (representing approximately 50.11% of the 871,178,000 Shares with voting rights in issue as at the date of this announcement), in respect of the entering into of the Cooperation Agreement. Pursuant to Rule 14.44 of the Listing Rules, such written approval from Lyton Maison Limited can be accepted in lieu of holding a general meeting for the purpose of approving the entering into of the Cooperation Agreement.

Please refer to the announcements dated 8 October 2018 and 19 October 2018.

OUTLOOK

The Group has rock-solid silicone rubber materials technology, with the rapid development trend of silicone rubber products industry in recent years, silicone rubber products application technology has infiltrated into various industries, we plan to increase our R&D efforts on proprietary products and optimize internal products structure. Oriented by the market and guided by innovation, we will be able to take the first train of silicone rubber industry's innovation, seizing a considerable share in the silicone rubber products' high-end market. In addition, the Group will continuously expand from healthcare and hotel service industries to residential real estate industry, and transform from previous heavy assets operation model of self-owned property to service-focused and operation-focused light assets operation model. Meanwhile, the Group will continue to be committed to looking for new business opportunities such as participating in infrastructure investment construction, developing intelligent manufacturing, etc. and will integrate above mentioned businesses organically within the Group's internal system to enrich resources of income and create more lucrative returns for shareholders.

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 13 December 2018, the register of members of the Company will be closed from Tuesday, 11 December 2018 to Thursday, 13 December 2018, 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, 10 December 2018.

FINAL DIVIDEND

The directors of the Company do not recommend the payment of final dividend for the year ended 31 July 2018 (2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 July 2018, 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 July 2018 except:

(i) the code provision A.1.1, which requires that regular board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of directors entitled to be present, and the code provision A.6.7 which requires that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Some Directors cannot attend regular board meetings because they are busy on their own tight schedules. We will communicate better with the Directors and try our best to arrange so that they can attend regular board meetings.

(ii) 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 chairlady of the Board (the "Chairlady") and the Chief Executive Officer (the "CEO").

The Board believes that vesting the roles of both the Chairlady 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 Chairlady 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.

(iii) 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 Chairlady 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 Chairlady 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.

(iv) 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.

(v) the code provision E.1.2, which requires that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The Chairlady and some Committee Chairmen could not attend the annual general meeting held during the year because they are busy on their own tight schedules. We will communicate better with the Chairlady and Committee Chairmen and try our best to arrange so that they can attend the annual general meeting.

(vi) In compliance with Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors. Among the three independent non-executive Directors, one of them have appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. Independent non-executive Directors represent at least one-third of the board as required by Rule 3.10A of the Listing Rules.

However, following the resignation of Mr. Yeung Chi Tat as independent non-executive Director on 10 September 2017, the number of independent non-executive Directors fell below the requirement of Rule 3.10A of the Listing Rules. Following the resignation of Ms. Lian Yi as independent non-executive Director on 10 November 2017, the number of independent non-executive Directors fell below the requirement of Rules 3.10(1) and 3.10A of the Listing Rules, and the number of member of Audit Committee has fallen below the requirement of Rule 3.21 of the Listing Rules.

Following the appointments of Mr. Wu Tak Kong as an independent non-executive Director and the member of the Audit Committee on 15 November 2017, the number of independent non-executive Directors and the number of members of the Audit Committee meet with the requirements under Rules 3.10(1) and 3.21 of the Listing Rules respectively. However, the number of independent non-executive Directors still fell below the requirement of Rule 3.10A of the Listing Rules.

Subsequent to the resignation of Mr. Huang Te-Wei as an executive Director on 30 November 2017, the composition of the Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. In this regard, the number of independent non-executive Directors represents one-third of the members of the Board and the Company meets the requirement set out in Rule 3.10A of the Listing Rules.

Mr. Pak Wai Keung, Martin has tendered his resignation as an independent non-executive Director of the Company, the chairman of the audit committee and a member of each of the nomination committee and the remuneration committee of the Company with effect from 29 October 2018. Upon the resignation of Mr. Pak, the Company only has two independent non-executive Directors and two members of the Audit Committee which falls below the minimum number required under Rule 3.10(1), 3.10A and 3.21 of the Listing Rules. The Company is actively identifying suitable candidate for appointment as independent non-executive Director so as to fulfill the requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules within three months from 29 October 2018.

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 to 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, to review the Company's annual reports and interim reports, and to provide advice and comments thereon to the Board. Currently, the Audit Committee comprises of Mr. Wu Tak Kong (Chairman) and Ms. Zhang Lijuan, 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 2018.

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 to 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, 30 October 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Shi Qi, Mr. Qiu Yonghao and Mr. Zhao Ang; three non-executive Directors, namely Mr. Gao Feng, Mr. Han Lei and Mr. Sze Wai Lun; and two independent non-executive Directors, namely Ms. Zhang Lijuan and Mr. Wu Tak Kong.