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**If you have sold or transferred** all your shares in Ta Yang Group Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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**TA YANG GROUP HOLDINGS LIMITED**

**大 洋 集 團 控 股 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1991)**

**MAJOR TRANSACTION  
DISPOSAL OF PROPERTIES**

**Financial Adviser to Ta Yang Group Holdings Limited**

**BALLAS**  
C A P I T A L

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Capitalised terms used in this cover will have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 3 to 10 of this circular.

4 May 2018

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## DEFINITIONS

*Terms or expressions used in this circular shall, unless the context otherwise requires, have the meanings ascribed to them below:*

“Business Day(s)”	a day other than Saturday or Sunday, on which banks are open for general business in Hong Kong
“Board”	the board of Directors
“Company”	Ta Yang Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”; “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the Disposal pursuant to the Property Underwriting Agreement
“Directors”	the directors of the Company
“Disposal”	the disposal of the Properties from the Vendor to the Purchaser pursuant to the Property Underwriting Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	27 April 2018, being the latest practicable date prior to the dispatch of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
“Properties”	an aggregate of 86 rooms with total gross floor area of approximately 7,494.74 sq. m. from building one and building three on Longxi Road, Yalong Bay, Sanya City, Hainan Province, PRC
“Property Underwriting Agreement”	the conditional agreement entered into between the Vendor and the Purchaser in relation to the Disposal on 27 March 2018

## DEFINITIONS

“Purchaser”	海南泛海頤和房產經紀有限公司 (Hainan Fanhaiyihe Realty Agency Company Limited*), an independent third party to the Company and its connected persons
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“sq. m.”	square metres
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuer”	Greater China Appraisal Limited, an independent professional valuer
“Vendor”	大洋（海南）健康產業發展有限公司 (Ta Yang (Hainan) Healthcare Development Company Limited*), an indirect wholly-owned subsidiary of the Company
“%”	per cent

*For illustrative purpose of this circular and unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.22.*

*In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.*

\* For identification purposes only

LETTER FROM THE BOARD



**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)**

*Executive Directors:*

Ms. Shi Qi (*Chairlady and Chief Executive Officer*)  
Mr. Qiu Yonghao

*Non-executive Directors:*

Mr. Gao Feng  
Mr. Han Lei  
Mr. Sze Wai Lun

*Independent Non-executive Directors:*

Ms. Zhang Lijuan  
Mr. Pak Wai Keung, Martin  
Mr. Wu Tak Kong

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
Grand Cayman KY1-1111  
Cayman Islands

*Principal Place of Business  
in Hong Kong:*

Flat 28, 23rd Floor  
Metro Centre II  
21 Lam Hing Street  
Kowloon Bay, Kowloon  
Hong Kong

4 May 2018

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
DISPOSAL OF PROPERTIES**

**INTRODUCTION**

Reference is made to the Company's announcement dated 27 March 2018 (the "Announcement") in respect of the Disposal. On 27 March 2018 (after trading hours), the Purchaser and the Vendor entered into the Property Underwriting Agreement, pursuant to which the Purchaser has conditionally agreed to underwrite the purchase of the Properties for the Consideration of approximately RMB239.8 million (equivalent to approximately HK\$292.6 million) from the Vendor.

The purpose of this circular is to provide you with, among other things, (i) further details on the Property Underwriting Agreement; (ii) financial and general information of the Group; and (iii) the valuation report on the Properties.

## LETTER FROM THE BOARD

### THE PROPERTY UNDERWRITING AGREEMENT

#### Date

27 March 2018 (after trading hours)

#### Parties

Purchaser: 海南泛海頤和房產經紀有限公司 (Hainan Fanhaiyihe Realty Agency Company Limited\*), an independent third party to the Company and its connected persons, which is principally engaged in property broking services in the PRC

Vendor: 大洋(海南)健康產業發展有限公司 (Ta Yang (Hainan) Healthcare Development Company Limited\*), an indirect wholly-owned subsidiary of the Company, which is principally engaged in hotel and healthcare service business in the PRC

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

#### Subject matter

Pursuant to the Property Underwriting Agreement, the Purchaser has conditionally agreed to underwrite the purchase of the Properties from the Vendor and the Purchaser shall have the exclusive rights to sell and distribute the Properties. The Properties are located at Sanya Yalong Bay National Resort District, Sanya City, Hainan Province, the PRC, and comprise an aggregate of 86 rooms with a total gross floor area of approximately 7,494.74 sq. m. within two hotel buildings.

Upon the Property Underwriting Agreement taking effect, the Purchaser will have underwritten (or in other words, effectively acquired) the Properties from the Vendor, and will be obliged to pay the Consideration to the Vendor according to the payment schedule as set out below irrespective of the sales performance and subsequent distribution of the Properties by the Purchaser to its customers.

#### Consideration

A refundable deposit of RMB5 million (“**Deposit**”) was paid by the Purchaser to the Vendor on 3 April 2018 (i.e. within ten Business Days of the date of the Property Underwriting Agreement) pursuant to the Property Underwriting Agreement. The Consideration is approximately RMB239.8 million (equivalent to approximately HK\$292.6 million), which is based on a unit price of RMB32,000 per sq. m. For the avoidance of doubt, if the Purchaser is able to sell the Properties at a price that is higher than RMB32,000 per sq. m., the Purchaser will be entitled to the additional proceeds generated from the higher selling price.

\* For identification purposes only

## LETTER FROM THE BOARD

The unit price of RMB32,000 per sq. m. was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, the prevailing market price of properties similar to the Properties in nearby areas and the fact that the Purchaser will be underwriting the Properties in one-go. A valuation report issued by the Valuer on the Properties is set out in Appendix II to this circular, and the appraised value of the Properties is approximately RMB247,000,000 (equivalent to approximately HK\$301.3 million) as at 31 March 2018, which translates into a unit price of approximately RMB32,956 per sq. m. As mentioned in the valuation report, in conducting the valuation, the Valuer has taken into account the large number of units involved and that the Disposal is a bulk sale. The unit price of RMB32,000 per sq. m. represents a slight discount of approximately 3% to the appraised value of RMB32,956 per sq. m. in view of the fact that the Purchaser will be underwriting the Properties in one-go and that the Purchaser will incur costs and expenses on soliciting individual buyers for the Properties.

Unless otherwise agreed between the Vendor and the Purchaser by entering into the supplemental agreement(s), the Consideration shall be paid by the Purchaser to the Vendor in cash in the following manner:

- (i) 30% of the Consideration shall be paid to the Vendor by 31 May 2018 (**"First Stage Payment"**);
- (ii) 50% of the Consideration, minus the First Stage Payment, shall be paid to the Vendor on or before 31 July 2018 (**"Second Stage Payment"**);
- (iii) 70% of the Consideration, minus the sum of the First Stage Payment and the Second Stage Payment, shall be paid to the Vendor on or before 31 December 2018; and
- (iv) the remaining 30% of the Consideration shall be paid to the Vendor on or before 28 February 2019.

The Purchaser is obliged to make payments to the Vendor according to the above payment schedule irrespective of its sales results of the Properties. Within ten Business Days after receipt by the Vendor of each of the stage payments mentioned above, the Vendor shall refund a proportional amount of the Deposit to the Purchaser.

The Directors consider that the Consideration is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

### **Transfer of legal titles of the Properties**

As stated above, upon the Property Underwriting Agreement taking effect, the Purchaser shall have the exclusive rights to act as the property broker to sell and distribute the Properties to its customers. The Vendor has entered into a letter of authorisation (**"LOA"**) with the Purchaser pursuant to which the Vendor has authorised the Purchaser as its agent to enter into property sales contracts with the Purchaser's end customers. The LOA will be made available for inspection if requested by the end customers. The property sales contracts will clearly define the Vendor as holder of the Properties' legal titles and state that the transfer of the legal titles will be done by the Vendor directly with the end customers by a certain date. After the

## **LETTER FROM THE BOARD**

end customers of the Properties make full payment to the Purchaser, the Vendor, who has undertaken to assist with the transfer of the legal titles of the sold units of the Properties to the end customers, will enter into agreements with the end customers to effect the transfer of the legal titles of the Properties. Pursuant to the Property Underwriting Agreement, in the event that the Purchaser cannot sell all units of the Properties on or before 28 February 2019, the Vendor will be obliged to assist with the transfer of the legal titles of the remaining unsold units of the Properties to the Purchaser within two years of the last stage payment, i.e. on or before 28 February 2021.

Apart from the above, upon the Property Underwriting Agreement taking effect, the Vendor has no other material obligation under the Property Underwriting Agreement.

### **Conditions precedent**

The Property Underwriting Agreement shall take effect subject to approval by the Shareholders of the Property Underwriting Agreement having been obtained in compliance with the requirements under the Listing Rules.

### **Termination**

Except as may be otherwise provided in the Property Underwriting Agreement, termination by either party without consent will result in the defaulting party being responsible for the reimbursement of the non-defaulting party. If the Vendor terminates the Property Underwriting Agreement without consent, the Vendor is obliged to reimburse the Purchaser for all costs incurred directly in the sales and distribution of the Properties and pay the Purchaser RMB10 million as liquidated damages within ten Business Days of such termination. If the Purchaser terminates the Property Underwriting Agreement without consent, the Purchaser is obliged to pay the Vendor RMB30 million as liquidated damages within ten Business Days of such termination, which may be offset by the remaining Deposit.

### **Other material terms**

The Purchaser is prohibited from selling the Properties to any connected persons of the Company.

### **INTERNAL CONTROL TO ENSURE THE PROPERTIES WILL NOT BE SOLD TO CONNECTED PERSONS OF THE COMPANY**

The Company will implement internal control procedures to ensure the ultimate buyers of the Properties are independent third parties of the Company. There will be a designated person monitoring and communicating with the Purchaser regularly and the Purchaser will be required to report to such person the identity of the ultimate customers of the Properties in order to obtain clearance from the Company for transacting with the ultimate customers. Furthermore, the Company will request the Purchaser to require from each ultimate customer to provide a written confirmation to confirm that he/she is not a connected person of the Company under the Listing Rules. The Company will also prepare notices and inform the connected persons of the Company in writing to not purchase the Properties from the Purchaser.



## LETTER FROM THE BOARD

### INFORMATION ON THE PROPERTIES

In 2016, the Group acquired four hotel buildings with an aggregate of 194 rooms with a total gross floor area of approximately 16,627.23 sq. m. located at Sanya Yalong Bay National Resort District, Sanya City, Hainan Province, the PRC, with an aim to develop them into a high-end healthcare holiday resort. The Properties, which are the subject assets for the Disposal, comprise an aggregate of 86 rooms with a total gross floor area of approximately 7,494.74 sq. m. from two of the four hotel buildings, namely building number one and three of the four buildings. As at the Latest Practicable Date, no tenancy agreement in respect of the Properties has been committed nor entered into, and no operations have been commenced on the Properties. Hence, up to the Latest Practicable Date, no income has been generated from the Properties. Based on the unaudited management accounts of the Group as at 31 January 2018, the carrying value of the Properties was approximately RMB155.9 million.

The Group obtained a secured bank borrowing in the principal amount of RMB238 million to finance the acquisition of the four hotel buildings in 2016. The bank borrowing is secured by a first legal charge over the four hotel buildings, carries fixed interest rate of 7.8% per annum and is repayable from September 2018 to September 2023. The outstanding principal amount under the secured bank borrowing is approximately RMB238 million as at the Latest Practicable Date. The Vendor will liaise with the bank and arrange for early repayment of the bank borrowing and early release of the Properties as security.

The Company is of the view that the operations of the remaining two operating hotel buildings (the “**Operating Properties**”) will not be impacted by the Disposal. The Operating Properties consist of two hotel buildings with a total of 96 rooms. Out of the 96 rooms, 76 are operated as hotel rooms for rental, nine are healthcare service rooms, and 11 are self-used as offices and storage etc. None of the 96 rooms are properties held for sale. The Company will continue to operate the Operating Properties in serving the demand for hotel and healthcare services in the area. With regards to the valuation of the Operating Properties, as the unit price of the disposal of the Properties was determined with reference to the prevailing market price of similar properties in nearby areas, the Company considers that the Disposal should not have any material impact on the valuation of the Operating Properties. The Company also applies the historical cost model to book the value of the Operating Properties and would be required to estimate the recoverable amount of the Operating Properties only if there are indicators of impairment at the reporting date. Given the above and the fact that the Operating Properties have continued to generate income, the Company is of the view that there are no indicators of impairment in relation to the Operation Properties. Nevertheless, the Company confirms that the Operating Properties will be tested for impairment on an annual basis to determine whether any impairment needs to be made to the carrying value of the Operating Properties.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

As at the Latest Practicable Date, the Group is principally engaged in the designing and manufacturing of silicone rubber input devices mainly used in consumer electronic devices, keypads for computers and notebooks, mobile phone handsets and automotive peripheral products.

## LETTER FROM THE BOARD

In 2016, the Group ventured into the healthcare and hotel service business in the PRC after it acquired four hotel buildings at Sanya Yalong Bay National Resort District, Sanya City, Hainan Province, the PRC, from an independent third party. As of the Latest Practicable Date, two of these buildings are in operation whilst the remaining two, i.e. the Properties, have not yet commenced operations. Given that the Properties have not yet commenced operations and hence have not generated any income, the Directors consider the Disposal to be beneficial and in the interests of the Company and its Shareholders as a whole as not only the Group is expected to realise a gain from disposing its non-revenue generating assets, the net proceeds from the Disposal can also be applied towards further developing and expanding the Group's silicone rubber business and any further business strategy. The Group has recently been discovering ways to broaden its product offering by exploring new markets for other types of silicone rubber products, such as a new brand of silicone skincare products which the Group has recently developed, in order to maintain its competitiveness. A portion of the net proceeds will therefore be used to fund the development of these new silicone rubber products, which is expected to generate additional value to the Shareholders in the long term. The entering into of the Property Underwriting Agreement with the Purchaser, which ensures that the Group will be able to dispose of all of the 86 units given that the Purchaser has agreed to underwrite the purchase of the Properties, also saves the Group time and effort in identifying individual buyer for each unit. This ensures that the Group will be able to realise the sales proceeds, together with the accompanying expected gains, from the Properties as efficiently as possible.

In addition to the above, it is also expected that the Disposal would enable the Group to save approximately RMB13.2 million per annum for interest costs, maintenance costs and depreciation costs relating to the Properties. As of 31 March 2018, total costs expended by the Company on the Properties since acquisition on 20 June 2016, which include (i) interest costs of approximately RMB13.0 million, (ii) depreciation of approximately RMB3.9 million, (iii) property and land use taxes of approximately RMB1.8 million and (iv) refurbishment, repair and maintenance of approximately RMB0.6 million, were approximately RMB19.3 million.

Taking into account the above, the Directors are of the view that the Disposal provides the Group with an excellent opportunity to realise a considerable capital gain and generate additional cashflow to expand its business and reduce its overall indebtedness. Based on the above, the Directors consider that the terms of the Property Underwriting Agreement are fair and reasonable and the entering into of the Property Underwriting Agreement is in the interests of the Company and the Shareholders as a whole.

## **LETTER FROM THE BOARD**

### **FINANCIAL EFFECTS OF AND USE OF PROCEEDS FROM THE DISPOSAL**

Based on the unaudited management accounts of the Group as at 31 January 2018, the carrying value of the Properties was approximately RMB155.9 million. It is estimated that the Group will realise an unaudited gain from the Disposal of approximately RMB45.0 million. This estimated gain to be derived from the Disposal has taken into account the potential tax impact in relation to the Disposal.

Net proceeds from the Disposal, which have deducted (i) value-added tax of approximately RMB18.2 million, (ii) land appreciation tax and stamp duty of approximately RMB16.0 million, (iii) marketing expenses which based on 2.0% of total gross sales proceeds of approximately RMB4.8 million, and (iv) professional fees which include fees paid to lawyer, valuer, auditor and financial advisor of approximately RMB1.1 million in relation to the Disposal, are estimated to be approximately RMB199.7 million. As mentioned above, the Group obtained secured bank borrowings in August 2016 for the acquisition of the four hotel buildings in the PRC. The Company intends to apply 75% of net proceeds, being approximately RMB149.8 million, to partially repay such bank borrowings and the remaining 25%, being approximately RMB49.9 million, as additional working capital to accelerate the development of new silicone rubber products. The Company plans to use part of the approximately RMB49.9 million proceeds as ongoing working capital for its existing silicone business as it continues to improve its operating efficiency by ways such as selectively updating its production machinery. The remaining part of the proceeds will be used towards supporting the recently launched facial and body cleansing silicone brushes as they continue to require capital on inventory building and marketing. The RMB49.9 million will be drawn down as needed as the Company continues evaluating its working capital needs on a daily basis.

### **IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceeds 25% and all applicable ratios are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements. To the best of the Directors' knowledge and information, and having made all reasonable enquiries, no Shareholder has any material interest in the Disposal. As such, no Shareholder is required to abstain from voting if a general meeting of the Company were convened to approve the Disposal. The Company has obtained a written approval from Lyton Maison Limited, the controlling Shareholder holding 436,540,400 Shares with voting rights (representing approximately 50.11% of the 871,178,000 Shares with voting rights in issue as at the Latest Practicable Date), in respect of the Disposal. Pursuant to Rule 14.44 of the Listing Rules, such written approval from Lyton Maison Limited can be accepted in lieu of holding a general meeting for the purpose of approving the Disposal.

<b>LETTER FROM THE BOARD</b>
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**RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this circular or any statement herein misleading.

**ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information contained in the appendices to this circular.

Yours faithfully,  
By order of the Board of  
**Ta Yang Group Holdings Limited**  
**Shi Qi**  
*Chairlady and Chief Executive Officer*

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 July 2015, 2016 and 2017 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tayang.com](http://www.tayang.com)):

- (i) Annual report of the Company for the year ended 31 July 2015 published on 11 November 2015 (pages 95 to 211);
- (ii) Annual report of the Company for the year ended 31 July 2016 published on 11 November 2016 (pages 92 to 209); and
- (iii) Annual report of the Company for the year ended 31 July 2017 published on 13 November 2017 (pages 102 to 221).

## 2. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Group is as follows:

### Bank Borrowings

	<i>HK\$'000</i>
	<i>Notes (i) and (ii)</i>
Carrying amounts repayable:	
On demand	48,542
Within one year	36,600
More than one year but not exceeding two years	36,600
More than two years but not exceeding five years	164,700
More than five years	<u>52,460</u>
	<u><u>338,902</u></u>

#### *Notes:*

- (i) The Group's bank borrowings of approximately HK\$48,542,000 were secured by the Group's land and buildings located in Hong Kong under medium-term leases with carrying value of approximately HK\$6,494,000 and deposits of approximately HK\$45,712,000.
- (ii) The Group's bank borrowings of approximately RMB238,000,000 (equivalent to approximately HK\$290,360,000) were secured by the Group's properties held for own use and prepaid lease payments located in Hainan, the PRC under medium-term leases with carrying value of approximately RMB139,740,000 (equivalent to approximately HK\$170,483,000) and RMB192,974,000 (equivalent to approximately HK\$235,428,000), respectively.

**Contingent liabilities**

As at 31 March 2018, being the latest practicable date for the preparation of the indebtedness statement in this circular, the Group did not have any contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, at the close of business on 31 March 2018, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and bank overdrafts or other similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptable credits, finance lease commitments, mortgages, charges, guarantees or other material contingent liabilities. The Directors confirm that the Group does not have any external financing plans as at the Latest Practicable Date.

**3. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the Group's business prospectus, financial resources presently available to the Group, and the net proceeds from the Disposal, in the absence of unforeseen circumstances, the working capital available to the Group is sufficient for the Group's requirements for at least twelve months from the date of this circular.

**4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

As at the Latest Practicable Date, the Group is principally engaged in manufacturing and sale of silicone rubber and related products, and providing healthcare and hotel services.

For the six months ended 31 January 2018, the Group achieved healthy developments in most operating aspects and recorded an improvement in its performance. Revenue rose by 12.9% period-on-period to HK\$220.6 million (2017: HK\$195.4 million) due to an increase in sales from both the silicone business and the healthcare and hotel business. Despite the fiercely competitive industry, the Group's sale orders from existing customers increased during the period. With a surprisingly-robust economy in the PRC and general improvements in worldwide economic conditions, the result is a stronger consumer sentiment in consumer electronic products favourably affecting the performance of the Group.

Although the Renminbi remained relatively stable during the period, manufacturing costs continued to rise. To counter cost increases, the Group maintained its tight cost controls and improved its operational efficiency by streamlining operations and outsourcing certain manufacturing procedures to subcontractors, enabling the Group to achieve a business turnaround, underlined by profit attributable to owners of the Company of HK\$1.7 million (2017: loss attributable to owners of the Company of HK\$32.1 million).

Leveraging on the robust economy in the PRC, the Group will continue to implement the business strategy of diversifying development, and at the same time devoting more resources in its core business by developing new silicone rubber products in order to drive the future growth and profitability of the Group. The Group will also explore and identify synergic investment opportunities in order to broaden its revenue sources, improve its competence in response to future changes and maximise the return for its Shareholders in the long-term.

The Directors believe that upon completion of the Disposal, the Group's financial position will further strengthen and the net proceeds from the Disposal can also be applied towards further developing and expanding the Group's silicone rubber business and any further business strategy. The Group will continue to be principally engaged in manufacturing and sale of silicone rubber and related products, and providing healthcare and hotel services after completion of the Disposal.

*The following is the text of a letter, a valuation certificate prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 31 March 2018 of the Properties.*

**GREATER CHINA APPRAISAL LIMITED**  
**漢華評值有限公司**

Room 2703, 27th Floor,  
Shui On Centre,  
6–8 Harbour Road,  
Wanchai, Hong Kong

4 May 2018

The Board of Directors  
Ta Yang Group Holdings Limited  
Flat 28, 23rd Floor, Metro Centre II  
21 Lam Hing Street  
Kowloon Bay  
Kowloon  
Hong Kong

Dear Sir,

**Re: Valuation of 86 units in two hotel buildings (known as Exhibition Hotel Building Nos. 1 and 3) on Longxi Road (the “Properties”), “Yalong Bay Ye Feng Road Southern Land Lot”, Yalong Bay National Resort District, Yalong Bay, Jiyang District, Sanya City, Hainan Province, the People’s Republic of China (the “PRC”)**

In accordance with the instructions from Ta Yang Group Holdings Limited (the “Company”) for us to value the Properties, details of which are provided in the enclosed valuation certificate, in the PRC, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such real property interests as at 31 March 2018 (referred to as the “valuation date”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the real properties and the limiting conditions.

**I. BASIS OF VALUATION**

The valuation is our opinion of the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.



**II. VALUATION METHODOLOGY**

The real property interests are valued by comparison method where comparison based on prices realized or market prices of comparable real properties is made. Comparable real properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each real property. Adjustments in the prices of the comparable real properties are then made to account for the identified differences between such real properties and the real properties in the relevant factors.

**III. ASSUMPTIONS**

Our valuation has been made on the assumption that the owner sells the real property interests on the open market in their existing states without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the real property interests.

As the real properties are held under long term land use rights, we have assumed that the owners of the real property interests have free and uninterrupted rights to use or transfer the real property interests for the whole of the unexpired term of the respective land use rights. In our valuation, we have assumed that the real property interests can be freely disposed of and transferred to third parties on the open market without any additional payment to the relevant government authorities.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other specific assumptions of the real properties, if any, have been stated out in the footnotes of the valuation certificate.

**IV. TITLESHP INVESTIGATION**

We have been provided with copies of legal documents regarding the real properties. However, due to the current registration system of the PRC, no investigation has been made for the legal title or any liability attached to the real properties.

In the course of our valuation, we have relied upon the legal opinion given by the Company's PRC legal advisor — Longan Law Firm (隆安律師事務所) in relation to the legal title to the real properties. All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real properties set out in this report.

**V. LIMITING CONDITIONS**

We have inspected the exterior and, where possible, the interior of the Properties. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the real properties but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided and have accepted advice given to us by the Company on such matters, as relevant, as planning approvals, statutory notices, easements, tenure, occupation, development scheme, construction costs, site and floor areas and in the identification of the real properties. We have had no reason to doubt the truth and accuracy of the information provided by the Company. We were also advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the real properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Since the real properties are located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the real properties depending upon the assumptions made. While we have exercised our professional judgment in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

**VI. OPINION OF VALUE**

Our opinion of the market value of the real property interests is set out in the attached valuation certificate.

**VII. REMARKS**

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interests, we have complied with the requirements contained in the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

Site inspection of the real properties was conducted in April 2018 by Candice Y. Q. Li (MRICS). The real properties were maintained in a reasonable condition commensurate with its age and uses and equipped with normal building services.

Unless otherwise stated, all monetary amounts herein are denominated in the currency of Renminbi (referred to as “RMB”).

We enclose herewith our valuation certificate.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,  
For and on behalf of  
**GREATER CHINA APPRAISAL LIMITED**  
**Mr. Gary Man**  
*Registered Professional Surveyor (G.P.)*  
*FRICS, FHKIS, MCIREA*  
*Director*

*Note:* Mr. Gary Man is a Chartered Surveyor who has more than 31 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.

## VALUATION CERTIFICATE

## Real property interests held for sale in the PRC

Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 March 2018
86 units in two hotel buildings (known as Exhibition Hotel Building Nos. 1 and 3) on Longxi Road, “Yalong Bay Ye Feng Road Southern Land Lot”, Yalong Bay National Resort District, Yalong Bay, Jiyang District, Sanya City, Hainan Province, the PRC	<p>The Properties comprise 86 units in two hotel buildings located within a composite development, known as Long Xi Yue Shu, at Sanya Yalong Bay National Resort District. The subject development is a multipurpose leisure project which consists of hotels, convention center, villas, bungalows and other ancillary facilities. The Properties were completed in around 2015.</p> <p>The Properties are located at Yalong Bay National Resort District where a coastal beach, sea sports centre, golf course, shopping centres, yacht club and other leisure facilities are provided.</p> <p>The total gross floor area of the Properties is approximately 7,494.74 square metres.</p> <p>The land use rights of the Properties were granted for a term expiring on 9 February 2063 for accommodation and catering/property right hotel uses.</p>	Upon our site inspection, the Properties are currently vacant.	RMB247,000,000  (Renminbi Two Hundred and Forty Seven Million)

## Notes:

- (i) According to 86 sets of Real Estate Title Certificate, known as Qiong (2017) San Ya Shi Bu Dong Chan Quan Di 0000188, 0000189, 0000248-0000251, 0000253, 0000282-0000285, 0000332-0000339, 0000340-0000341, 0000368-0000369, 0000371-0000372, 0000374-0000375, 0000378, 0000391-0000392, 0000397-0000400, 0000402-0000403, 0000563-0000566, 0000569, 0000572-0000575, 0000579, 0000606-0000607, 0000608-0000612, 0000616-0000620, 0000621, 0000677-0000680, 0000723, 0000724-0000726, 0000774, 0000775-0000779, 0000786-0000789, 0000794-0000798, 0000839-0000840, 0000855 and 0000911 Hao issued by the Land Resources Bureau of Sanya City, the real properties with a total gross floor area of approximately 7,494.74 square metres are held by 大洋(海南)健康產業發展有限公司 (translated as “Ta Yang (Hainan) Healthcare Development Company Limited”) (“Ta Yang Hainan”), an indirect wholly-owned subsidiary of the Company.

- (ii) The Properties comprises 86 units in two hotel buildings. The unit numbers are listed as follow:

Building No.	Unit No.
Building No.1	101-103, 105-109, 111, 201, 203, 205-210, 301-303, 305-308, 311-312, 401-403, 405-409, 412, 501-503, 505-507, 510-512
Building No.3	101-103, 105-106, 108-110, 201-203, 205-206, 208-210, 301-303, 305-310, 401-403, 405-410, 501-503, 505-506, 508-510

- (iii) According to two supplementary agreements entered into between 三亞虹霞開發建設有限公司 (translated as “Sanya Hongxia Development and Construction Limited”) (“Sanya Hongxia”) and Ta Yang Hainan dated 30 August 2016, 98 units in two hotel buildings (known as Exhibition Hotel Building Nos. 1 and 3) with a total gross floor area of approximately 8,608.71 square metres were sold to Ta Yang Hainan at a total consideration of RMB182,287,876.
- (iv) In the course of our valuation, in view of the large size of the Properties, we have allowed a discount for the bulk selling.
- (v) According to the information provided by the Company, as at the valuation date, total costs expended by the Company on the Properties since acquisition on 20 June 2016 were approximately RMB19.3 million, which include (i) interest costs of approximately RMB13.0 million, (ii) depreciation of approximately RMB3.9 million, (iii) property and land use taxes of approximately RMB1.8 million, and (iv) refurbishment, repair and maintenance of approximately RMB0.6 million.
- (vi) We have been provided with a legal opinion regarding the real property interests issued by the Company’s PRC legal advisor which are summarised below:
- Ta Yang Hainan legally holds the ownership rights of the real properties and has the rights to sell and transfer the real properties.
  - The real properties are subject to various mortgages. Ta Yang Hainan has to obtain the consent from the mortgagee or legally discharge the mortgage before selling or transferring the real properties.
  - The real properties have not been subject to any judicial seizure, freezing of tenure nor litigation.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date:

*Authorised:* HK\$

<u>20,000,000,000</u> Shares	<u>2,000,000,000.00</u>
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*Issued and fully paid:*

<u>871,178,000</u> Shares	<u>87,117,800.00</u>
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All the issued Shares in the capital of the Company rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

## 3. DISCLOSURE OF INTERESTS

### (i) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or

which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Long position in shares:

Name	Nature of interest	Total number of Shares	Approximate percentage of the Company's issued share capital
Ms. Shi Qi	Interest of a controlled corporation <sup>Note</sup>	436,540,400	50.11%

*Note:* 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. The 436,540,400 Shares held by Lyton Maison Limited are charged to Mason Resources Finance Limited, which is indirectly wholly-owned by Mason Group Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or 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(s) (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies.

**(ii) Persons who have interests or short positions in Shares, underlying Shares and debentures of the Company which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no persons (not being a Director or chief executive of the Company) had any interest, directly or indirectly, or short position in the Shares and underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, nor were recorded in the register required to be kept by the Company under Section 336 of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

#### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

#### 5. INTERESTS IN OTHER COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or substantial Shareholders or any of their respective associates has engaged in any business or has any interest that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

#### 6. INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement which is significant in relation to the business of the Group as a whole.

#### 7. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 July 2017, being the date to which the latest published audited financial statements of the Company were made up.

#### 8. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claims of material importance which were pending or threatened against any member of the Group.

#### 9. EXPERTS AND CONSENTS

The following are the qualifications of experts who have given their opinions on this circular:

Name	Qualification
Greater China Appraisal Limited	Independent professional valuer

Greater China Appraisal Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the text of its letter and/or report and/or the reference to its name in the form and context in which they appear herein.

As at the Latest Practicable Date, Greater China Appraisal Limited had no shareholding in any member of the Group or the right whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.



As at the Latest Practicable Date, Greater China Appraisal Limited had no direct or indirect interest in any assets which have been, since 31 July 2017 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

- (a) the memorandum of understanding dated 4 June 2016 entered into between the Company and Sanya Hongxia Development and Construction Limited (三亞虹霞開發建設有限公司) (“**Sanya Hongxia**”), a company incorporated in the PRC with limited liability and an independent third party to the Company with a consideration of approximately RMB21,500 per sq.m.;
- (b) the sale and purchase agreement dated 20 June 2016 entered into between the Company and Sanya Hongxia with a consideration of approximately RMB357,488,000 (equivalent to approximately HK\$421,836,000);
- (c) the memorandum of understanding dated 11 July 2016 entered into between the Company and Ms. Hu Yanjun with no consideration determined;
- (d) the placing agreement dated 16 August 2016 entered into between the Company and Zhongtai International Securities Limited as a placing agent with a placing price of HK\$1.31 per placing share and a maximum of 86,450,000 placing shares;
- (e) the memorandum of understanding dated 15 August 2017 entered into among the Company, a potential subscriber, Ms. Shi Qi and Lyton Maison Limited with final terms to be agreed;
- (f) the sale and purchase agreement dated 11 October 2017 (the “**11 Oct 17 SPA**”) entered into between Elegant Giant Holdings Limited (“**Elegant Giant**”), an indirect wholly-owned subsidiary of the Company, and Ta Yang UDE Limited (“**TY UDE**”), a company incorporated in Samoa with limited liability and an independent third party to the Company with a consideration HK\$55,783,623;
- (g) the termination agreement dated 5 March 2018 entered into between Elegant Giant and TY UDE to terminate the 11 Oct 17 SPA with no consideration; and
- (h) the Property Underwriting Agreement with a consideration of approximately RMB239.8 million (equivalent to approximately HK\$292.6 million).

**11. GENERAL**

- (a) The secretary of the Company is Mr. Chu Hau Lim, who is a fellow member of the Association of Chartered Certified Accountants.
- (b) 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 Company's principal place of business in Hong Kong is Flat 28, 23rd Floor, Metro Centre II, 21 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (e) In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours (from 10:00 a.m. to 12:30 p.m. and from 2:00 p.m. to 5:00 p.m.) on Monday to Friday, except for public holidays, at the principal place of business in Hong Kong of the Company at Flat 28, 23rd Floor, Metro Centre II, 21 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong for 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 July 2016 and 2017;
- (c) the valuation report prepared by the Valuer in relation to the Properties, the text of which is set out in Appendix II of this circular;
- (d) the written consent referred to in the paragraph headed "Experts and Consents" in this Appendix;
- (e) a copy of each of the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix; and
- (f) this circular.