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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 2022

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 2022 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

| | | Six months ended 30 June | |
|--|--------------|---------------------------------|--------------------|
| | | 2022 | 2021 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 3 | 189,816 | 168,203 |
| Cost of sales | | (149,684) | (123,126) |
| Gross profit | | 40,132 | 45,077 |
| Other income and net gain | | 16,157 | 11,577 |
| Selling and distribution expenses | | (11,957) | (11,215) |
| Administrative expenses | | (66,643) | (54,780) |
| Other operating expenses | | (1,628) | – |
| Share of results of associates | | (909) | (49) |
| Finance costs | 5 | (12,907) | (8,972) |
| Impairment losses on interests in associates | | (5,275) | – |
| Reversal of impairment losses under expected credit loss model | | 62 | – |
| Loss before tax | | (42,968) | (18,362) |
| Income tax expense | 6 | (134) | (47) |
| Loss for the period | 7 | (43,102) | (18,409) |

| | | Six months ended 30 June | |
|--------------------------------------|--------------|---------------------------------|--------------------|
| | | 2022 | 2021 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (43,065) | (18,406) |
| Non-controlling interests | | (37) | (3) |
| | | <u>(43,102)</u> | <u>(18,409)</u> |
| Loss per share | | | |
| Basic and diluted (HK cents) | 8 | <u>(3.30)</u> | <u>(1.83)</u> |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss for the period | <u>(43,102)</u> | <u>(18,409)</u> |
| Other comprehensive income/(expenses) | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Gain on revaluation of properties, net of income tax | 6,739 | – |
| Fair value (loss)/gain on financial assets at fair value through other comprehensive income (“FVTOCI”) | <u>(357)</u> | <u>549</u> |
| | <u>6,382</u> | <u>549</u> |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translating foreign operations | 17,162 | 2,479 |
| Share of other comprehensive income of associates | <u>25</u> | <u>–</u> |
| | <u>17,187</u> | <u>2,479</u> |
| Other comprehensive income for the period | <u>23,569</u> | <u>3,028</u> |
| Total comprehensive expenses for the period, net of income tax | <u>(19,533)</u> | <u>(15,381)</u> |
| Total comprehensive expenses for the period, net of income tax, attributable to: | | |
| Owners of the Company | (19,496) | (15,379) |
| Non-controlling interests | <u>(37)</u> | <u>(2)</u> |
| | <u>(19,533)</u> | <u>(15,381)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | At 30 June 2022 <i>HK\$'000</i> (Unaudited) | At 31 December 2021 <i>HK\$'000</i> (Audited) |
|--|-----------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | | 105,153 | 49,893 |
| Right-of-use assets | | 173,623 | 64,908 |
| Investment properties | | 12,200 | – |
| Goodwill | | 2,166 | 2,166 |
| Financial assets at fair value through other comprehensive income | | 3,419 | 3,921 |
| Interests in associates | | 25,723 | 31,882 |
| Deferred tax assets | | 509 | 545 |
| Loan receivables | | 3,064 | 3,206 |
| Deposit | <i>10</i> | – | 24,400 |
| | | 325,857 | 180,921 |
| Current assets | | | |
| Inventories | | 76,858 | 63,987 |
| Trade, bills and other receivables | <i>10</i> | 249,648 | 243,014 |
| Loan receivables | | 74,217 | 35,871 |
| Held-for-trading investments | | 26 | 24 |
| Bank balances and cash | | 31,170 | 59,579 |
| | | 431,919 | 402,475 |
| Assets of disposal group classified as held for sale | | – | 205,053 |
| | | 431,919 | 607,528 |

| | | At 30 June 2022 <i>HK\$'000</i> (Unaudited) | At 31 December 2021 <i>HK\$'000</i> (Audited) |
|--|-----------|---|---|
| Current liabilities | | | |
| Trade and other payables | <i>11</i> | 222,608 | 121,129 |
| Income tax payable | | 19,265 | 17,128 |
| Borrowings | <i>12</i> | 45,094 | 13,500 |
| Lease liabilities | | 13,487 | 14,085 |
| | | <u>300,454</u> | <u>165,842</u> |
| Liabilities of disposal group classified as held for sale | | – | 327,177 |
| | | <u>300,454</u> | <u>493,019</u> |
| Net current assets | | <u>131,465</u> | <u>114,509</u> |
| Total assets less current liabilities | | <u>457,322</u> | <u>295,430</u> |
| Capital and reserves | | | |
| Share capital | <i>13</i> | 130,677 | 130,677 |
| Reserves | | 92,287 | 111,783 |
| Equity attributable to owners of the Company | | 222,964 | 242,460 |
| Non-controlling interests | | (559) | (522) |
| Total equity | | <u>222,405</u> | <u>241,938</u> |
| Non-current liabilities | | | |
| Borrowings | | 168,654 | 2,146 |
| Lease liabilities | | 62,795 | 49,065 |
| Deferred income | | 2,136 | 2,281 |
| Deferred tax liabilities | | 1,332 | – |
| | | <u>234,917</u> | <u>53,492</u> |
| | | <u>457,322</u> | <u>295,430</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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, providing retail services 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**”), and the United Kingdom whose functional currencies are Renminbi (“**RMB**”) and Pound Sterling (“**GBP**”) respectively, the functional currency of the Group is HK\$. As the Company is listed in Hong Kong, the directors of the Company (the “**Directors**”) consider that it is appropriate to present the condensed consolidated interim financial information in HK\$.

At 30 June 2022, the Directors consider the ultimate holding company of the Company to be Lyton Maison Limited which was incorporated in the British Virgin Islands (the “**BVI**”).

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 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 Rules Governing the Listing of Securities on The Stock Exchange.

The interim condensed consolidated financial information does not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

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 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021, 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 2022.

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.

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

| | |
|--|---|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract |
| Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 | Annual Improvements to HKFRSs 2018–2020 |

Except as described above, the application of the amendments to HKFRSs in the current period has no material impact on the Group's performance and financial positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. 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 | |
|--|--------------------------|----------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Sales of goods — point of time | 189,792 | 167,014 |
| Healthcare and hotel services — overtime | 24 | 1,189 |
| | <u>189,816</u> | <u>168,203</u> |

4. SEGMENT INFORMATION

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

- Silicone rubber and related products — manufacturing and sale of silicone rubber and related products;
- Retail services — providing retail services in the United Kingdom; 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.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

| | Silicone rubber and related products HK\$'000 (unaudited) | Retail services HK\$'000 (unaudited) | Healthcare and hotel services HK\$'000 (unaudited) | Total HK\$'000 (unaudited) |
|--------------------------------------|--|---|---|---|
| Six months ended 30 June 2022 | | | | |
| Revenue | | | | |
| Sales to external customers | <u>176,176</u> | <u>13,616</u> | <u>24</u> | <u>189,816</u> |
| Segment results | <u>11,154</u> | <u>(7,040)</u> | <u>(9,554)</u> | <u>(5,440)</u> |
| Unallocated income | | | | 263 |
| Unallocated expense | | | | <u>(37,791)</u> |
| Loss before tax | | | | <u><u>(42,968)</u></u> |
| Six months ended 30 June 2021 | | | | |
| Revenue | | | | |
| Sales to external customers | <u>167,014</u> | <u>–</u> | <u>1,189</u> | <u>168,203</u> |
| Segment results | <u>17,796</u> | <u>–</u> | <u>(7,510)</u> | <u>10,286</u> |
| Unallocated income | | | | – |
| Unallocated expense | | | | <u>(28,648)</u> |
| Loss before tax | | | | <u><u>(18,362)</u></u> |

Segment assets and liabilities

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

| | At 30 June 2022 <i>HK\$'000</i> (Unaudited) | At 31 December 2021 <i>HK\$'000</i> (Audited) (Restated) |
|--------------------------------------|--|---|
| Assets | | |
| Silicone rubber and related products | 353,315 | 406,138 |
| Retail services | 70,166 | 31,182 |
| Healthcare and hotel services | 186,463 | 205,121 |
| | <hr/> | <hr/> |
| Total segment assets | 609,944 | 642,441 |
| Unallocated corporate assets | 147,832 | 146,008 |
| | <hr/> | <hr/> |
| Consolidated total assets | 757,776 | 788,449 |
| | <hr/> | <hr/> |
| Liabilities | | |
| Silicone rubber and related products | 205,956 | 179,791 |
| Retail services | 46,644 | 22,764 |
| Healthcare and hotel services | 273,584 | 327,180 |
| | <hr/> | <hr/> |
| Total segment liabilities | 526,184 | 529,735 |
| Unallocated corporate liabilities | 9,187 | 16,776 |
| | <hr/> | <hr/> |
| Consolidated total liabilities | 535,371 | 546,511 |
| | <hr/> | <hr/> |

5. FINANCE COSTS

| | Six months ended 30 June | |
|-------------------|---------------------------------|-----------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Interest on: | | |
| Borrowings | 10,883 | 8,572 |
| Lease liabilities | 2,024 | 400 |
| | <hr/> | <hr/> |
| | 12,907 | 8,972 |
| | <hr/> | <hr/> |

6. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---------------------------------|--------------------------|-------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current Taxation | | |
| Provision for the period | 24 | 46 |
| Over-provision in prior periods | 92 | – |
| | <u>116</u> | <u>46</u> |
| Deferred Taxation | | |
| Current period | 18 | 1 |
| | <u>134</u> | <u>47</u> |

No provision for Hong Kong Profits Tax has been made in the condensed consolidated interim financial information since the Group has sufficient tax losses brought forward to set off against current and prior periods 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 current and prior periods.

No provision for Indonesia Income Tax for the current and prior periods has been made as the subsidiary operating in Indonesia did not generate any assessable profits in Indonesia.

No provision for UK Corporate Tax for the current period has been made as the Group did not generate any assessable profits in UK.

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 current and prior periods.

7. LOSS FOR THE PERIOD

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

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Reversal of allowance for inventories (included in cost of sales) | (2) | – |
| Cost of inventories sold (<i>Note</i>) | 149,565 | 121,774 |
| Depreciation of property, plant and equipment | 7,019 | 5,439 |
| Depreciation of right-of-use assets | 8,977 | 4,967 |
| Exchange gain, net | (4,250) | (4,797) |
| Government grants | | |
| — Amortisation of deferred income | (56) | (6) |
| Gross rental income | (145) | (1,881) |
| Less: Outgoings incurred for investment properties that generated rental income during the period | – | 527 |
| Net rental income | (145) | (1,354) |
| Reversal of impairment loss recognised in respect of trade receivables | (62) | – |
| Interest income | (49) | (62) |
| Loss/(gain) on disposal of property, plant and equipment | 367 | (7,969) |
| Gain on disposal of right-of-use assets | (8,560) | – |

Note: Cost of inventories sold includes approximately HK\$4,943,000 (2021: approximately HK\$3,750,000) relating to depreciation of property, plant and equipment and depreciation of right-of-use assets charges which amounts are also included in the respective total amounts disclosed separately above.

8. 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 2022 and 30 June 2021.

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| Loss for the period attributable to owners of the Company (<i>HK\$'000</i>) | (43,065) | (18,406) |
| Weighted average number of ordinary shares in issue (<i>'000</i>) | 1,306,767 | 1,007,445 |

During the six months ended 30 June 2022 and 30 June 2021, the basic loss per share and the diluted loss per share are the same because there are no potential dilutive shares outstanding.

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 and 30 June 2021.

10. TRADE, BILLS AND OTHER RECEIVABLES

| | At 30 June 2022 <i>HK\$'000</i> (Unaudited) | At 31 December 2021 <i>HK\$'000</i> (Audited) |
|---|---|---|
| Trade receivables | | |
| — from third parties | 96,473 | 103,693 |
| Less: Allowance for expected credit losses (“ECLs”) | <u>(5,647)</u> | <u>(5,715)</u> |
| | 90,826 | 97,978 |
| Bills receivables | 178 | — |
| Prepayments, deposits and other receivables | <u>158,644</u> | <u>169,436</u> |
| | <u>249,648</u> | <u>267,414</u> |
| Presented as: | | |
| — Non-current assets | — | 24,400 |
| — Current assets | <u>249,648</u> | <u>243,014</u> |
| | <u>249,648</u> | <u>267,414</u> |

The Group normally grants to its customers credit periods ranging from 30 days to 120 days which are subject to periodic review by the management.

As of the end of the reporting period, the ageing analysis of trade receivables, net of allowance for ECLs and based on the invoice date, which approximated the respective revenue recognition date, is as follows:

| | At 30 June 2022 <i>HK\$'000</i> (Unaudited) | At 31 December 2021 <i>HK\$'000</i> (Audited) |
|---------------------|---|---|
| 0–90 days | 80,435 | 86,292 |
| 91 days to 365 days | <u>10,391</u> | <u>11,686</u> |
| | <u>90,826</u> | <u>97,978</u> |

11. TRADE AND OTHER PAYABLES

| | At 30 June 2022 <i>HK\$'000</i> (Unaudited) | At 31 December 2021 <i>HK\$'000</i> (Audited) |
|----------------------|---|---|
| Trade payables | <u>85,306</u> | <u>62,652</u> |
| Accrued expenses | 21,596 | 37,317 |
| Other payables | 109,149 | 10,913 |
| Other tax payables | 6,199 | 6,032 |
| Deposits received | 232 | – |
| Contract liabilities | <u>126</u> | <u>4,215</u> |
| | <u>137,302</u> | <u>58,477</u> |
| | <u>222,608</u> | <u>121,129</u> |

As of the end of the reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

| | At 30 June 2022 <i>HK\$'000</i> (Unaudited) | At 31 December 2021 <i>HK\$'000</i> (Audited) |
|--|---|---|
| Within 1 month or on demand | 24,608 | 18,238 |
| More than 1 month but less than 3 months | 34,546 | 26,539 |
| More than 3 months but less than 12 months | 19,555 | 11,462 |
| More than 12 months | <u>6,597</u> | <u>6,413</u> |
| | <u>85,306</u> | <u>62,652</u> |

12. BORROWINGS

The effective interest rates on the Group's borrowings ranged from 3.3% to 14.0% per annum during the six months ended 30 June 2022 (six months ended 30 June 2021: 3.5% to 5.4%).

13. SHARE CAPITAL

Authorised and issued share capital

| | Number of shares | | Share capital | |
|--|-------------------|--------------|--------------------------------------|-----------------------------------|
| | 2022 '000 | 2021 '000 | 2022 HK\$'000 | 2021 HK\$'000 |
| Ordinary shares of HK\$0.1 each | | | | |
| Authorised: | | | | |
| At 1 January, 30 June and 31 December | 20,000,000 | 20,000,000 | 2,000,000 | 2,000,000 |
| | | | Number of shares '000 | Share capital HK\$'000 |
| Issued and fully paid: | | | | |
| At 1 January 2021 (audited) | | | 871,178 | 87,118 |
| Issuance of shares (<i>Note</i>) | | | 435,589 | 43,559 |
| At 31 December 2021 (audited) and 30 June 2022 (unaudited) | | | 1,306,767 | 130,677 |

Note: During the year ended 31 December 2021, the Company completed a rights issue (the “**Rights Issue**”) on the basis of one rights share 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 proceeds of the Rights Issue was HK\$60,983,000, of which HK\$43,559,000 was credited against share capital and the remaining HK\$17,424,000 was credited against the share premium account.

14. 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 2022 and 30 June 2021:

| Name of related party | Nature of transactions | Six months ended 30 June | |
|-----------------------|------------------------|--------------------------|-------------|
| | | 2022 | 2021 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Shi Qi | Rental expense | — | 25 |

- (b) Compensation of key management personnel

The remuneration of the Directors and other members of key management during the six months ended 30 June 2022 and 30 June 2021 is as follows:

| | Six months ended 30 June | |
|---------------------|--------------------------|-------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Short-term benefits | 3,825 | 4,113 |

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

15. CAPITAL COMMITMENTS

| | At | At |
|--|-------------|-------------|
| | 30 June | 31 December |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (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 | 6,692 | 5,964 |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2022, the Group was principally engaged in (i) designing and manufacturing of silicone rubber products (the “**Silicone Business**”); (ii) providing retail services in the United Kingdom (the “**Retail Business**”); and (iii) providing healthcare and hotel services (the “**Healthcare and Hotel Business**”).

For the six months ended 30 June 2022, the overall business environment was characteristic with volatility and uncertainty. Hygiene controls and precaution measures for the COVID-19 epidemic continuously caused a decline in operational efficiency in the production base of the Group in the PRC, while heavy cost pressures caused by inflation worldwide were observed in all business segments of the Group. In order to tackle such difficulties, the Group has been focusing on building up its business resilience. The management had been optimising the operational flow and organisational structure of the Group for the purpose of enhancing competitive advantages and dealing with unpredictability. For the six months ended 30 June 2022, the Group had deployed much of its resources in (i) enhancing competitive advantages of the core business which is the Silicone Business; (ii) launching the new business which is the Retail Business in the United Kingdom; and (iii) exploring realisation opportunity for the underperforming business which is the Healthcare and Hotel Business.

In spite of the harsh business environment, the Group achieved to record a sale revenue of approximately HK\$189.8 million for the six months ended 30 June 2022 (2021: approximately HK\$168.2 million), representing an increase of approximately 12.8% as compared with the corresponding period in 2021. The competitive advantages of the Silicone Business, being broad product categories, low sale prices and reliable qualities, earned the Group stable orders from the customers, while the newly-launched Retail Business contributed to a retail revenue which demonstrated an increasing trend. Accordingly, the management was of the view that the strategies of the Group remained as feasible and suitable for the six months ended 30 June 2022.

On the other hand, the decline in operational efficiency caused by the COVID-19 epidemic and the cost pressure caused by the worldwide inflation led to a tightened gross margin of the Group. Moreover, the Retail Business was still in a launching phase which required large amounts of initial investment, such as setting-up costs for new physical stores, expenses for marketing and promotion, etc. The unfavorable business environment, together with expenditures for launching the Retail Business, caused a loss of approximately HK\$43.1 million for the six months ended 30 June 2022 (2021: approximately HK\$18.4 million). Nevertheless, the management was of the view that such a change in performance is not permanent, and the Group would be able to reverse such a position when the COVID-19 control measures are lifted and the Retail Business completes its launching works.

The Silicone Business

For the six months ended 30 June 2022, the Silicone Business remained as the core business of the Group in terms of the operation size, the revenue volume and the staff headcount. For the six months ended 30 June 2022, the Silicone Business recorded a sales revenue of approximately HK\$176.2 million (2021: approximately HK\$167.0 million).

The core production factory of the Silicone Business is located in Dongguan, Guangdong Province, the PRC. The existing strategies of the Silicone Business included expanding product category, such as introducing new products based on the end customers' preferences. For the six months ended 30 June 2022, major products of the Silicone Business included consumer electronic devices' peripheral products and lifestyle products. The existing product portfolio had helped the Group to secure customer orders and to generate reliable returns, and the management expected to further optimise product mix based on internal research and development activities and/or marketing and promotion events.

The Retail Business

The Retail Business was formally launched in January 2022. For the six months ended 30 June 2022, the Retail Business recorded a sales revenue of approximately HK\$13.6 million (2021: nil). On the other hand, since the Retail Business operated a new retail brand and focused on building a customer base at this moment, the management decided to incur more expenditures for brand advertising, store decoration, sales promotion and deal negotiation with suppliers and distributors. Although some of such expenditures were one-off and non-recurring, they might form a valuable foundation for the Retail Business to have a higher customer loyalty and to earn a stable income. Based on the existing trend, it is expected that the Retail Business will grow into a major business segment of the Group in the future.

The existing business model of Retail Business mainly emphasised on opening physical stores in the residential areas in London, the United Kingdom. As at 30 June 2022, 2 physical stores of the Retail Business were opened in prosperous areas of London. The stores were operated under the brand — “YOHOME Oriental Life Style (有家東方生活範兒)” which provides local residents with daily products with oriental characteristics, including products from the Silicone Business. Since its launching, the Retail Business had been expanding retail network, building customer loyalty, optimising product mix and improving price strategy. Accordingly, the Retail Business had gained much appreciation and acknowledgement within the overseas Chinese and local customers who were fond of Asian culture.

The Healthcare and Hotel Business

For the six months ended 30 June 2022, the Healthcare and Hotel Business was regarded as a business segment of minor strategical importance. For the six months ended 30 June 2022, the Healthcare and Hotel Business recorded a minimal sales revenue. It continuously incurred an operational loss under travel restrictions due to COVID-19 epidemic and market fluctuation of the property industry in the PRC. In light of the underperformance, the Group remained conservative on the long-term prospects of the Healthcare and Hotel Business. Accordingly, the Group had been exploring realisation opportunities, including a lump-sum disposal which was terminated in January 2022.

OUTLOOK

Looking forward, the business environment remains challenging. Firstly, the COVID-19 epidemic is continuously causing decline in operational efficiency in the main production base of the Group in the PRC. On the other hand, the international political and business environment is unpredictable, and high inflation is observed in all major markets that the Group has entered into. Such business environment may lead to a decline in sales and further increase in cost, if not dealt with properly.

Nevertheless, the Group believes that opportunities always co-exist with challenges, and successful adaption to the recent market volatility can create huge advantages for the Group to achieve long-term profitability. Since its strategies have been proven as feasible, suitable and promising in the past, the management believes that the prospects of the Group remain positive.

The Silicone Business

The Silicone Business will remain as the principal business and the core revenue generator of the Group. The Group is confident that it is capable of securing profitable orders, given its cordial client relationship and vast production experience. On the other hand, especially after commencing the Retail Business in January 2022, the management is actively seeking synergy effects from these two businesses, including launching the silicone products directly to retail customers to save distribution costs, or adjusting the silicone production based on surveying preferences of the end customers.

The Retail Business

Given the growth track of the Retail Business and the favorable feedback from the local customers, the Group is now deploying its resources to expand the retail chain in London. As the local inflation is increasing, the low-price and high-quality products that the Retail Business is providing may attract more attentions from the local customers. On the other hand, the Retail Business is currently directing its resources and effects on physical retailing stores. In the long run, the Group will actively study expansion opportunities, such as launching brand-flagship stores and life-experiencing halls, or establishing a comprehensive online shopping platform. Although the profitability potential of the Retail Business may take some time to realise, the management remains positive about its business model and expects it to become a major revenue stream and a profit generator of the Group in the future.

The Healthcare and Hotel Business

Due to the harsh business environment and insufficient resources, the underperformance of the Healthcare and Hotel Business may not be able to reverse in the short term. Therefore, the Group will continuously monitor opportunities and explore measures to realise value of the investment in this segment.

Other business

The Group will continuously look for opportunities which can reinforce its existing business portfolio or provide sound diversification prospects, with an aim to improve the performance and maximise the return. Certain potential opportunities include integrating silicone/rubber raw material sector for the Silicone Business, or expanding the retail platform for the Retail Business, or exploring other industry segments with profitability potential. Nevertheless, realisation of such opportunities requires further assessment on their suitability and feasibility. Should there be any development, the Company will make further announcement(s) as and when appropriate.

TERMINATION OF A DISPOSAL OF THE HEALTHCARE AND HOTEL BUSINESS

On 5 July 2021, the Company entered into a sale and purchase agreement (the “SPA”) to sell 71% interest in a subsidiary which operated the Healthcare and Hotel Business. But the purchaser under the SPA did not fully pay the consideration. Then on 28 January 2022, the Company and relevant parties entered into a termination agreement to terminate the SPA. In particular, all transaction arrangements which had occurred by cause of the SPA should be restored to the position before entering into of the SPA. Termination of the SPA had not caused any material adverse impact on the financial position and operation of the Group.

TERMINATION OF A POSSIBLE ACQUISITION OF A PACKAGING BUSINESS

On 15 December 2021, a wholly-owned subsidiary of the Company entered into a memorandum of understanding (the “MOU”), with a purpose for acquiring a packaging business. The MOU granted the Group an exclusivity period of six months for due diligence and term negotiation, and the Group paid a refundable deposit of RMB20 million in return. In June 2022, the parties to the MOU had not agreed on a formal agreement or an extension. Then the refundable deposit of RMB20 million was returned to the Group at nil interest. Accordingly, the MOU lapsed with effect from 15 June 2022 and the possible acquisition had not proceed.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group recorded a revenue of approximately HK\$189.8 million (2021: approximately HK\$168.2 million), representing an increase of approximately 12.8% as compared with the corresponding period in 2021.

The revenue was principally contributed by the Silicone Business which recorded a revenue of approximately HK\$176.2 million for the six months ended 30 June 2022 (2021: approximately HK\$167.0 million), which accounted for approximately 92.8% of the total revenue of the Group (2021: approximately 99.3%).

After launching in January 2022, the Retail Business had thereafter contributed to the revenue stream of the Group. For the six months ended 30 June 2022, the Retail Business recorded a revenue of approximately HK\$13.6 million (2021: nil), which accounted for approximately 7.2% of the total revenue of the Group (2021: nil).

Finally, the Healthcare and Hotel Business remained unsatisfactory and recorded a minimal revenue for the six months ended 30 June 2022 and 2021. Due to the recent downslope of the hospitality market in the PRC, it is not expected that the Healthcare and Hotel Business may significantly boost its sales in the near future.

Gross profit

For the six months ended 30 June 2022, the gross profit was approximately HK\$40.1 million (2021: approximately HK\$45.1 million), representing a decrease of approximately 11.1% as compared with the corresponding period in 2021. For the six months ended 30 June 2022, the gross profit margin decreased to approximately 21.1% (2021: approximately 26.8%) as the hygiene controls and precaution measures for the COVID-19 epidemic continuously caused decline in operational efficiency in the production base of the Group in the PRC, while the inflation worldwide caused higher raw material costs in all business segments of the Group.

Other income and net gain

For the six months ended 30 June 2022, the other income and net gain was approximately HK\$16.2 million (2021: approximately HK\$11.6 million), representing an increase of approximately 39.7% as compared with the corresponding period in 2021. Such other income and net gain mainly included gain on disposal of right-of-use assets and exchange gain.

Expenses

For the six months ended 30 June 2022, the selling and distribution expenses were approximately HK\$12.0 million (2021: approximately HK\$11.2 million), representing an increase of approximately 7.1% as compared with the corresponding period in 2021. For the six months ended 30 June 2022, the administrative expenses were approximately HK\$66.6 million (2021: approximately HK\$54.8 million), representing an increase of approximately 21.5% as compared with the corresponding period in 2021. Such changes in the selling and distribution expenses and the administrative expenses were mainly caused by the increase in staff cost and the expenditures incurred for the launching of the Retail Business.

Loss attributable to owners of the Company

For the six months ended 30 June 2022, the Group recorded loss attributable to owners of the Company of approximately HK\$43.1 million (2021: approximately HK\$18.4 million), representing an increase of approximately 134.2% as compared with the corresponding period in 2021. For the six months ended 30 June 2022, loss per share was approximately HK\$3.30 cent (2021: approximately HK\$1.83 cent), representing an increase of approximately 80.1% as compared with the corresponding period in 2021. Such change in the loss attributable to owners of the Company was mainly due to (i) tightened gross profit margin which was caused by decline in operational efficiency in the production base of the Group in the PRC under the COVID-19 epidemic and higher material costs under the worldwide inflation; (ii) certain one-off expenditures which were incurred in the launching phase of the Retail Business; and (iii) impairment of interests in associates in the PRC resulting from the continuous adverse impact of the COVID-19 epidemic. Nevertheless, the management was of the view that such a change in performance was not permanent, and the Group was able to reverse such a position when the COVID-19 control measures are lifted and the Retail Business completes its launching works.

Liquidity and financial resources

For the six months ended 30 June 2022, the Group's major source of funds was cash generated from operating activities, and the Group's working capital remained healthy.

| | At 30 June 2022 | At 31 December 2021 |
|---|-----------------------|---------------------------|
| Cash and cash equivalents (<i>HK\$'000</i>) | 31,170 | 59,579 |
| Current ratio | 1.4 | 1.2 |
| Quick ratio | 1.2 | 1.1 |
| Gearing ratio* | 1.0 | 0.8 |

* The gearing ratio of the Group was calculated by dividing total borrowings (including borrowing of disposal group classified as held for sales amounting to approximately HK\$176.9 million as at 31 December 2021) by total equity.

Borrowing

As at 30 June 2022, the Group had interest-bearing borrowings of approximately HK\$211.8 million (31 December 2021: approximately HK\$190.4 million, including borrowing of disposal group classified as held for sales amounting to approximately HK\$176.9 million), which was secured by certain (i) land and buildings; (ii) right-of-use assets; (iii) investment properties; (iv) trade receivables; and (v) bank balances of the Group. Such borrowings are mainly made in Renminbi and Hong Kong dollars, and approximately HK\$184.3 million are at fixed interest rates (31 December 2021: HK\$4.6 million).

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 identified 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. For example, performance of the Retail Business is highly impacted by the price charged by the Group. The management is therefore required to carefully study the local market statistics and properly make the demand forecast, for the purpose of deciding on a suitable price strategy. On the other hand, raw materials provided by the Group's suppliers are subject to price fluctuations as well. For example, both the Silicone Business and the Retail Business require stocking of raw materials or retail inventories, and the Group does not enter into any material contracts to hedge against such price fluctuations. As such, any price fluctuation in raw materials or retail inventories will exert pressures on the business costs, and then impact competitiveness of the final products or services of the Group. 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 highly competitive industries. For example, the Silicone Business faces competitions not only from other silicone rubber products, but also from products of new material. On the other hand, the Retail Business is competing with other local retail bands, as well as online shopping platforms. Competition may also intensify as the competitors expand their product categories, lower their selling prices, increase their qualities, or conduct promotions. If the Group does not compete successfully against existing or new competitors, its existing business scale and operation performance may not be maintained.

Credit risk

As at 30 June 2022, the Group recorded total current assets of approximately HK\$431.9 million and total current liabilities of approximately HK\$300.5 million. Despite that the Company had conducted certain fund-raising activities (including a rights issue in May and June 2021) and certain disposal of properties, the bank balances and cash on hand of the Group remained tight. The Group is required to recover its trade, bills and other receivables for repayment of the current liabilities. If the receivables are not fully recovered, the Group may not have sufficient resources to repay its short-term obligations as they fall due.

Event risk

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 is facing. Due to the unpredictable nature of such event risks, there is no guarantee that the Group's responsive measures can be sufficient.

For the six months ended 30 June 2022, the COVID-19 epidemic had continuously caused a lot of uncertainties in economy, and also increased the safety and hygiene regulations imposed by the governments. Tackling with the epidemic had put a higher cost pressure to the Group. Also, the Group found that it was more difficult to maintain a smooth and effective operation due to the safety and hygiene concerns. As a response, the Group adopted a flexible working schedule and re-arranged the production flow. But such strategy might not always be successful in the future given the unpredictability of the COVID-19 epidemic.

SHARE CAPITAL STRUCTURE

For the six months ended 30 June 2022, 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.

For the six months ended 30 June 2022, no equity fund raising activity was conducted by the Company. As at 1 January 2022 and 30 June 2022, the Company had issued a total of 1,306,767,000 shares in the par value of HK\$0.1 each, all of which were fully paid and rank pari passu with each other in all respects. As at 1 January 2022 and 30 June 2022, 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 2022 were approximately HK\$6.7 million (31 December 2021: approximately HK\$6.0 million), which was mainly related to the expansion of production capacity of the Silicone Business. Such capital commitments will be financed by the net proceeds from operating activities. As at 30 June 2022, certain land and buildings, investment properties, right-of-use assets, trade receivables and bank balances of the Group of approximately HK\$152.7 million (31 December 2021: approximately HK\$152.5 million) were pledged to secure borrowings granted to the Group.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2022 (31 December 2021: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the disclosed, the Group had no material acquisition or disposal of any subsidiaries, associates or joint ventures for the six months ended 30 June 2022.

EVENTS AFTER THE REPORTING PERIOD

Save for the disclosed, there was no material event after reporting period and up to the date of this announcement.

CURRENCY MANAGEMENT AND TREASURY POLICY

For the six months ended 30 June 2022, the Group's cash receipts were denominated in US dollars, Hong Kong dollars, Pound Sterling (“**GBP**”) and Renminbi, while the labour costs, manufacturing overheads, selling and administrative expenses of the Group were mostly negotiated, measured and settled in Renminbi, Hong Kong dollars and GBP. As at 30 June 2022, the majority of the cash and cash equivalents were held in US dollars, Hong Kong dollars, GBP and Renminbi.

The revenue of the Group was mainly generated by the Silicone Business in the PRC and the Retail Business in the United Kingdom. Therefore, fluctuations of Renminbi and GBP will affect the Group's profitability. For the six months ended 30 June 2022, the Group did not enter into any financial instruments for hedging purpose. The Group will closely monitor the currency movements and take appropriate measures to deal with such exchange-rate exposure.

HUMAN RESOURCES AND REMUNERATION POLICIES

As the Group is committed to improving production capacity, developing high-quality products, and expanding industry chain, experienced workers, engineers and professionals are crucial to the Group. The Group offers on-the-job training and encourages staff to attend continuous professional training in order to enhance their skills and knowledge. The Group also offers competitive remuneration packages, including quality staff quarters, training, medical care, insurance coverage and retirement benefits, to all employees. As at 30 June 2022, the Group employed 1,098 permanent and temporary employees (31 December 2021: 1,164).

INTERIM DIVIDEND

The Board does not recommend payment of interim dividend for the six months ended 30 June 2022 (2021: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the “**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 2022, except the CG Code provision D.1.2 which 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 2022, 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 performance, position 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.

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**”) set out in Appendix 10 to the Listing Rules. Specific enquiries had been made to all Directors and each Director had confirmed that she/he had complied with the Model Code for the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

Currently, the Audit Committee comprises Mr. Chan Siu Tat (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 2022 has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This result announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (<http://www.tayanggroup.com>). The interim report will be dispatched to the shareholders of the Company, and will be available on websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to our management and staff for their hard work and dedication, as well as our shareholders, business partners and associates, bankers, auditors and other stakeholders for their continuous support to the Group.

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

Hong Kong, 29 August 2022

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