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TA YANG GROUP HOLDINGS LIMITED

大洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1991)

INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	261,482	154,807
Cost of sales		(215,239)	(116,809)
Gross profit		46,243	37,998
Other operating income		8,418	15,063
Selling and distribution expenses		(9,095)	(8,915)
Administrative expenses		(63,600)	(70,343)
Share of results of associate		(19)	—
Finance costs	6	(9,443)	(9,738)
Loss before taxation		(27,496)	(35,935)
Income tax (expense)/credit	7	(19)	909
Loss for the period	8	(27,515)	(35,026)
Loss for the period attributable to:			
Owners of the Company		(27,513)	(37,199)
Non-controlling interests		(2)	2,173
		(27,515)	(35,026)
Loss per share	9		
Basic and diluted (HK cents)		(3.16)	(4.27)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(27,515)</u>	<u>(35,026)</u>
Other comprehensive (expenses)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations	<u>(14,962)</u>	<u>2,062</u>
Items that will not be reclassified subsequently to profit or loss:		
Net movement in fair value of financial assets at fair value through other comprehensive income	<u>(1)</u>	<u>(404)</u>
Other comprehensive (expenses)/income for the period, net of tax	<u>(14,963)</u>	<u>1,658</u>
Total comprehensive expenses for the period, net of tax	<u>(42,478)</u>	<u>(33,368)</u>
Total comprehensive (expenses)/income for the period, net of tax, attributable to:		
Owners of the Company	(42,479)	(35,544)
Non-controlling interests	<u>1</u>	<u>2,176</u>
	<u>(42,478)</u>	<u>(33,368)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30/6/2020 HK\$'000 (Unaudited)	31/12/2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	59,831	153,964
Right-of-use assets		9,143	—
Prepaid lease payments		—	114,522
Investment properties		85,620	87,191
Goodwill		8,008	8,008
Financial assets at fair value through other comprehensive income		2,529	2,648
Interest in an associate		59,221	60,246
		<u>224,352</u>	<u>426,579</u>
Current assets			
Inventories		38,512	31,734
Trade and other receivables	12	216,685	247,451
Prepaid lease payments		—	2,465
Held-for-trading investments		26	116
Pledged bank deposit		—	1,110
Bank balances and cash		62,674	94,908
		<u>317,897</u>	<u>377,784</u>
Assets of disposal group classified as held for sale		<u>263,412</u>	<u>—</u>
		<u>581,309</u>	<u>377,784</u>
Current liabilities			
Trade and other payables	13	132,321	132,404
Income tax payable		19,079	38,387
Secured bank borrowings	14	65,933	276,350
Lease liabilities		1,876	—
		<u>219,209</u>	<u>447,141</u>
Liabilities of disposal group classified as held for sale		<u>273,178</u>	<u>—</u>
		<u>492,387</u>	<u>447,141</u>
Net current assets/(liabilities)		<u>88,922</u>	<u>(69,357)</u>
Total assets less current liabilities		<u><u>313,274</u></u>	<u><u>357,222</u></u>

	<i>Notes</i>	30/6/2020 HK\$'000 (Unaudited)	31/12/2019 <i>HK\$'000</i> (Audited)
Capital and reserves			
Share capital	15	87,118	87,118
Reserves		204,168	246,647
Equity attributable to owners of the Company		291,286	333,765
Non-controlling interests		3,156	3,155
Total equity		294,442	336,920
Non-current liabilities			
Secured bank borrowings		—	3,330
Lease liabilities		2,222	—
Deferred income		2,980	3,112
Deferred tax liabilities		13,630	13,860
		18,832	20,302
		313,274	357,222

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

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 interim report. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in manufacturing and sale of silicone rubber and related products and providing healthcare and hotel services.

The condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”). Other than those subsidiaries established in 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\$.

As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the condensed consolidated interim financial information in HK\$.

At 30 June 2020, 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 (the “BVI”).

2. BASIS OF PREPARATION

The condensed consolidated statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange.

The condensed consolidated interim financial information has been prepared on the historical cost basis, except for certain financial instruments and investment properties, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the period from 1 August 2018 to 31 December 2019, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group’s operations and mandatory for accounting periods beginning on 1 January 2020. Except for those disclosed in note 3, the effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

The Group has not early adopted the new or amended Hong Kong Financial Reporting Standards (“HKFRSs”) that have been issued but are not yet effective for the current accounting period.

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise their judgments in the process of applying the Group’s accounting policies.

3. CHANGES IN ACCOUNTING POLICY

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's financial statements:

- HKFRS 16 "Leases"

Details of the changes in accounting policy are discussed as below:

HKFRS 16, *Leases*

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 Leases ("HKAS17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2020, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

As at 1 January 2020, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6.9%.

	As at 1 January 2020 HK\$'000
Operating lease commitments disclosed as at 31 December 2019	8,945
Less: Recognition exemption — short-term and low value leases	(3,081)
	5,864
Less: Total future interest expenses	(782)
Lease liabilities discounted at relevant incremental borrowing rates as at 1 January 2020	5,082
Analysed as	
Current	1,848
Non-current	3,234
	5,082

The carrying amount of right-of-use assets for own use as at 1 January 2020 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	5,082
By class:	
Leased properties	5,082

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2020. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at 31 December 2019 <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 as at 1 January 2020 <i>HK\$'000</i>
Non-current assets				
Right-of-use assets	—	116,987	5,082	122,069
Prepaid lease payment	<u>114,522</u>	<u>(114,522)</u>	<u>—</u>	<u>—</u>
Current assets				
Prepaid lease payment	<u>2,465</u>	<u>(2,465)</u>	<u>—</u>	<u>—</u>
Current liabilities				
Lease liabilities	<u>—</u>	<u>—</u>	<u>(1,848)</u>	<u>(1,848)</u>
Non-current liabilities				
Lease liabilities	<u>—</u>	<u>—</u>	<u>(3,234)</u>	<u>(3,234)</u>

4. REVENUE

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

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of goods — at a point in time	254,130	150,475
Healthcare and hotel services — over time	<u>7,352</u>	<u>4,332</u>
	<u>261,482</u>	<u>154,807</u>

5. 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:

- Silicone rubber and related products — manufacturing and sale of silicone rubber and related products; and
- 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.

- (a) Information regarding the group's reportable segments as provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Six months ended 30 June 2020			
	Silicone rubber and related products <i>HK\$'000</i> (Unaudited)	Healthcare and hotel services <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>254,130</u>	<u>7,352</u>	<u>—</u>	<u>261,482</u>
Segment profit/(loss) before taxation	<u>8,734</u>	<u>(9,329)</u>	<u>(26,901)</u>	<u>(27,496)</u>
Segment assets	464,677	332,037	8,947	805,661
Segment liabilities	<u>218,367</u>	<u>285,368</u>	<u>7,484</u>	<u>511,219</u>

	Six months ended 30 June 2019			
	Silicone rubber and related products <i>HK\$'000</i> (Unaudited)	Healthcare and hotel services <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>150,475</u>	<u>4,332</u>	<u>—</u>	<u>154,807</u>
Segment profit/(loss) before taxation	<u>15,224</u>	<u>(23,077)</u>	<u>(28,082)</u>	<u>(35,935)</u>
Segment assets	405,703	416,186	24,836	846,725
Segment liabilities	<u>166,312</u>	<u>288,707</u>	<u>2,899</u>	<u>457,918</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Interests arising from bank borrowings	9,286	9,738
Interests arising from lease liabilities	<u>157</u>	<u>—</u>
	<u>9,443</u>	<u>9,738</u>

7. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Deferred taxation		
— Current period	<u>19</u>	<u>(909)</u>

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information as the Group did not derive any assessable profits for both periods.

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

No provision for Indonesia Income Tax for the six months ended 30 June 2020 and 2019 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 six months ended 30 June 2020 and 2019 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 periods.

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Allowance for inventories (included in cost of sales)	17	1,305
Amortisation of prepaid lease payments	—	1,364
Cost of inventories recognised as expenses	158,625	55,290
Depreciation of property, plant and equipment	7,018	11,294
Depreciation of right-of-use assets	2,599	—
Dividend income	—	(3)
Exchange gain, net	179	(235)
Fair value loss on held-for-trading investments	106	337
Government grants		
— Amortisation of deferred income	(197)	—
— Grants related to expenses recognised as other operating income	—	(714)
Gross rental income	(4,956)	(659)
Less: Outgoings incurred for investment properties that generated rental income during the period	2,882	138
Net rental income	<u>(2,074)</u>	<u>(521)</u>
Loss allowance recognised in respect of:		
— trade receivables	—	2,142
Reversal of impairment loss recognised in respect of trade receivables	(512)	—
Interest income	(64)	(517)
Gain on disposal of prepaid lease payments	—	(1,731)
Loss/(Gain) on disposal of property, plant and equipment	149	(4,931)
Gain on disposal of investment property	<u>—</u>	<u>(6,081)</u>

9. LOSS PER SHARE

Basic and diluted

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 periods.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Loss attributable to owners of the Company (HK\$'000)	<u>(27,513)</u>	<u>(37,199)</u>
Weighted average number of ordinary shares in issue ('000)	<u>871,178</u>	<u>871,178</u>

During the six months ended 30 June 2020 and 2019, the basic loss per share and the diluted loss per share are the same because there are no potential dilutive shares outstanding.

10. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2020 and 30 June 2019.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, no property, plant and equipment has been acquired (2019: HK\$6,667,000) and disposed (2019: HK\$4,041,000).

12. TRADE AND OTHER RECEIVABLES

	30/6/2020 HK\$'000 (Unaudited)	31/12/2019 HK\$'000 (Audited)
Trade and bills receivables	56,862	102,122
Deposits and prepayments and other receivables	159,823	145,329
	<u>216,685</u>	<u>247,451</u>

The Group normally grants to its customers credit periods ranging from 30 days to 90 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 ECLs presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition date.

	30/6/2020 HK\$'000 (Unaudited)	31/12/2019 HK\$'000 (Audited)
0–90 days	52,853	92,928
91 days to 365 days	4,009	9,194
	<u>56,862</u>	<u>102,122</u>

13. TRADE AND OTHER PAYABLES

	30/6/2020 HK\$'000 (Unaudited)	31/12/2019 HK\$'000 (Audited)
Trade and bills payables	59,916	42,027
Accrued payables	20,516	41,210
Other payables	46,879	26,088
Other tax payables	4,338	18,077
Deposits received	672	5,002
	<u>132,321</u>	<u>132,404</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods.

	30/6/2020 HK\$'000 (Unaudited)	31/12/2019 HK\$'000 (Audited)
Within 1 month or on demand	9,249	11,153
More than 1 month but less than 3 months	40,572	20,263
More than 3 months but less than 1 year	9,141	8,736
More than 1 year	954	1,875
	59,916	42,027

14. SECURED BANK BORROWINGS

During the six months ended 30 June 2020, no new bank borrowing was obtained.

As at 30 June 2020 and 31 December 2019, a bank borrowing of approximately HK\$197,580,000 was secured with certain properties which were disposed of. The Group has breached the bank covenant. Reference to the respective bank borrowing and pledge asset agreements entered into between the Group and the bank, the bank has the right to demand for immediate payment. The bank borrowing has been therefore classified as a current liability as at 31 December 2019 and 30 June 2020. 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.

During the six months ended 30 June 2020, the remaining bank borrowings carried variable interest rate at 1.75% per annum over Hong Kong Inter-bank Offered Rate/London Inter-bank Offered Rate or the Lender's Cost of Funds, whichever is higher and is repayable on demand. The effective interest rate on the bank borrowings is 7.39% (six months ended 30 June 2019: 7.09%) per annum.

15. SHARE CAPITAL

Authorised and issued share capital

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 31 December 2019 (audited) and 30 June 2020 (unaudited)	20,000,000	2,000,000
Issued and fully paid:		
At 31 December 2019 (audited) and 30 June 2020 (unaudited)	871,178	87,118

16. RELATED PARTY TRANSACTIONS

- (a) Other than disclosed elsewhere in the condensed consolidated interim financial information, the group entered into the following material transactions with related parties:

Name of related party	Nature of transactions	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Shi Qi	Rental expense	<u>150</u>	<u>165</u>

- (b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the period is as follows:

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term benefits	<u>3,014</u>	<u>2,131</u>

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

17. CAPITAL COMMITMENTS

	30/June/ 2020 HK\$'000 (Unaudited)	31/December/ 2019 HK\$'000 (Audited)
Capital expenditure contracted for but not provided for in the condensed consolidated interim financial information in respect of:		
— Acquisition of property, plant and equipment	<u>571</u>	<u>1,784</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2020, the Group recorded a revenue of HK\$261,482,000 (the corresponding period in 2019: HK\$154,807,000). The Group stayed committed to forge ahead against the adverse backdrop of Covid-19 epidemic. Further, the Group seized opportunities and established the production and sales of personal protective equipment (“PPE”) and managed to recorded revenue and gross profit higher than the corresponding period of last year.

At the same time, the Group’s continuous efforts in costs and expense control resulted in a substantial decrease in the loss compared to the corresponding period of last year. The accumulated losses for the six months ended 30 June 2020 was HK\$27,515,000 (corresponding period in 2019: HK\$35,026,000).

The Group has been actively developing markets, stepping up R&D efforts to develop and introduce appropriate silicone lifestyle products that target the demands from markets. The Group has been continuously expanding its product portfolio and optimizing the product mix and it continues to consolidate its market share in wearable consumer products. Meanwhile, the global outbreak and spread of Covid-19 pandemic has resulted in a severe shortage in PPE especially protective masks. The Group actively developed PPE markets and successfully developed and launched environmental-friendly and reusable all-silicone masks, which were highly welcomed and by its customers both in the PRC and abroad.

Domestic tourism industry was heavily hit by the Covid-19 pandemic and was frozen at the first half of 2020. However, the Group was not affected since it outsourced the hotel operation in Hainan at the end of last year. Nevertheless, the Group has always been exploring options to maximise values for the shareholders. On 11 May 2020, the Group entered into an agreement for the disposal of the hotel properties in Hainan. The disposal is currently still in progress.

OUTLOOK

The global economy has been facing acute challenges since the outbreak of Covid-19 pandemic in the beginning of 2020. However, the Group strongly believes that crisis creates opportunities. The core ability to seize business opportunities in the midst of crisis is of utmost importance for an organization to survive, thrive and emerge even stronger from the crisis.

With regards to the Group's PPE business, although the Covid-19 pandemic is expected to be contained in the near future, it surely has been a valuable lesson for everyone in the world on epidemic prevention awareness. The Group expects the global demand on PPE would remain strong in the longer term and protective masks would become daily products and even fast-moving consumer goods. The Group has gained valuable experience from the R&D, production and sale of all-silicone masks at the first half of the year and successfully established the global distribution networks and resources on PPE. On that basis, the Group not only can expand and foster the production and sales of its own silicone masks, it can also leverage the networks and resources to develop other business such as trading of PPE and beyond.

The Covid-19 pandemic has also had significant impact on peoples' ways of lives around the world. Due to the increasing time that people spending at home, the demands on household supplies including kitchenware and even adult products has increased significantly. Awareness of health and fitness has also increased and that has given rise to the stronger demands on products of household health and personal fitness. The aforementioned products are all suitable applications of silicone materials. The Group is following closely the market trends and continues to increase its R&D efforts on self-developed products. The Group is also exploring multi-dimensional distribution channels such as the Internet e-commerce and New Retail to speed up market shares acquisition.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2020, the Group recorded a revenue of HK\$261,482,000, representing an increase of 68.9% as compared with the corresponding period in 2019. The major contributor of the revenue was still selling silicone and its related products, which accounted for approximately 97.2% of total turnover. The group received warm response from both PRC and overseas market for its PPE products during the period, resulting in an increase in the silicone segment's revenue of approximately 68.9%.

In addition, the Group recorded steady income from the outsourcing of hotel operation despite the Covid-19 pandemic. During the period, revenue from healthcare and hotel business segment accounted for approximately 2.8% of total turnover.

Gross Profit

The gross profit was HK\$46,243,000, representing an increase of 21.7% as compared with the corresponding period in 2019. The overall profit margin for the period decreased to 17.7% from 24.5% for the corresponding period in 2019. The newly developed PPE products commanded lower margin than traditional silicone products of the Group. However the Group was still able to record an increase in the gross profit given the larger turnover as compared to the corresponding period last year.

Other Operating Income

Other operating income decreased by HK\$6,645,000 or 44.1% to HK\$8,418,000 as compared with the corresponding period in 2019. The decrease was mainly due to the absence of one-off disposal of investment property recorded in the corresponding period last year.

Selling and Distribution Expenses

Selling and distribution expenses increase marginally by 2.0% to HK\$9,095,000 as compared with the corresponding period in 2019. In terms of percentage of the Group's turnover, total selling and distribution expenses accounted for 3.5%, representing a decrease of 2.3% as compared with the corresponding period in 2019. Such decrease was achieved as a result of effective cost control implemented by the Group.

Administrative Expenses

Administrative expenses decreased by 9.59% to HK\$63,600,000 as compared with the corresponding period in 2019. This was achieved as a result of effective cost control implemented by the Group as well as the absence of expenses relating to the relocation of head office to Chengdu incurred during the corresponding period in 2019.

Profit Attributable to Shareholders

The Group recorded loss attributable to shareholders of HK\$27,513,000 during the period, representing a decrease of 26.0% from the loss attributable to shareholders for the corresponding period last period amounted to of HK\$37,199,000.

Liquidity and Financial Resources

During the period, the Group's source of funds was cash generated from operating activities and the Group's working capital remained stable.

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Cash and cash equivalents	62,674	94,908
Net current assets/(liabilities)	88,922	(69,357)
Current ratio	1.2	0.8
Quick ratio	<u>1.1</u>	<u>0.8</u>

Financial Management and Treasury Policy

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

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

In respect of RMB, as the Group's production plants are mainly 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. The Group will closely monitor RMB movements and take appropriate measures to deal with RMB exposure.

HUMAN RESOURCES AND REMUNERATION POLICIES

As the Group is committed to developing high value-added products with excellent quality, 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 enhance their skills and knowledge.

We offer competitive remuneration packages, including quality staff quarters, training, medical care, insurance coverage and retirement benefits, to all employees in Hong Kong and in the PRC. As at 30 June 2020, the Group employed approximately 1,240 employees.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, 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 of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2020, 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. During the period from 6 April 2016 to 25 August 2020, Ms. Shi Qi acted as both the chairlady of the Board (the "Chairlady") and the Chief Executive Officer (the "CEO").

On 26 August 2020, Ms. Shi Qi resigned and Mr. Liu Wengang was appointed as the CEO. Ms. Shi continues to serve as an executive Director and the Chairlady of the Board. Subsequent to the change of CEO, the Company complies with the Code Provision A.2.1.

- (ii) 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 period under review, 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) from time to time 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.

NON-COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

As at the date of this announcement, the Company is in compliance with Rules 3.10(1) and (2), 3.10A, and 3.21 of the Listing Rules, there are five independent non-executive Directors. Among the independent non-executive Directors, at least one of them has appropriate professional qualifications in accounting or related financial management expertise. Independent non-executive Directors represent at least one-third of the Board. The audit committee comprises a minimum of three members.

However, during the reporting period, following the resignation of Mr. Cheung Simon as an independent non-executive Director on 18 December 2019, 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 members of Audit Committee fell below the requirement of Rule 3.21 of the Listing Rules.

On 13 January 2020, Mr. Wu Tak Kong resigned as and Mr. Lin Bing was appointed as an independent non-executive Director and the chairman of the Audit Committee. On 21 January 2020, Mr. Liu Gang was appointed as an independent non-executive Director and a member of the Audit Committee. Subsequent to the appointment of Mr. Liu Gang on 21 January 2020, 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 3.10A, and 3.21 of the Listing Rules respectively.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

Currently, the Audit Committee of the Company comprises Mr. Lin Bing (chairman), Ms. Zhang Lijuan, Mr. Liu Gang and Mr. Hu Jiangbing, all being independent non-executive Directors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed financial reporting matters.

The Company's unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.tayang.com). The interim report 2020 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites before the end of September 2020.

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

Hong Kong, 31 August 2020

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