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TAYANG 大洋
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 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Ta Yang Group Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 with comparative figures for the corresponding period in the previous year as follows. This condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	168,203	261,482
Cost of sales		(123,126)	(215,239)
Gross profit		45,077	46,243
Other income and gain		11,577	8,418
Selling and distribution expenses		(11,215)	(9,095)
Administrative expenses		(54,780)	(63,600)
Share of results of associates		(49)	(19)
Finance costs	6	(8,972)	(9,443)
Loss before tax		(18,362)	(27,496)
Income tax expense	7	(47)	(19)
Loss for the period	8	(18,409)	(27,515)

		Six months ended 30 June	
		2021	2020
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(18,406)	(27,513)
Non-controlling interests		<u>(3)</u>	<u>(2)</u>
		<u>(18,409)</u>	<u>(27,515)</u>
Loss per share			(restated)
Basic and diluted (HK cents)	9	<u>(1.83)</u>	<u>(3.01)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(18,409)</u>	<u>(27,515)</u>
Other comprehensive income/(expenses)		
Items that will not be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income	<u>549</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations	<u>2,479</u>	<u>(14,962)</u>
Other comprehensive income/(expenses) for the period	<u>3,028</u>	<u>(14,963)</u>
Total comprehensive expenses for the period, net of income tax	<u>(15,381)</u>	<u>(42,478)</u>
Total comprehensive income/(expenses) for the period, net of income tax, attributable to:		
Owners of the Company	(15,379)	(42,479)
Non-controlling interests	<u>(2)</u>	<u>1</u>
	<u>(15,381)</u>	<u>(42,478)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
	Notes		
Non-current assets			
Property, plant and equipment		62,315	151,497
Right-of-use assets		11,847	135,688
Investment properties		94,750	93,650
Financial assets at fair value through other comprehensive income		3,306	2,756
Interests in associates		45,831	45,175
		<u>218,049</u>	<u>428,766</u>
Current assets			
Inventories		45,651	34,877
Trade and other receivables	11	269,980	290,901
Held-for-trading investments		22	22
Bank balances and cash		43,612	31,774
		<u>359,265</u>	<u>357,574</u>
Assets of disposal group classified as held for sale		222,772	–
		<u>582,037</u>	<u>357,574</u>
Current liabilities			
Trade and other payables	12	107,042	197,689
Income tax payable		20,650	40,818
Borrowings	13	58,867	234,027
Lease liabilities		3,846	8,553
		<u>190,405</u>	<u>481,087</u>
Liabilities of disposal group classified as held for sale		265,104	–
		<u>455,509</u>	<u>481,087</u>
Net current assets/(liabilities)		<u>126,528</u>	<u>(123,513)</u>
Total assets less current liabilities		<u>344,577</u>	<u>305,253</u>

		As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Capital and reserves			
Share capital	14	130,677	87,118
Reserves		189,987	187,942
		<hr/>	<hr/>
Equity attributable to owners of the Company		320,664	275,060
Non-controlling interests		3,140	3,142
		<hr/>	<hr/>
Total equity		323,804	278,202
		<hr/>	<hr/>
Non-current liabilities			
Borrowings		–	3,564
Lease liabilities		2,530	5,451
Deferred income		3,196	3,165
Deferred tax liabilities		15,047	14,871
		<hr/>	<hr/>
		20,773	27,051
		<hr/>	<hr/>
		344,577	305,253
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. GENERAL

Ta Yang Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is situated at 22/F, H Code, 45 Pottinger Street, Central, Hong Kong. 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 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\$. 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 2021, the directors of the Company consider the ultimate holding company of the Company to be Lyton Maison Limited which was incorporated in the British Virgin Islands (the “**BVI**”).

2. BASIS OF PREPARATION

The condensed consolidated interim financial information 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 investment properties and financial instruments, 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 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020, 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 2021.

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 except for the amendment to HKFRS 16 COVID-19-related Rent Concessions. Impact on the applications of these amendments to HKFRSs are summarised in note 3.

The preparation of the condensed consolidated interim 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

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of accumulated losses as at 1 January 2020 on initial application of the amendment.

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 taxes.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of goods — at a point in time	167,014	254,130
Healthcare and hotel services — over time	1,189	7,352
	168,203	261,482

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 six months ended 30 June 2021 and 30 June 2020 is set out below:

Six months ended 30 June 2021				
	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>167,014</u>	<u>1,189</u>	<u>–</u>	<u>168,203</u>
Segment profit/(loss) before tax	<u>17,796</u>	<u>(7,510)</u>	<u>(28,648)</u>	<u>(18,362)</u>
Segment assets	<u>307,670</u>	<u>290,019</u>	<u>202,397</u>	<u>800,086</u>
Segment liabilities	<u>198,588</u>	<u>275,008</u>	<u>2,686</u>	<u>476,282</u>
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 tax	<u>8,734</u>	<u>(9,329)</u>	<u>(26,901)</u>	<u>(27,496)</u>
Segment assets	<u>464,677</u>	<u>332,037</u>	<u>8,947</u>	<u>805,661</u>
Segment liabilities	<u>218,367</u>	<u>285,368</u>	<u>7,484</u>	<u>511,219</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
Borrowings	8,572	9,286
Lease liabilities	400	157
	<u>8,972</u>	<u>9,443</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current taxation		
— PRC Enterprise income tax	(46)	—
Deferred taxation		
— Current period	(1)	(19)
	<u>(47)</u>	<u>(19)</u>

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information for the six months ended 30 June 2021 and 30 June 2020 as the Group has sufficient tax losses brought forward to set off against assessable profits.

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 the six months ended 30 June 2021 and 30 June 2020.

No provision for Indonesia Income Tax for the six months ended 30 June 2021 and 30 June 2020 has been made as the subsidiary operating in Indonesia did not generate any assessable profits in Indonesia.

No provision for Taiwan Profit-Seeking Enterprise Income Tax for the six months ended 30 June 2021 and 30 June 2020 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%. Accordingly, provision for PRC Enterprise Income Tax for the PRC subsidiaries is calculated at 25% of estimated assessable profits for the six months ended 30 June 2021 and 30 June 2020.

8. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Allowance for inventories (included in cost of sales), net of reversal	–	17
Cost of inventories sold (<i>Note</i>)	121,774	206,517
Depreciation of property, plant and equipment	5,439	7,018
Depreciation of right-of-use assets	4,967	2,599
Exchange (gain)/loss, net	(4,797)	179
Fair value loss on held-for-trading investments	–	106
Government grants		
— Amortisation of deferred income	(6)	(197)
Gross rental income	(1,881)	(4,956)
Less: Outgoings incurred for investment properties that generated rental income during the period	527	2,882
Net rental income	(1,354)	(2,074)
Reversal of impairment loss recognised in respect of trade receivables	–	(512)
Interest income	(62)	(64)
(Gain)/loss on disposal of property, plant and equipment	(7,969)	149

Note: Cost of inventories sold includes approximately HK\$3,750,000 (2020: HK\$3,818,000) relating to depreciation expenses and operating lease charges which amounts are also included in the respective total amounts disclosed separately above.

9. LOSS PER SHARE

Basic and diluted

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 for the six months ended 30 June 2021 and 30 June 2020.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(18,406)	(27,513)
		(restated)
Weighted average number of ordinary shares in issue ('000)	1,007,445	914,178

During the six months ended 30 June 2021 and 30 June 2020, 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 2021 and 30 June 2020.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade and bills receivables		
— from third parties	82,434	93,771
Less: Allowance for expected credit losses (“ECLs”) recognised in respect of trade and bills receivables from third parties	<u>(9,318)</u>	<u>(9,318)</u>
	<u>73,116</u>	<u>84,453</u>
Prepayments, deposits and other receivables	203,193	212,777
Less: Allowance for ECLs	<u>(6,329)</u>	<u>(6,329)</u>
	<u>196,864</u>	<u>206,448</u>
	<u>269,980</u>	<u>290,901</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.

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
0–90 days	69,669	78,722
91 days to 365 days	<u>3,447</u>	<u>5,731</u>
	<u>73,116</u>	<u>84,453</u>

12. TRADE AND OTHER PAYABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade and bills payables	59,442	65,588
Accrued payables	20,137	31,501
Other payables	19,960	55,023
Other tax payables	6,761	11,000
Contract liabilities/deposits received	742	34,577
	<u>47,600</u>	<u>132,101</u>
	<u>107,042</u>	<u>197,689</u>

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

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Within 1 month or on demand	12,460	14,739
More than 1 month but less than 3 months	30,010	22,424
More than 3 months but less than 12 months	10,880	27,565
More than 12 months	6,092	860
	<u>59,442</u>	<u>65,588</u>

13. BORROWINGS

As at 30 June 2021, a bank borrowing of approximately HK\$127,941,000 (31 December 2020: HK\$163,944,000) 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 classified as a liability of disposal group classified as held for sale as at 30 June 2021 and a current liability as at 31 December 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 has been taken by the relevant bank to demand immediate repayment of the portion of bank borrowing relating to the secured unsold properties.

The effective interest rate on the bank borrowings is 5.14% (six months ended 30 June 2020: 7.39%) per annum.

14. SHARE CAPITAL

Authorised and issued share capital

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 30 June 2021 (unaudited) and 31 December 2020 (audited)	20,000,000	2,000,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 1 January 2021	871,178	87,118
Issuance of share (<i>Note</i>)	435,589	43,559
At 30 June 2021	1,306,767	130,677

Note: In June 2021, the Company completed a rights issue (the “**Rights Issue**”) on the basis of one rights shares for every two existing shares held on 28 May 2021 at the subscription price of HK\$0.14 per rights share and allotted and issued 435,589,000 shares of the Company. Gross Rights Issue proceeds of HK\$60,983,000 of which HK\$43,559,000 was credited against share capital and the remaining proceeds of HK\$17,424,000 were credited against the share premium account.

15. 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 during the six months ended 30 June 2021 and 30 June 2020:

Name of related party	Nature of transactions	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Shi Qi	Rental expense	25	150

- (b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the six months ended 30 June 2021 and 30 June 2020 is as follows:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Short-term benefits	4,113	3,014

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.

16. CAPITAL COMMITMENTS

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 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>1,430</u>	<u>2,129</u>

17. EVENTS AFTER THE REPORTING PERIOD

On 5 July 2021, United Crown Century Company Limited (the “**Purchaser**”) and the Company entered into sales and purchase agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 71% interest in the Ta Yang Medical Investment Limited (大洋醫療投資有限公司) at the consideration of RMB14,771,250.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2021, the Group was principally engaged in manufacturing and sale of silicone rubber and related products and providing healthcare and hotel services. For the six months ended 30 June 2021, the Group recorded an improved performance with loss before tax of approximately HK\$18.4 million, representing a decrease by approximately 33% when compared with the corresponding period in 2020.

For the six months ended 30 June 2021, the business environment of the Group was challenging due to the COVID-19 epidemic and the increasing competition. In order to tackle such hardship, the Group has decided to (i) seek strategies for enhancing competitive advantages of the core business which is manufacturing and sale of silicone rubber and related products; and (ii) actively explore realisation opportunity for the unsatisfactory business which is providing healthcare and hotel services.

For the business of manufacturing and sale of silicone rubber and related products, the Group stayed committed to enhance its competitiveness mainly by lowering the production costs. Measures for such purpose include introducing new production technologies, sourcing more cost-effective materials, improving staff productivity and implementing cost control systems. On the other hand, the Group invested in research and development activities to expand its product portfolio and to optimise its product mix. In particular, after the procurement of cost control and the intensive leverages of production efficiency and product quality, the Group maintained a relatively favorable gross profit rate despite the adverse factors of the COVID-19 pandemic and the fierce competition in the market. For the six months ended 30 June 2021, major products of silicone rubber and related products include consumer electronic devices peripheral products and lifestyle products. Due to the commitment to expand the product categories, the Group expects that more related products will be introduced in the future.

For the six months ended 30 June 2021, the healthcare and hotel services segment continuously incurred an operational loss under the backdrop of the travel restrictions due to COVID-19 pandemic. The Group has been exploring opportunities to realise value for the shareholders in respect of this underperforming segment. On 5 July 2021, the Company announced a major transaction wherein the Company intended to dispose of 71% interest in Ta Yang Medical Investment Limited (大洋醫療投資有限公司).

OUTLOOK

Despite the hardness in the business environment for the six months ended 30 June 2021, the Group remains positive about the prospects.

For the business of manufacturing and sale of silicone rubber and related products, the Group's strategies on cost control and new product introduction have been proven as effective in the past. With the continuous commitment on enhancing competitive advantages, the Group is confident that it would be capable of securing profitable orders, given its cordial relationship with clients and vast experience in silicone rubber products.

For the business of providing healthcare and hotel services, the Group will direct its effects to complete the dispose of 71% interest in Ta Yang Medical Investment Limited (大洋醫療投資有限公司). Following completion of this disposal, more resources will be deployed into the core business of the Group (i.e., manufacturing and sale of silicone rubber and related products) and/or other potential opportunities arisen from time to time.

RIGHTS ISSUE

On 13 May 2021, the Company announced a rights issue to raise a maximum of approximately HK\$61 million (before expense), whereby 435,589,000 rights shares would be allotted and issued on the basis of one rights share for every two shares held on the record date (i.e. 28 May 2021) at the subscription price of HK\$0.14 per rights share.

The rights issue was declared unconditional on 16 June 2021, and a total of 435,589,000 rights shares were allotted and issued. After deducting professional fees and other related expenses, net proceeds of approximately HK\$60 million were raised for the following: (i) approximately 70%, or approximately HK\$42 million will be used for the repayment of the outstanding loan amount and/or the settlement of other payables; and (ii) approximately 30%, or approximately HK\$18 million will be used as the general working capital of the Group on the purchase of raw materials for its manufacturing of silicone rubber and related products.

The rights issue could enable the Company to strengthen its capital base and to enhance the financial position of the Group without increasing its debt or finance costs. Following the rights issue, the liquidity and financial resources of the Group has been improved.

Save for the rights issue, the Company has not conducted any equity fund raising activities for the six months ended 30 June 2021.

DISPOSAL OF 71% INTEREST IN TA YANG MEDICAL INVESTMENT LIMITED

On 5 July 2021, the Company announced a major transaction wherein the Company intended to dispose of 71% interest in Ta Yang Medical Investment Limited (大洋醫療投資有限公司) (the “**Target Company**”, together with its subsidiaries, the “**Target Group**”) to United Crown Century Company Limited (聯冠世紀有限公司) (the “**Purchaser**”) which is an independent third party (the “**Disposal**”). The consideration is RMB14,771,250 which shall be payable by the Purchaser to the Company in cash. The Target Group owned a property investment, comprising of an aggregate of 93 rooms with total gross floor area of approximately 8,186.76 sq. m. mainly from two of the four hotel buildings on Longxi Road, Yalong Bay, Sanya City, Hainan Province, PRC.

The completion of the disposal shall take place in stages and the Company shall arrange for transfer of: (i) 25% interest in the Target Company within five business days upon satisfaction of the conditions precedent in the sale and purchase agreement; (ii) 24% interest in the Target Company within ten business days upon the Company receiving the full settlement of the consideration; and (iii) 22% interest in the Target Company within ten business days upon the third party indebtedness owed by 大洋(海南)健康產業發展有限公司 (Ta Yang (Hainan) Health Industry Development Limited*) which is wholly-owned by the Target Company having fully repaid.

In 2016, the Group ventured into the healthcare and hotel service business in the PRC after it acquired four hotel buildings at Sanya City, the PRC. However, the Target Group’s operations have not performed satisfactorily and continuously incurred losses. The Company was of the view that the potential of the Target Group might take longer to realise, and the Target Group might require the Company to contribute more fund and management efforts from time to time. Then in July 2021 when there was an appropriate opportunity for the Disposal, the Company proceeded the Disposal.

Upon completion of the Disposal, the Company will retain only 29% interest in the Target Company and the Target Company will cease to be subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated in the consolidated financial statements of the Company.

More information of the Disposal has been disclosed in the announcement of the Company dated 5 July 2021 and the circular of the Company dated 30 August 2021. As at the date of this announcement, the Disposal has not been completed.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s operations, financials and prospects are affected by risks and uncertainties. The risk factors listed below may directly or indirectly lead to significant differences in the Group’s operating performances, financial positions and development prospects from its expected or past performances. These factors are not comprehensive, and there may be other risks and uncertainties that are not known by the Group or may not be noticeable at present, but may become significant in the future.

Business Risk

Performance of all business segments of the Group may be affected by fluctuations in market prices and market demands of the Group's final products. On the other hand, raw materials provided by the Group's suppliers are subject to price fluctuations as well. For example, the business of manufacturing and sale of silicone rubber and related products requires stocking of raw materials. The Group does not enter into any material contracts to hedge against such price fluctuations. Therefore, any price fluctuation in such raw materials will exert pressures on the Group's production costs, and then impact the competitiveness of the Group's final products. If the Group fails to adapt and respond successfully to the changing demands and supplies, it may adversely affect business performance and development prospects.

Industry Risk

All business segments of the Group are operated in industries which are highly competitive. In particular, the silicone rubber and related products are facing competitions not only from other silicone rubber products, but also from products of new material. Competition may also intensify as the Group's competitors expand their product categories, lower their prices, or increase their qualities. If the Group does not compete successfully against existing or new competitors, the Group may not be able to maintain its existing business scale and operation performance.

Credit Risks

As at 30 June 2021, the Group recorded total current assets of approximately HK\$582 million and total current liabilities of approximately HK\$456 million. Despite that the Company has conducted certain fund-raising activities (including a rights issue in May and June 2021) to raise additional working capital, the bank balances and cash on hand of the Group remained less than the current liabilities. Due to the low cash position, the Group has mainly relied on recovering the current assets, including trade and other receivables, for repayment of the current liabilities. Therefore, there is a risk that the Group may not have sufficient resources to repay its short-term obligations as they fall due.

Event Risks

Event risk refers to the risk of a negative impact on the Company's operational performance and financial position as a result of an unexpected event like a natural disaster or an industrial accident. These kinds of events may interrupt the Group's operations, increase prices of raw material and outsourced services, and deteriorate other risks and uncertainty that the Group are facing. All such events are outside control of the Group and there is no guarantee that the Group's responsive measures are sufficient. For the six months ended 30 June 2021, the COVID-19 epidemic has caused a lot of uncertainties in economy, and also increased the safety and hygiene regulations imposed by the governments which in turn put a higher cost pressure to the Group. Due to the safety and hygiene concerns placed by the COVID-19 epidemic, the Group found that it is more difficult to maintain a smooth and effective operation flow when compared with before.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2021, the Group recorded a revenue of approximately HK\$168.2 million, representing a decrease of approximately 35.7% as compared with the corresponding period in 2020. The revenue was principally contributed by the core business of the Group, being selling silicone and its related products, which accounted for approximately 99% of the total revenue. On the other hand, healthcare and hotel business segment remained unsatisfactory in terms of the revenue generating, and recorded a revenue of approximately HK\$1.2 million, which accounted for approximately 1% of the total revenue. Such change in revenue is caused by fluctuation in the sales volume of the silicone rubber and related products, including decrease in certain non-recurring orders placed during the six months ended 30 June 2020. Following an announced disposal of the healthcare and hotel business in July 2021, contribution to the revenue from this segment in the future reporting period is expected to decrease.

Gross Profit

For the six months ended 30 June 2021, the gross profit was approximately HK\$45.1 million and there was no material fluctuation when compared with the corresponding period in 2020. During the period, the gross profit margin increased to approximately 26.8% from approximately 17.7% in the corresponding period in 2020 as the Group managed to secure sales order of higher profit margins while continued its efforts to tighten cost control and improve efficiency.

Other Income and Gain

For the six months ended 30 June 2021, the other income and gain was approximately HK\$11.6 million, representing an increase of approximately 37.5% as compared with the corresponding period in 2020. The other income and gain was mainly generated by the disposal of properties of the healthcare and hotel services segment.

Expenses

For the six months ended 30 June 2021, the selling and distribution expenses were approximately HK\$11.2 million, representing an increase of approximately 23.3% as compared with the corresponding period in 2020, while the administrative expenses were approximately HK\$54.8 million, representing a decrease of approximately 13.9% as compared with the corresponding period in 2020. Such decrease in the administrative expenses was mainly caused by tighten cost control. Nevertheless, the Group has decided to implement a cost control system with an aim to lower such selling and distribution expense.

Loss Attributable to Owners of the Company

For the six months ended 30 June 2021, the Group recorded loss attributable to owners of the Company of approximately HK\$18.4 million, representing a decrease of approximately 33.1% from the loss attributable to owners of the Company for the corresponding period in 2020. On the other hand, loss per share was approximately HK\$1.83 cent for the six months ended 30 June 2021, as compared to approximately HK\$3.01 cent for the corresponding period in 2020.

Liquidity and Financial Resources

For the six months ended 30 June 2021, the Group's major source of funds was cash generated from operating and financing activities and the Group's working capital remained stable as compared with the corresponding period in 2020.

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Cash and cash equivalents	43,612	31,774
Net current assets/(liabilities)	126,528	(123,513)
Current ratio	1.3	0.7
Quick ratio	1.2	0.7
Gearing ratio*	0.6	0.9

* The Group's gearing ratio was calculated by dividing total borrowings (including borrowings of disposal group classified as held for sale amounting to approximately HK\$144 million as at 30 June 2021) by total equity.

The improvement of the liquidity and financial resources of the Group was mainly due to, among others a rights issue of the Company on the basis of one rights share for every two existing shares at the subscription price of HK\$0.14 per rights share. The rights issue was completed in June 2021, and net proceeds of approximately HK\$60 million were raised for the following: (i) approximately 70%, or approximately HK\$42 million will be used for the repayment of the outstanding loan amount and/or the settlement of other payables; and (ii) approximately 30%, or approximately HK\$18 million will be used as the general working capital of the Group on the purchase of raw materials for its manufacturing of silicone rubber and related products.

On 5 July 2021, the Company announced a disposal of 71% interests in Ta Yang Medical Investment Limited (大洋醫療投資有限公司). Consideration of the disposal is RMB14,771,250 (equivalent to approximately HK\$17.7 million) which shall be payable by the purchaser to the Company in cash. Following completion of the disposal, liabilities of the disposed group will no longer be consolidated into the financial statements of the Company. Also, the Company will no longer take up the major responsibility to support the fund requirements of the disposal group.

The abovementioned transactions and arrangements are expected to further improve the liquidity and financial resources of the Group.

SHARE CAPITAL STRUCTURE

For the six months ended 30 June 2021, there was no change to the authorised share capital of the Company which is HK\$2,000,000,000 dividable into 20,000,000,000 shares in the par value of HK\$0.1 each.

As at 1 January 2021, the Company had issued a total of 871,178,000 shares in the par value of HK\$0.1 each. In May and June 2021, the Company conducted a rights issue on the basis of one rights share for every two existing shares held on the record date (i.e. 28 May 2021) at the subscription price of HK\$0.14 per rights share. The rights issue was declared unconditional on 16 June 2021, and a total of 435,589,000 rights shares were allotted and issued.

As at 30 June 2021, the Company had issued a total of 1,306,767,000 shares in the par value of HK\$0.1 each. All shares were fully paid and rank pari passu with each other in all respects.

As at 30 June 2021, the Company had no outstanding options, warrants, convertibles, other arrangements to issue shares.

PLEDGE OF ASSETS

Capital commitments contracted by the Group but not yet provided for in the financial statements as at 30 June 2021 were approximately HK\$1.4 million (31 December 2020: approximately HK\$2.1 million), which was mainly related to the expansion of production capacity in the PRC. Such capital commitments will be financed by the net proceeds from operating activities. As at 30 June 2021, certain properties of the Group of approximately HK\$284.8 million (31 December 2020: approximately HK\$297.8 million) were pledged to secure banking facilities or bank and other borrowings granted to the Group.

TRANSACTIONS AFTER THE REPORTING PERIOD

Save as disclosed above, including disposal of 71% interest in Ta Yang Medical Investment Limited (大洋醫療投資有限公司), there was no other significant event after the reporting period and up to the date of this announcement.

NO OTHER MATERIAL CHANGE

Save as disclosed, there was no material change in the Group's financial position or business since the publication of the latest annual results of the Company for the year ended 31 December 2020.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2021 (31 December 2020: nil).

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, Hong Kong dollars and Renminbi ("RMB"). 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.

The Group offers 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 2021, the Group employed 1,187 employees.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (2020: Nil).

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 2021, except:

- (i) Code provision A.6.7 stipulates 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. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Two non-executive Directors and four independent non-executive Director were unable to attend the annual general meeting of the Company held on 29 June 2021 due to the inconvenience caused by the COVID-19 pandemic and their respective business matters. Nevertheless, other members of the Board attended this meeting to ensure effective communication with the shareholders of the Company.
- (ii) Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting of the Company. Ms. Shi Qi, chairman of the Board, was unable to attend the annual general meeting of the Company held on 29 June 2021 due to the COVID-19 epidemic. However, she invited other members of the Board (including the Chief Executive Officer and an independent non-executive Director) to attend the annual general meeting to ensure effective communication with the shareholders of the Company.

- (iii) Code provision C.1.2 stipulates that the management of the Company should 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. For the six months ended 30 June 2021, the management of the Company did not provide monthly updates to all members of the Board, 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 Group. On the other hand, the management provided to all Directors (including non-executive Directors and independent non-executive Directors) from time to time a balanced and understandable assessment of the Group's performances, positions and prospects in sufficient detail. In addition, the management provided all members of the Board, in a timely manner, updates on any material changes and sufficient background or explanatory information.

CHANGE IN DIRECTOR AND INFORMATION OF THE DIRECTORS

From 1 January 2021 to the date of this announcement,

- (i) Mr. Yin Zhiqiang has resigned as an executive Director and the chairman of the Executive Committee of the Company with effect from 11 January 2021;
- (ii) Mr. Liu Wengang has been appointed as the chairman of the Executive Committee of the Company with effect from 11 January 2021;
- (iii) Ms. Zhang Lijuan has resigned as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company with effect from 19 July 2021;
- (iv) Mr. Liu Gang has resigned as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company with effect from 11 August 2021;
- (v) Ms. Shi Qi has been appointed as a member of each of the Remuneration Committee and the Nomination Committee of the Company with effect from 11 August 2021; and
- (vi) Ms. Wang Lina has been appointed as a member of the Audit Committee of the Company with effect from 11 August 2021.

Upon specific enquiry by the Company and following confirmations from the Directors, and save as disclosed, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Specific enquiries had been made to all the Directors and the Directors had confirmed that they had complied with the Model Code for the six months ended 30 June 2021.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Name	Nature of interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company (Note 1)
Ms. Shi Qi (Note 2)	Interest of controlled corporation	796,875,490 (Long)	60.98%
		654,810,600 (Short)	50.11%
Mr. Hu Jiangbing	Beneficial owner	1,150,000 (Long)	0.09%

Notes:

1. Based on 1,306,767,000 issued shares of the Company as at 30 June 2021
2. Lyton Maison Limited, a limited company incorporated in the British Virgin Islands solely owned by Ms. Shi Qi, is interested in 796,875,490 shares. Of the 796,875,490 shares held by Lyton Maison Limited, 654,810,600 shares are charged to Mason Resources Finance Limited, which is indirectly wholly-owned by Mason Group Holdings Limited.

As at 30 June 2021 and save as disclosed, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2021, so far as is known to the Directors, the following persons (other than Directors and Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register kept by the Company under section 336 of the SFO:

Name	Nature of interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company (Note 1)
Lytton Maison Limited (Note 2)	Beneficial owner	796,875,490 (Long) 654,810,600 (Short)	60.98% 50.11%
Mason Resources Finance Limited (Note 2)	Person having a security interest in shares	663,612,600 (Long)	50.78%
Mason Group Holdings Limited (Note 2)	Interest of controlled corporation	663,612,600 (Long)	50.78%

Notes:

1. Based on 1,306,767,000 issued shares of the Company as at 30 June 2021.
2. Lytton Maison Limited is interested in 796,875,490 shares. Of the 796,875,490 shares held by Lytton Maison Limited, 654,810,600 shares are charged to Mason Resources Finance Limited, which is indirectly wholly-owned by Mason Group Holdings Limited.

As at 30 June 2021 and save as disclosed, the Company was not notified by any person (other than Directors and Chief Executive of the Company) who had an interest or short position in the shares, or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register kept by the Company under section 336 of SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 13 December 2018, the shareholders of the Company approved the adoption of the share option scheme of the Company (the “Scheme”). The Scheme was later adopted by the Company. For the six months ended 30 June 2021, no options or securities had been granted, exercised, cancelled or lapsed under the Scheme. As at 1 January 2021 and 30 June 2021, there was no outstanding option under the Scheme.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

Currently, the Audit Committee comprises Mr. Lin Bing (chairman), Mr. Hu Jiangbing and Ms. Wang Lina all being independent non-executive Directors. 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 condensed consolidated interim financial information for the six months ended 30 June 2021 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 and the Company. The interim report 2021 containing all the information required by the Listing Rules will be dispatched to the Company’s shareholders and available on the above websites as soon as possible.

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

Hong Kong, 31 August 2021

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