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)

GATHER IN CHENGDU
CHEER THE WORLD ON

SECOND INTERIM REPORT 2018 - 2019

TaYang

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors	Ms. Shi Qi (Chairlady and Chief Executive Officer) Mr. Zhao Ang Mr. Cheng Hong
Non-Executive Directors	Mr. Gao Feng Mr. Han Lei Mr. Sze Wai Lun
Independent Non-Executive Directors	Ms. Zhang Lijuan Mr. Wu Tak Kong Mr. Cheung Simon

COMMITTEES

Executive Committee	Ms. Shi Qi* Mr. Zhao Ang Mr. Cheng Hong
Audit Committee	Mr. Wu Tak Kong* Ms. Zhang Lijuan Mr. Cheung Simon
Remuneration Committee	Ms. Zhang Lijuan* Mr. Wu Tak Kong Mr. Cheung Simon
Nomination Committee	Mr. Wu Tak Kong* Ms. Zhang Lijuan Mr. Cheung Simon

* Committee Chairman/Chairlady

AUTHORISED REPRESENTATIVES	Ms. Shi Qi Mr. Lo Chu Wing
COMPANY SECRETARY	Mr. Lo Chu Wing
BOARD SECRETARY	Mr. Liu Tao
AUDITORS	Elite Partners CPA Limited
PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	Union Registrars Limited Suites 3301–04, 33/F. Two Chinachem Exchange Square 338 King's Road, North Point Hong Kong
REGISTERED OFFICE	Cricket Square Hutchins Drive P. O. Box 2681 GT Grand Cayman KY1-1111 Cayman Islands
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA	Room 5, 1/F, Building 2 No. 8 Liuli Road, Jinjiang District Chengdu City, Sichuan Province, China
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Unit A01, 35/F., United Centre 95 Queensway, Admiralty Hong Kong
STOCK CODE	1991
COMPANY WEBSITE	http://www.tayang.com

* Committee Chairman/Chairlady

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period from 1 August 2018 to 30 June 2019

	Notes	Eleven months ended 30 June **2019** **HK$'000** **(Unaudited)**	 2018 HK$'000 (Unaudited)
Revenue	4	**327,001**	346,978
Cost of sales		**(241,122)**	(267,751)
Gross profit		**85,879**	79,227
Other operating income		**30,346**	113,196
Selling and distribution expenses		**(18,982)**	(24,086)
Administrative expenses		**(130,512)**	(109,850)
Other expenses		**(2,096)**	(5,635)
Share of results of associates		**–**	(77)
Finance costs	6	**(18,285)**	(21,644)
(Loss)/profit before taxation		**(53,650)**	31,131
Income tax-credit/(expense)	7	**891**	(19,832)
(Loss)/profit for the period	8	**(52,759)**	11,299
(Loss)/profit for the period attributable to:			
Owners of the Company		**(52,040)**	11,301
Non-controlling interests		**(719)**	(2)
		(52,759)	11,299
(Loss)/earnings per share	9		
Basic and diluted (HK cents)		**(5.97)**	1.30

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 1 August 2018 to 30 June 2019

	Eleven months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(52,759)**	11,299
Other comprehensive income/(expenses)		
Items that may be reclassified subsequently to profit or loss:		
Release of exchange reserve upon deregistration of subsidiaries	**–**	(4,776)
Release of exchange reserve upon disposal of associate	**–**	118
Exchange differences arising on translating foreign operations	**(1,048)**	17,448
	(1,048)	12,790
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	**(2,419)**	–
Net loss arising on revaluation of available-for-sale financial assets for the period	**–**	2,712
Gain on revaluation of properties, net of tax	**–**	2,078
Gain on revaluation of prepaid lease payments	**–**	2,110
Release of revaluation of available financial assets upon disposed	**–**	(1,159)
Share of exchange difference of associate	**–**	19
	(2,419)	5,760
Other comprehensive (expenses)/income for the period, net of tax	**(3,467)**	18,550
Total comprehensive (expenses)/income for the period, net of tax	**(56,226)**	29,849
Total comprehensive (expenses)/income for the period, net of tax, attributable to:		
Owners of the Company	**(55,526)**	29,360
Non-controlling interests	**(700)**	489
	(56,226)	29,849

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30/6/2019 HK$'000 (Unaudited)	31/7/2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**154,794**	171,954
Intangible assets		**380**	383
Prepaid lease payments		**114,515**	120,406
Investment properties		**74,647**	102,442
Financial assets at fair value through other comprehensive income		**6,800**	–
Available-for-sale financial assets		**–**	9,219
Interest in an associate		**3,696**	–
Deposits for acquisition of land use rights	12	**14,065**	14,065
		368,897	418,469
Current assets			
Inventories		**44,200**	46,404
Trade and other receivables	13	**318,795**	229,859
Prepaid lease payments		**3,060**	4,824
Financial assets at fair value through profit or loss		**722**	–
Held-for-trading investments		**–**	582
Bank balances and cash		**90,420**	192,888
		457,197	474,557
Non-current assets classified as held for sale		**20,631**	21,214
		477,828	495,771
Current liabilities			
Trade and other payables	14	**130,231**	89,897
Income tax payable		**39,322**	40,458
Secured bank borrowings	15	**274,625**	322,605
		444,178	452,960
Net current assets		**33,650**	42,811
Total assets less current liabilities		**402,547**	461,280

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**30/6/2019 HK$'000 (Unaudited)**	31/7/2018 HK$'000 (Audited)
Capital and reserves			
Share capital	16	**87,118**	87,118
Reserves		**298,178**	355,055
Equity attributable to owners of the Company		**385,296**	442,173
Non-controlling interests		**3,511**	4,211
Total equity		**388,807**	446,384
Non-current liabilities			
Deferred income		**3,276**	3,453
Deferred tax liabilities		**10,464**	11,443
		13,740	14,896
		402,547	461,280

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the eleven months ended 30 June 2019

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note 1)	Accumulated losses HK$'000	Exchange reserve HK$'000	Investments revaluation reserve HK$'000	Properties revaluation reserve HK$'000	Capital redemption reserve HK$'000 (Note 2)	Statutory surplus reserve HK$'000 (Note 3)	Legal reserve HK$'000 (Note 4)	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31 July 2017 (audited)	87,118	744,710	(3,262)	(574,817)	122,739	2,907	29,007	2,420	33,411	49	444,282	(396)	443,886
Profit/(Loss) for the period	–	–	–	11,301	–	–	–	–	–	–	11,301	(2)	11,299
Other comprehensive (expenses) income for the period													
Exchange differences arising on translating foreign operations	–	–	–	–	17,935	–	–	–	–	–	17,935	(487)	17,448
Release of exchange reserve upon deregistration of subsidiaries	–	–	–	–	(4,776)	–	–	–	–	–	(4,776)	–	(4,776)
Release of exchange reserve upon disposal of associate	–	–	–	–	118	–	–	–	–	–	118	–	118
Gain from revaluation of properties and prepaid lease payments	–	–	–	–	–	–	4,188	–	–	–	4,188	–	4,188
Net gain arising on revaluation of available for sale financial assets for the period	–	–	–	–	–	2,712	–	–	–	–	2,712	–	2,712
Release of revaluation of available for sale financial assets upon disposal	–	–	–	–	–	(1,159)	–	–	–	–	(1,159)	–	(1,159)
Share of exchange difference of associate	–	–	–	–	19	–	–	–	–	–	19	–	19
Total comprehensive income/(expenses) for the period	–	–	–	11,301	13,296	1,553	4,188	–	–	–	30,338	(489)	29,849
Release of statutory reserve upon deregistration of a subsidiary	–	–	–	2,586	–	–	–	–	(2,586)	–	–	–	–
At 30 June 2018 (unaudited)	87,118	744,710	(3,262)	(560,930)	136,035	4,460	33,195	2,420	30,825	49	474,620	(885)	473,735

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note 1)	Accumulated losses HK$'000	Exchange reserve HK$'000	Investments revaluation reserve HK$'000	Properties revaluation reserve HK$'000	Capital redemption reserve HK$'000 (Note 2)	Statutory surplus reserve HK$'000 (Note 3)	Legal reserve HK$'000 (Note 4)	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31 July 2018 (audited)	87,118	744,710	(3,262)	(575,987)	117,550	5,555	33,195	2,420	30,825	49	442,173	4,211	446,384
Adjustment for initial application of HKFRS 9	–	–	–	(1,351)	–	–	–	–	–	–	(1,351)	–	(1,351)
At 1 August 2018	87,118	744,710	(3,262)	(577,338)	117,550	5,555	33,195	2,420	30,825	49	440,822	4,211	445,033
Loss for the period	–	–	–	(52,040)	–	–	–	–	–	–	(52,040)	(719)	(52,759)
Other comprehensive income (expenses) for the period													
Exchange differences arising on translating foreign operations	–	–	–	–	(1,067)	–	–	–	–	–	(1,067)	19	(1,048)
Net movement in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(2,419)	–	–	–	–	(2,419)	–	(2,419)
Total comprehensive expenses for the period	–	–	–	(52,040)	(1,067)	(2,419)	–	–	–	–	(55,526)	(700)	(56,226)
At 30 June 2019 (unaudited)	87,118	744,710	(3,262)	(629,378)	116,483	3,136	33,195	2,420	30,825	49	385,296	3,511	388,807

Notes:

1. Other reserve

Other reserve represents the difference between the capital contribution received from (paid to) a non-controlling interest of a subsidiary and the increase (decrease) in its shares of net asset value of that subsidiary.

2. Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

3. Statutory surplus reserve

As stipulated by regulations in the People's Republic of China (the "PRC"), the Company's subsidiaries established and operated in the PRC are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to equity owners.

4. Legal reserve

In accordance with the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to appropriate 25% of its net profit to the legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the eleven months ended 30 June 2019

	Eleven months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Net cash used in operating activities	**(83,351)**	(211,160)
INVESTING ACTIVITIES		
Net cash generated from investing activities	**43,876**	287,324
FINANCING ACTIVITIES		
Net cash used in financing activities	**(64,165)**	(39,727)
Net (decrease)/increase in cash and cash equivalents	**(103,640)**	36,437
Cash and cash equivalents at 1 August	**192,888**	105,985
Effect of foreign exchange rate changes	**1,172**	10,287
Cash and cash equivalents at 30 June, Represented by bank balances and cash	**90,420**	152,709

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 are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the PRC, Macau and Indonesia whose functional currencies are Renminbi ("RMB"), Macau Pataca and Indonesian Ruplah respectively, the functional currency of the Company and its other subsidiaries is HK$.

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 2019, 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 eleven months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 July 2018, 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 August 2018. 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.

2. BASIS OF PREPARATION *(Continued)*

Change of financial year end date

The financial year end date of the Company and its subsidiaries (collectively the "Group") has been changed from 31 July to 31 December as the directors consider such change will enable the Group to align the financial year end date of the Company with that of the Company's principal subsidiaries and the joint venture incorporated in the PRC. Accordingly, the condensed consolidated financial statements for the current period cover the eleven-month period from 1 August 2018 to 30 June 2019. The corresponding comparative amounts shown for the condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and related notes cover a eleven-month period from 1 August 2017 to 30 June 2018.

Going concern basis

During the eleven months ended 30 June 2019, the Group incurred a net loss of approximately HK$52,759,000 and net cash operating outflow of approximately HK$83,351,000.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group has breached the covenant requirement of a secured bank borrowing of approximately HK$225,720,000 as at 30 June 2019 which may cause such amount to become immediately repayable. As at 30 June 2019, the full amount of secured bank borrowing was classified as current liability.

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

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

3. CHANGES IN ACCOUNTING POLICIES

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 developments are relevant to the Group's financial statements:

- HKFRS 9 "Financial Instruments"
- HKFRS 15 "Revenue from Contracts with Customers"

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Details of the changes in accounting policies are discussed in Note 3(i) for HKFRS 9 and Note 3(ii) for HKFRS 15 respectively.

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The group has applied HKFRS 9 retrospectively to items that existed at 1 August 2018 in accordance with the transition requirements. The group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 August 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 August 2018.

	HK$'000
Accumulated losses	
Recognition of additional expected credit losses on:	
— financial assets measured at amortised cost	(1,351)
Net increase in accumulated losses at 1 August 2018	(1,351)

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(i) HKFRS 9, *Financial instruments* *(Continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 July 2018 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	HKFRS 9 carrying amount at 1 August 2018 HK$'000
Financial assets carried at amortised cost				
Cash and cash equivalents	192,888	–	–	192,888
Trade and other receivables (note (i))	229,859	–	(1,351)	228,508
	422,747	–	(1,351)	421,396
Financial assets measured at FVOCI (non-recyclable)				
Equity securities (note (ii))	–	9,219	–	9,219
Financial assets carried at FVPL				
Trading securities (note (ii))	582	–	–	582
Financial assets classified as available-for-sale under HKAS 39 (notes (i))	9,219	(9,219)	–	–

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(i) HKFRS 9, *Financial instruments* *(Continued)*

a. *Classification of financial assets and financial liabilities (Continued)*

Notes:

(i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 August 2018, the Group designated its investment at FVOCI, as the investment is held for medium or long-term strategic purposes.

(ii) Trading securities and derivative financial assets (except for those designated as hedging instruments in cash flow hedges) were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 August 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 August 2018.

b. *Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables); and

— lease receivables.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 July 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 August 2018.

	HK$'000
Loss allowance at 31 July 2018 under HKAS 39	976
Additional credit loss recognised at 31 July 2018 on:	
— Trade receivables	1,351
Loss allowance at 1 August 2018 under HKFRS 9	2,327

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(i) HKFRS 9, *Financial instruments* *(Continued)*

c. *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 August 2018. Accordingly, the information presented for period ended 31 July 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

— The following assessments have been made on the basis of the facts and circumstances that existed at 1 August 2018 (the date of initial application of HKFRS 9 by the Group):

  — the determination of the business model within which a financial asset is held; and

  — the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, *Revenue from Contracts with Customers*

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 August 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses, or other component of equity, and comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The directors of the Company have assessed each type of the performance obligations and consider that the revenue recognition policy under HKFRS 15 is similar to those under HKAS 18 Revenue. The adoption of HKFRS 15 does not have any impact on the timing the Group recognises revenue.

Therefore, the adoption of HKFRS 15 Revenue from Contracts with Customers has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.

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. All revenue is recognised at a point in time under HKFRS 15 during the eleven months ended 30 June 2019.

	Eleven months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Sales of goods	**319,207**	332,864
Healthcare and hotel services	**7,794**	14,114
	327,001	346,978

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.

5. SEGMENT INFORMATION *(Continued)*

(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:

	Eleven months ended 30 June 2019			
	Silicone rubber and related products HK$'000 (Unaudited)	Healthcare and hotel services HK$'000 (Unaudited)	Others HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
Segment revenue	**319,207**	**7,794**	**–**	**327,001**
Segment profit/(loss) before taxation	**40,469**	**(44,642)**	**(49,477)**	**(53,650)**
Segment assets	**405,703**	**416,186**	**24,836**	**846,725**
Segment liabilities	**166,312**	**288,707**	**2,899**	**457,918**

	Eleven months ended 30 June 2018			
	Silicone rubber and related products HK$'000 (Unaudited)	Healthcare and hotel services HK$'000 (Unaudited)	Others HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
Segment revenue	332,864	14,114	–	346,978
Segment profit/(loss) before taxation	43,242	23,721	(35,832)	31,131
Segment assets	5,692	504,526	451,690	961,908
Segment liabilities	3,373	333,817	150,988	488,178

6. FINANCE COSTS

	Eleven months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interests arising from bank borrowings	**18,285**	21,644

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

	Eleven months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current PRC EIT		
— Current period	**–**	20,553
— Over provision in prior period	**–**	(710)
Deferred taxation		
— Current period	**(891)**	(11)
	(891)	19,832

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 eleven months ended 30 June 2019 and 2018 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 eleven months ended 30 June 2019 and 2018 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)/PROFIT FOR THE PERIOD

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

	Eleven months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Allowance for inventories (included in cost of sales)	**1,389**	252
Reversal of allowance for inventories (included in cost of sales)	**(84)**	–
Amortisation of prepaid lease payments	**2,416**	4,032
Cost of inventories recognised as expenses	**101,242**	93,517
Depreciation of property, plant and equipment	**20,673**	20,572
Dividend income	**(181)**	(302)
Exchange gain, net	**(304)**	(32)
Fair value loss on financial assets at fair value through profit or loss	**–**	–
Fair value loss on held-for-trading investments	**(140)**	(2,840)
Loss/(Gain) on deregistration of subsidiaries	**2,097**	(6,199)
Government grants		
— Amortisation of deferred income	**(142)**	(24)
— Grants related to expenses recognised as other operating income	**(2,879)**	(582)
Gross rental income	**(2,336)**	(7,052)
Less: Outgoings incurred for investment properties that generated rental income during the period	**–**	–
Net rental income	**(2,336)**	(7,052)
Loss allowance recognised in respect of:		
— trade receivables	**2,248**	–
Reversal of impairment loss recognised in respect of trade receivables	**–**	(250)
Interest income	**(814)**	(736)
Gain on disposal of available-for-sale financial assets	**–**	(624)
Loss on disposal of an associate	**–**	1,223
Gain on disposal of prepaid lease payments	**(1,731)**	(630)
Gain on disposal of property, plant and equipment	**(12,982)**	(46,391)
Gain on disposal of investment property	**(6,081)**	(44,279)

9. (LOSS)/EARNINGS PER SHARE

Basic and diluted

(Loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during both periods.

	Eleven months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (HK$'000)	**(52,040)**	11,301
Weighted average number of ordinary shares in issue ('000)	**871,178**	871,178

During the eleven months ended 30 June 2019 and 2018, the basic (loss)/earnings per share and the diluted (loss)/earnings 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 eleven months ended 30 June 2019 and 30 June 2018.

11. PROPERTY, PLANT AND EQUIPMENT

During the eleven months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of approximately HK$11,508,000 (2018: HK$28,903,000) for the expansion of production facilities and development of healthcare and hotel businesses. Items of property, plant and equipment with a carrying amount of approximately HK$6,624,000 (2018: HK$71,458,000) were disposed of during the eleven months ended 30 June 2019, with approximately HK$12,982,000 (2018: HK$46,391,000) gain on disposal.

12. DEPOSITS FOR ACQUISITION OF LAND USE RIGHTS

At the end of each reporting period, deposits are paid for acquisition of the following asset:

	30/6/2019	31/7/2018
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Land use rights in Indonesia	**14,065**	14,065

13. TRADE AND OTHER RECEIVABLES

	30/6/2019 HK$'000 (Unaudited)	31/7/2018 HK$'000 (Audited)
Trade and bills receivables	**100,460**	97,580
Deposits and prepayments	**157,025**	14,772
Consideration receivable from disposal of properties	**–**	103,571
Other receivables	**61,310**	13,936
	318,795	229,859

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

An aged analysis of trade receivables, net of impairment losses recognised, presented based on the invoice date at the reporting date is as follows:

	30/6/2019 HK$'000 (Unaudited)	31/7/2018 HK$'000 (Audited)
0–90 days	**41,240**	91,207
91 days to 1 year	**59,220**	6,373
	100,460	97,580

14. TRADE AND OTHER PAYABLES

	30/6/2019 HK$'000 (Unaudited)	31/7/2018 HK$'000 (Audited)
Trade and bills payables	**36,451**	33,308
Accrued payables	**27,620**	28,314
Other payables	**53,286**	9,689
Other tax payables	**12,022**	10,059
Deposits received	**852**	8,527
	130,231	89,897

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

14. TRADE AND OTHER PAYABLES *(Continued)*

	30/6/2019 HK$'000 (Unaudited)	31/7/2018 HK$'000 (Audited)
Within 1 month or on demand	**13,574**	15,951
More than 1 month but less than 3 months	**19,586**	15,325
More than 3 months but less than 1 year	**1,875**	403
More than 1 year	**1,416**	1,629
	36,451	33,308

15. SECURED BANK BORROWINGS

During the eleven months ended 30 June 2019, no new bank borrowing was obtained.

As at 30 June 2019 and 31 July 2018, a bank borrowing of approximately HK$225,720,000 and HK$ 273,700,000 respectively 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 July 2018 and 30 June 2019. 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 eleven months ended 30 June 2019, 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 8.71% (eleven months ended 30 June 2018: 7.10%) per annum.

16. SHARE CAPITAL

Authorised and issued share capital

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 August 2018 (audited) and 30 June 2019 (unaudited)	20,000,000	2,000,000
Issued and fully paid:		
At 1 August 2018 (audited) and 30 June 2019 (unaudited)	871,178	87,118

17. 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 company	Nature of transactions	Eleven months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
東莞德洋精密橡塑有限公司 ("東莞德洋") (Note i)	Sales of rubber keypads	–	180
	Purchase of rubber keypads	–	1,139
Shi Qi	Rental expense	**315**	299

Note:

(i) 東莞德洋 was an associate of the Group and was disposed of during the eleven months ended 30 June 2018.

(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:

	Eleven months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Short-term benefits	**6,140**	7,588
Post-employment benefits	**33**	35
	6,173	7,623

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.

18. CAPITAL COMMITMENTS

	30/6/2019 HK$'000 (Unaudited)	31/7/2018 HK$'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	**965**	2,782
— Acquisition of land use rights	**2,906**	2,856
	3,871	5,638

BUSINESS REVIEW

For the eleven months ended 30 June 2019, the Group recorded turnover of HK$327,001,000 (the corresponding period in 2018: HK$346,978,000). The Group strived to improve its product portfolio and customer base, switched to the manufacturing of products with higher added-value, and strengthened rational cost control, resulting in higher profit margin as compared with the corresponding period of last year.

However, due to the increase in cost for the Group's development and preparation of potential business and establishment of the head office in Chengdu, the Group's performance turned from profit to loss. Accumulated loss for the eleven months amounted to HK$52,759,000 (profit in the corresponding period in 2018: HK$11,299,000).

In terms of silicone product business, the Group stayed committed to exploring markets with excellent service quality. The Group controlled the purchase cost strictly, invested in machinery and manpower rationally and managed product quality rigorously. Facing the transformation of silicone product market application, the Group's engineering technology team proactively sought the transformation to wearable consumer products in addition to the production of traditional cellphone keyboards and automobile console accessories. The Group currently offers the accessories production of sports watches and bracelets to many important international customers and has secured a certain share in the market.

The Group also commenced the development of silicone remote control shell. Compared with traditional plastic shell, silicone shell is dust-proof and smooth to a certain extent, which is popular among existing and new customers. In addition, the Group initiated the production of silicone accessories of traditional European and American audio equipment brands in the category of electronic consumer products. Given its superiority in shape, color, feel and functionality, major audio equipment brands use silicon as the key component of their accessories including headphone cover, headset and audio button. Such products are well received by new and old customers.

Affected by the Sino-US trade war and domestic economic instability, retail and tourism sectors were heavily hit, and revenue from the Group's healthcare and hotel business in Hainan decreased. The Group will closely monitor market trends to explore and adjust management strategy in a timely manner.

The establishment and operation of a joint venture company (the "Joint Venture"), jointly founded by the Group, Yunnan Investment Construction and China Technology Emerging, were approved during the period. The Joint Venture proactively planned to participate in public-private partnership (PPP) projects with potential for generating profits, and improved the Group's management standards for the environmental protection construction industry, providing strong momentum for the Group's future development.

During the period, the Group continued to actively develop potential business, such as researching and investing in innovation projects including artificial intelligence and clean energy. This initiative can produce synergy with the Group's healthcare and environmental protection construction business, which is expected to bring substantial financial return for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Amid Sino-US trade tensions, although most policies do not have a direct impact on the Group's sale of silicone products, some customers have started creating strategic plans under which they will move their factories to other Asian nations and shift some projects to the Southeast Asian region for production.

Nevertheless, the market demand maintains steady growth on the back of the extensive application of silicone products. The Group has its own raw materials production factory, mold design and processing factory and finished goods production factory, providing integrated service for customers. The Group will capitalize on its premium products and quality customer service to retain existing customers, ensure stable growth of project undertakings, and attract new domestic and international customers. The Group will accelerate the development of new products with higher profitability, continue to attract new customers, adjust selling prices, and streamline production processes to improve profitability, so as to deal with the above-mentioned challenges.

The Group undertakes the production of silicone products for healthcare and baby care (such as electronic blood pressure monitors and baby products), which is well received by the market. The Group also expands the scope of production of silicone products. In terms of electronic consumer products, major European and American brands gradually switch to silicone products for their new designs as they appreciate the superiority of silicone in environmental protection, functionality and aesthetic appeal, resulting in the increasing demand for silicone products (such as headphone cover, headset, beauty products and daily supplies). Such transformation of the market demand will enrich the Group's product portfolio.

In the long run, the Group will continue to increase capital investment, improve production capacity and efficiency, alleviate the shortage of production line workers, and seek the chance to invest in automated production and new technology. The Group actively expands product transformation, integrates new product R&D, production and management experiences, and proactively apply them in traditional processes, leading to wider application of silicone accessories in traditional products and a larger market share of silicone accessories. Maximizing the application of silicon in products also improves the aesthetic appeal and functionality of products.

Meanwhile, the Group will actively develop, prepare and establish more potential businesses. While continuing with discreet development in the existing silicone industry, the Group will implement the diversified business development strategy. Besides continuously participating in healthcare and hotel business and getting involved in domestic environmental protection construction engineering projects in the capacity of a joint venture, the Group establishes the head office of the Group in Chengdu, and proactively develops, researches and invests in innovative projects, thereby increasing profit and diversifying business risks to create greater value for the Group.

FINANCIAL REVIEW

Revenue

During the period, the Group recorded a revenue of HK$327,001,000, representing a decrease of 5.8% as compared with the corresponding period in 2018. The major contributor of the revenue was still selling silicone and its related products, which accounted for approximately 97.6% of total turnover. Affected by the Sino-US trade war, sales in the U.S recorded a decrease during the period, resulting in a decrease in the silicone segment's revenue of approximately 4.1%. Meanwhile, the Group committed itself to developing markets in China and Asian regions. Total sales in China and Asian regions recorded an increase during the period.

In addition, after the development of high-end holiday resort in Hainan, the properties have come into operation and developed into hotel rooms and service apartments for rental and healthcare-related business. During the period, revenue from healthcare and hotel business accounted for approximately 2.4% of total turnover.

Gross Profit

The gross profit was HK$85,879,000, representing a decrease of HK$ 6,652,000 as compared with the corresponding period in 2018. The overall profit margin for the period increased to 26.3% from 22.8% for the corresponding period in 2018. The Group strived to improve its product portfolio and customer base, switched to the manufacturing of products with higher added-value, and strengthened rational cost control, resulting in an increase in gross profit margin.

Other Operating Income

Other operating income decreased by HK$82,850,000 or 73.2% to HK$30,346,000 as compared with the corresponding period in 2018. The decrease was mainly due to gains from one-off disposal of property, plant and equipment, and prepaid lease payments for the corresponding period in 2018.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 21.2% to HK$18,982,000 as compared with the corresponding period in 2018. The decrease was a result of effective cost control. In terms of percentage of the Group's turnover, total selling and distribution expenses accounted for 5.8%, representing a decrease of 1.1% as compared with the corresponding period in 2018.

Administrative Expenses

Administrative expenses increased to HK$130,512,000 from HK$109,850,000 for the corresponding period in 2018. In terms of percentage of the Group's turnover, total administrative expenses accounted for 39.9%, representing an increase of 8.3% as compared with the corresponding period in 2018. The increase was due to the increase in cost for the Group's development and preparation of potential business and establishment of the head office in Chengdu.

Profit Attributable to Shareholders

The Group recorded loss attributable to shareholders of HK$52,040,000 during the period while profit for the corresponding period last period amounted to HK$11,301,000.

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 2019 HK$'000	As at 31 July 2018 HK$'000
Cash and cash equivalents	**90,420**	192,888
Net current assets	**33,650**	42,811
Current ratio	**1.1**	1.1
Quick ratio	**1.0**	1.0

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019, the Group employed approximately 1,300 employees.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the eleven months ended 30 June 2019 (31 January 2019 and 31 January 2018: 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 eleven months ended 30 June 2019, except:

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

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

(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) quarterly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular board meetings of the Company.

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

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

Pursuant to Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. Following the resignation of Mr. Pak Wai Keung, Martin as an independent non-executive Director and the chairman and a member of the audit committee of the Company with effect from 29 October 2018, the number of independent non-executive Directors fell below the minimum number of three as required under Rule 3.10(1) of the Listing Rules, and the number of members of the audit committee of the Company fell below the minimum number prescribed under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Cheung Simon as an independent non-executive Director and a member of the audit committee of the Company with effect from 25 January 2019, the Board had a total of three independent non-executive Directors which is in compliance with Rule 3.10(1) of the Listing Rules and the audit committee of the Company comprises three independent non-executive Directors, which is in compliance with Rule 3.21 of the Listing Rules.

Details of the above mentioned non-compliance and the remedial actions taken by the Company are detailed in the announcements of the Company dated 29 October 2018 and 25 January 2019.

CHANGES IN THE INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Upon specific enquiry by the Company and following confirmations from Directors, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

Currently, the Audit Committee of the Company comprises Mr. Wu Tak Kong (chairman), Ms. Zhang Lijuan and Mr. Cheung Simon, 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 internal controls and financial reporting matters.

The Company's unaudited condensed consolidated interim financial information for the eleven months ended 30 June 2019 has been reviewed by the Audit Committee.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding Director's securities transactions. In response to the specific enquiry by the Company, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the eleven months ended 30 June 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2019, the interests and short positions of the Directors and the Chief Executive of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in Shares

Name of Director	Capacity in which interests are held	Interest in Shares	Total interests	Approximate percentage of Shares in issue of the Company [1]	Note
Shi Qi	Interest of controlled corporation	436,540,400	436,540,400	50.11%	2

Notes:

1. Based on 871,178,000 Shares in issue as at 30 June 2019.

2. Lyton Maison Limited, a limited company incorporated in the British Virgin Islands, solely owned by Ms. Shi Qi, is interested in 436,540,400 Shares.

Save as disclosed above, as at 30 June 2019, none of the Directors and the Chief Executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2019, so far as is known to the Directors, the following persons (other than Directors and Chief Executive of the Company) have an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Long Positions in the Shares

Name of shareholder	Capacity in which interests are held	Number of Shares held in the Company	Approximate percentage of interests as to the issued share capital of the Company [1]
Lyton Maison Limited	Beneficial Owner	436,540,400	50.11%
Mason Resources Finance Limited	Person having a security interest in Shares	445,342,400	51.12%
Mason Group Holdings Limited	Interest of controlled corporation	445,342,400	51.12%

Notes:

1. Based on 871,178,000 Shares in issue as at 30 June 2019.

2. There was duplication of interests of 436,540,400 Shares among Lyton Maison Limited, Mason Resources Finance Limited and Mason Group Holdings Limited which represent the same block of Shares.

Save as disclosed above, as at 30 June 2019, the Company was not notified by any person (other than Directors and Chief Executive of the Company) who has an interest or short position in the Shares, or underlying Shares 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 which were recorded in the register required to be kept by the Company under section 336 of SFO.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the eleven months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Ta Yang Group Holdings Limited

Shi Qi
Chairlady and Chief Executive Officer

Hong Kong, 30 August 2019