

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

**(1) ISSUE OF NEW CONVERTIBLE BOND UNDER
GENERAL MANDATE; AND
(2) UPDATE ON EXISTING CONVERTIBLE BONDS**

ISSUE OF NEW CONVERTIBLE BOND UNDER GENERAL MANDATE

On 3 July 2023 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has agreed to subscribe for, the Convertible Bond in the aggregate principal amount of HK\$40,000,000.

Based on the initial Conversion Price of HK\$0.257 per Conversion Share, an aggregate of 155,642,023 Conversion Shares will be allotted and issued by the Company upon the exercise in full of the conversion rights attaching to the Convertible Bond, representing: (a) approximately 11.91% of the existing issued share capital of the Company; and (b) approximately 10.64% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bond.

The initial Conversion Price of HK\$0.257 represents: (i) a premium of 2.8% over the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the date of signing of the Subscription Agreement; and (ii) the average closing price of HK\$0.257 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of signing of the Subscription Agreement.

The gross and net proceeds from the issue of the Convertible Bond are expected to be HK\$40,000,000. The Company intends to use such net proceeds for business development and the working capital requirement of the Group.

The Conversion Shares will be issued and allotted under the General Mandate granted to the Directors at the AGM. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares.

Completion of the Subscription is conditional upon, among other things, the listing of, and permission to deal in the Conversion Shares being granted by the Listing Committee of the Stock Exchange. Accordingly, the issue of the Convertible Bond may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

UPDATE ON EXISTING CONVERTIBLE BONDS

The Board announces that as certain conditions precedent set forth in the Existing Subscription Agreements were not fulfilled on or before the long stop date, namely 30 June 2023, the Existing Subscription Agreements have lapsed and the subscription of the Existing Convertible Bonds will not proceed.

ISSUE OF NEW CONVERTIBLE BOND UNDER GENERAL MANDATE

THE SUBSCRIPTION AGREEMENT

On 3 July 2023 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has agreed to subscribe for, the Convertible Bond in the aggregate principal amount of HK\$40,000,000.

The principal terms of the Subscription Agreement and the Convertible Bond are set out as follows:

Date

3 July 2023

Parties

- (1) The Company (as the issuer); and
- (2) The Subscriber (as the subscriber)

Background Information of the Subscriber

The Subscriber, Rising Jiarui Investment Management Co., Ltd (北京日信嘉銳投資管理有限公司) is a company established in the PRC with limited liability. It is a financial services provider based in the PRC which provides mainly investment management and financial advisory services. It is ultimately and beneficially owned by Mr. Li Bing (李冰) and Mr. Zhang Baohui (張寶輝), who are both entrepreneurs with broad experiences in the financial services industry. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and the Company's ultimate beneficial owner are Independent Third Parties.

Principal terms of the Convertible Bond

Principal Amount HK\$40,000,000

Interest The Convertible Bond shall bear interest at the rate of 10% per annum from the date of issuance and will be payable by the Company (a) half-yearly in arrears after the issuance date of the Convertible Bond; and (b) on the date of redemption, conversion or maturity.

In the event that the Bondholder has converted part or whole of the principal amount of the Convertible Bond, the Bondholder shall be entitled to interest in respect of only such part of the remaining principal amount of the Convertible Bond for which the Bondholder has not converted into Conversion Shares.

Maturity Date The third anniversary of the date of issue of the Convertible Bond (or if such date is not a business day, the next Business Day).

Early Redemption The Convertible Bond may not be repaid or redeemed by the Bondholder before the Maturity Date in any event.

Upon receiving a Conversion Notice by a Bondholder, the Company shall be entitled by written notice to the Bondholder to be given within five Business Days of the date of the relevant Conversion Notice to redeem the Convertible Bond or such part of the subject of such Conversion Notice rather than to issue the relevant Shares, the amount payable on redemption in such case shall be the Conversion Price subject to adjustment.

Conversion Period The period commencing on the date falling three months after the date of issue of the Convertible Bond and up to five Business Days before the Maturity Date.

Conversion Rights

The Bondholder will have the right to convert the whole or part of the principal amount of the Convertible Bond held by it into Conversion Shares at any time during the Conversion Period in amounts of not less than a whole multiple of the Minimum Denomination on each conversion by delivering a Conversion Notice to the Company and the Certificate, provided that the Conversion Rights shall only be exercised to the extent that such exercise will not:

- (a) cause the Company to be unable to meet the minimum public float requirements under the Rule 8.08 of the Listing Rules;
- (b) result in change of control (as defined under the Takeovers Code) of the Company; or
- (c) result in the Bondholder and all other Persons acting in concert with it jointly controlling or being interested in, directly or indirectly, such percentage of the voting rights of the Company as would trigger a mandatory general offer as may be specified from time to time under the Takeovers Code.

Conversion Price

Initially HK\$0.257 per Conversion Share, subject to adjustments

The Conversion Price of HK\$0.257 per Conversion Share was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading prices of the Shares and represents:

- (a) a premium of 2.8% over the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the date of signing of the Subscription Agreement; and
- (b) the average closing price of HK\$0.257 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and immediately prior to the date of signing of the Subscription Agreement.

Adjustment to Conversion Price

The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Subscription Agreement upon occurrence of the following events:

- (a) an alteration of the nominal amount of the Shares by reason of consolidation, subdivision or reclassification;
- (b) an issue of Shares credited as fully paid to Shareholders by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve);
- (c) a capital distribution (as such term is defined in the conditions of the Convertible Bond) to Shareholders being made by the Company;
- (d) offer to the Shareholders new Shares for subscription by way of rights issue, or a granting the Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price per Share at the date of the announcement of the terms of the offer or grant;
- (e) an issue wholly for cash of any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, and the relevant consideration per new Share initially receivable is less than 80% of the market price at the date of the announcement of the terms of issue of such securities;
- (f) modification of the rights of conversion, exchange or subscription attaching to any such securities mentioned in (e) above arises, so that the relevant consideration per new Share initially receivable is less than 80% of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription; and
- (g) an issue of Shares being made wholly for cash at a price per Share which is less than 80% of the market price per Share on the date of the announcement of the terms of issue of such Shares.

Conversion Shares

Based on the initial Conversion Price of HK\$0.257 per Conversion Share, an aggregate of 155,642,023 Conversion Shares will be allotted and issued by the Company upon the exercise in full of the conversion rights attaching to the Convertible Bond, representing:

- (a) approximately 11.91% of the existing issued share capital of the Company; and
- (b) approximately 10.64% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bond.

Transferability

The Convertible Bond shall be assigned or transferred in whole or in part (being an authorised denomination) to other transferee with prior consent of the Company, provided that no Convertible Bond shall be transferred to (a) any connected person (as defined in the Listing Rules) of the Company; or (b) any Person who is engaged in any competing business with the Company.

Event of Default

The Bondholder may give notice to the Company that the Convertible Bond is immediately due and repayable if:

- (a) the Company fails to pay the principal or the interest on the Convertible Bond when due in accordance with the terms of the Subscription Agreements, then unless non-payment of such interest is due solely to administrative or technical error and payment is made within 7 days of the due date thereof;
- (b) the Company defaults in performance or observance or compliance with any of its other obligations set out in the Subscription Agreements which default is incapable of remedy or, if capable of remedy, is not in the reasonable opinion of the Bondholder remedied within 14 days after notice of such default shall have been given to the Company by the Bondholder;

- (c) any present or future indebtedness of the Company for or in respect of any bonds, debentures, notes or similar instruments of indebtedness or any other monies borrowed or raised becomes due and payable prior to its stated maturity otherwise than at the option of the Company, or is not paid when due or as the case may be, within any applicable grace period and the amount of such indebtedness exceeds the equivalent of HK\$200,000,000;
- (d) a security holder takes possession or a receiver, manager or other similar officer is appointed of the whole or any material part of the undertaking, property, assets or revenues of the Company;
- (e) the Company becomes insolvent or the Company shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, composition or insolvency law or scheme of arrangement while insolvent and such proceedings shall not have been discharged or stayed within a period of 30 days (or such longer period as the Bondholder may consider appropriate);
- (f) an order of court is made or an effective resolution of Shareholders is passed for the winding-up of the Company or the Company ceases or threatens to cease carrying on all or substantially all or a material part of its business or operations;
- (g) a moratorium is agreed or declared in respect of any indebtedness of the Company or any governmental authority or agency seizes, compulsorily purchases, expropriates or nationalizes all or a substantial part of the assets of the Company;
- (h) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any part of the property, assets or revenues of the Company and is not discharged or stayed within 45 days (or such longer period as the Bondholder may consider appropriate in relation to the event concerned and confirm so in writing);

- (i) proceedings shall have been initiated (that is, issued and served) against the Company under any applicable bankruptcy, composition or insolvency law or scheme of arrangement while insolvent and such proceedings shall not have been discharged or stayed within a period of 60 days (or such longer period as the Bondholder may consider appropriate and confirm so in writing);
- (j) any warranties given by the Company under the Subscription Agreements is or proves to have been incorrect or misleading in any material respect when made or deemed to be made, or there is a material breach by the Company of any warranties or obligation under the Subscription Agreements;
- (k) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Bond; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Convertible Bond admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done by the requisite time or, if in the opinion of the Bondholder such situation is capable of remedy, within 30 days of the time when the Company becomes (or ought reasonably to have become) aware of the same; or
- (l) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under the Convertible Bond.

Voting

The Bondholder shall not be entitled to attend or vote at any meetings of the Company by reason only of it being the Bondholder.

Listing

No application will be made for a listing of the Convertible Bond. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

**Ranking of the
Conversion Shares**

The Conversion Shares will rank *pari passu* and carry the same rights and privileges in all respects with the Shares in issue as at the date of conversion.

Conditions Precedent

Completion of the Subscription Agreement shall be subject to and conditional upon the following:

- (a) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object) listing of and permission to deal in the Conversion Shares to be issued upon the exercise of the Conversion Rights attached to the Convertible Bond;
- (b) all other necessary consents, approvals, reports and filings pursuant to the Listing Rules and applicable laws for the consummation of the transactions contemplated in this Agreement having been obtained by the Company and the Subscriber;
- (c) all Company's Warranties remaining true and accurate in all material respects and not misleading in any material respect; and
- (d) all Subscriber's Warranties remaining true and accurate in all material respects and not misleading in any material respect.

The above condition precedent (c) and (d) can be fully or partly waived by the Subscriber and the Company respectively. The above condition precedent (a) and (b) cannot be waived.

The Subscriber and the Company undertake to use their reasonable endeavours to ensure that the conditions precedent are fulfilled as early as practicable. If any of the conditions precedent is not fulfilled by the relevant party (the defaulting party) or waived (as the case may be) at or before 5:00 p.m. on the Long Stop Date, the other party (the non-defaulting party) may:

- (a) defer the Completion Date to a later date (without prejudice to its rights under the Subscription Agreement); or
- (b) terminate the Subscription Agreement pursuant to the terms therein without prejudice to the defaulting party's obligations under the Subscription Agreement.

General Mandate

At the AGM of the Company held on 29 June 2023, an ordinary resolution was passed by the Shareholders granting the General Mandate to the Directors, pursuant to which the Directors are authorised to allot, issue and otherwise deal with such Shares not exceeding 20% of the number of Shares in issue as at the date of the AGM. The Company is authorized to allot and issue a maximum of 261,353,400 Shares under the General Mandate.

As at the date of this announcement, the General Mandate has yet been utilized. Accordingly, the Subscription Agreement and the transactions contemplated therein including the issue and allotment of Conversion Shares under the General Mandate are not subject to Shareholders' approval.

REASONS FOR THE SUBSCRIPTION AND THE USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in (i) the designing and manufacturing of silicone rubber products; and (ii) the provision of healthcare and hotel services.

The Board has considered it beneficial to strengthen the capital base of the Group through the Subscription in preparation for the Group's long-term development and further strengthening of financial position of the Group. The issue of the Convertible Bond will not have an immediate dilution effect on the shareholding of the existing Shareholders and the Conversion Price was arrived at arm's length negotiations between the Company and the Subscriber. The Directors also consider that the issue of Convertible Bond will provide an opportunity for the Company, if the conversion rights attached to the Convertible Bond are exercised, to enlarge and strengthen its capital base and also broaden its Shareholders base by the introduction of new investors.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement (including the terms of the Convertible Bond and the Conversion Price) are on normal commercial terms and are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Subject to the completion of the Subscription, the aggregate gross and net proceeds from the Subscription will be HK\$40,000,000. The Company intends to use the net proceeds from the Subscription for business development and the general working capital of the Group.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structures of the Company: (i) as at the date of this announcement; and (ii) assuming the full conversion of the Convertible Bond but with no other changes in the share capital of the Company since the date of this announcement:

Shareholders	Existing shareholding structure as at the date of this announcement		Shareholding structure immediately upon full conversion of the Convertible Bond	
	No. of Shares	%	No. of Shares	%
Ms. Shi Qi (<i>Note 1</i>)	796,875,490	60.98%	796,875,490	54.49%
Mr. Hu Jiangbing (<i>Note 2</i>)	850,000	0.07%	850,000	0.06%
The Subscriber	–	–	155,642,023	10.64%
Other Public Shareholders	509,041,510	38.95%	509,041,510	34.81%
Total	<u>1,306,767,000</u>	<u>100.00%</u>	<u>1,462,409,023</u>	<u>100.00%</u>

Notes:

- (1) Ms. Shi Qi is an executive Director.
- (2) Mr. Hu Jiangbing is an independent non-executive Director.

GENERAL

Completion of the Subscription is subject to the satisfaction and/or waiver of the conditions precedent contained in the Subscription Agreement. Accordingly, the issue of the Convertible Bond may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

UPDATE ON EXISTING CONVERTIBLE BONDS

Reference is made to the Announcements in relation to the Existing Subscription Agreements entered into between the Company and the Existing Subscribers in relation to the issuance of the Existing Convertible Bonds.

The Board announces that as certain conditions precedent set forth in the Existing Subscription Agreements were not fulfilled on or before the long stop date, namely 30 June 2023, the Existing Subscription Agreements have lapsed and the subscription of the Existing Convertible Bonds will not proceed. The Board is of the view that the lapsing of the Existing Subscription Agreements will not have any material adverse effect on the financial position and business operations of the Group.

DEFINITIONS

“AGM”	the annual general meeting of the Company held on 29 June 2023
“Announcements”	the announcements of the Company dated 3 and 4 April 2023 in relation to the Previous Convertible Bonds
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bond
“Business Day(s)”	any day (other than a public holiday, Saturday, Sunday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted or the Extreme Conditions is announced in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which banks are generally open for business in Hong Kong

“Certificate”	the certificate to be issued by the Company to the Subscriber in respect of the Convertible Bond
“Company”	Ta Yang Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange with stock code 1991
“Completion Date”	seven Business Days following the date on which the conditions precedent of the Subscription Agreement are fulfilled or waived as the case may be or such other date as may be agreed by the Company and the Subscriber in writing
“Conversion Notice”	the conversion notice to be completed, executed and submitted by the Bondholder pursuant to the Subscription Agreement in the event of the conversion of the Convertible Bond by the Bondholder
“Conversion Period”	the period during which the Convertible Bond may be converted into the Conversion Shares, commencing on the date of issue of the Convertible Bond and ending on the Maturity Date
“Conversion Price”	the price per Conversion Share at which the principal amount of the Convertible Bond may be converted into Shares, being HK\$0.257 per Conversion Share, subject to adjustments
“Conversion Shares”	the new Share(s) to be allotted and issued by the Company upon the exercise by the Bondholder of the conversion rights attaching to the Convertible Bond
“Convertible Bond”	the 10% per annum, 3 years convertible bond in the principal amount of HK\$40,000,000 proposed to be issued by the Company under the Subscription Agreement
“Director(s)”	the director(s) of the Company
“Existing Convertible Bonds”	the 10% per annum, three-year convertible bond(s) in the aggregate principal amount of HK\$39,200,000 proposed to be issued by the Company under the Existing Subscription Agreements
“Existing Subscribers”	the subscribers of the Existing Convertible Bonds as disclosed in the Announcements

“Existing Subscription Agreements”	the conditional subscription agreements dated 3 April 2023 and the supplemental agreements to the conditional subscription agreements dated 4 April 2023 entered into between the Company and the Existing Subscribers in relation to the subscription of the Existing Convertible Bonds
“General Mandate”	the general mandate granted to the Directors at the AGM to allot, issue and otherwise deal with new Shares not exceeding 20% of the shares in issue as at the date of the AGM
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	3 October 2023, or any other date as agreed in writing between the Subscriber and the Company
“Maturity Date”	the third anniversary of the date of issue of the Convertible Bond
“Minimum Denomination”	the minimum denomination of the Convertible Bond for the purposes of registration, holding, transfer, conversion or redemption, being HK\$1,000,000
“Person”	an individual, firm, corporation, partnership, association, limited liability company, union, trust or estate or any other entity or organisation whether or not having separate legal existence
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Rising Jiarui Investment Management Co., Ltd (北京日信嘉銳投資管理有限公司), a company established in the PRC with limited liability
“Subscription”	the subscription of the Convertible Bond in the principal amount of HK\$40,000,000 by the Subscriber on the terms and subject to the conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 3 July 2023 entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bond
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“%”	per cent.

By order of the Board
Ta Yang Group Holdings Limited
Shi Qi
Chairlady

Hong Kong, 3 July 2023

As at the date hereof, the Board comprises three executive Directors, namely Ms. Shi Qi, Mr. Li Jiuhua and Mr. Gao Feng; three non-executive Directors, namely, Mr. Chan Tsun Hong Philip, Mr. Gu Shixiang and Mr. Han Lei; and four independent non-executive Directors, namely Mr. Chan Siu Tat, Mr. Hu Jiangbing, Ms. Wang Lina and Mr. Zheng Changxing.