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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)**

**MAJOR TRANSACTION**  
**DISPOSAL OF PROPERTIES**

**THE DISPOSAL**

The Board wishes to announce that after trading hours of the Stock Exchange on 10 September 2021, the Seller, the Purchaser and the Guarantor entered into the Agreement pursuant to which the Seller has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Properties at the consideration of RMB115 million (equivalent to approximately HK\$138 million) in cash.

**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 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. As at the date of this announcement, the Company has obtained a written approval from Lyton Maison Limited, the controlling Shareholder holding 796,875,490 Shares with voting rights (representing approximately 60.98% of the 1,306,767,000 Shares with voting rights in issue as at the date of this announcement), 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.

## **GENERAL**

A circular containing, among other things, (i) details of the Agreement; (ii) a valuation report on the Properties; and (iii) any other information as required to be disclosed under the Listing Rules will be despatched to the Shareholders as soon as practicable. Pursuant to Rule 14.41 of the Listing Rules, as the Agreement and the Disposal have been approved by written approval pursuant to Rule 14.44 of the Listing Rules, the Company is required to despatch a circular containing, among other things, further details of the Agreement to the Shareholders within 15 business days after the publication of this announcement, that is, on or before 5 October 2021. The Company may not be able to despatch the circular within such period due to the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, in which case the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and will make a further announcement of the expected despatch date of the circular in due course.

## **THE DISPOSAL**

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## **THE AGREEMENT**

The principal terms of the Agreement are set out below:

**Date:** 10 September 2021

**Parties:** the Seller as the seller;  
the Purchaser as the purchaser; and  
the Guarantor as the guarantor in respect of the payment obligations of the Purchaser under the Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser, the Guarantor and their respective ultimate beneficial owner are Independent Third Parties.

## **Properties to be disposed of**

Pursuant to the Agreement, the Seller has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the Properties. For details, please refer to the section headed "Information on the Properties" in this announcement.

## Consideration and Payment Term

Pursuant to the Agreement, the Consideration for the Properties is RMB115 million (equivalent to approximately HK\$138 million). Each of the Seller and the Purchaser shall bear the taxes arising from this Disposal respectively.

The Consideration is payable by the Purchaser in stages:

- (i) RMB70 million in cash within 5 Business Days from the effective date of the Agreement (the “**First Instalment**”);
- (ii) RMB20 million in cash within 2 months upon the registration of the Properties having been changed to be under the name of the Purchaser;
- (iii) RMB24 million in cash within 2 months upon Completion. During such period, the Seller shall cooperate with the Purchaser in respect of the transition and handover of the matters relating to the Disposal and assignment of existing leases;
- (iv) RMB1 million upon the Seller’s termination of the Lease Agreement, the details of which are set out in the section headed “Lease Arrangement” of this announcement.

In respect of the First Instalment, the parties agreed that it would be paid into an escrow account jointly controlled by the Seller and the Purchaser. Upon (i) the Seller completing the release of the mortgage over the Properties, and (ii) the Seller having fully paid its taxes arising from this Disposal in respect of the portion the Seller is responsible for and having obtained the relevant tax receipt, the First Instalment shall be released to the Seller.

The Guarantor has agreed to guarantee the payment of the Consideration by the Purchaser.

The Consideration was determined after arm’s length negotiations between the parties, having considered, including but not limited to, a preliminary valuation prepared by the Valuer. The preliminary valuation was based on market basis and indicated that the Properties had a market value of approximately RMB104 million (equivalent to approximately HK\$125 million) as at 31 August 2021. Furthermore, the Seller has considered that (i) the Consideration represents a premium of approximately 41.2% over the carrying amount of the Properties of approximately HK\$97.7 million as at 30 June 2021; and (ii) the Disposal is in line with the Group’s strategies of cost control and resource efficiency. Based on the above, the Directors consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## Conditions precedent

The Completion of the Disposal will be conditional upon (i) duly signing of the Agreement by the parties thereto; and (ii) the sole shareholder of the Seller having approved the Disposal.

## **Completion**

Within 15 days from the Purchaser having paid the First Instalment, the Seller should use its best endeavours to assist the Purchaser to complete registration of the Properties under the name of the Purchaser.

Upon completion of the change of registration of the Properties under the name of the Purchaser, the parties shall within 15 days thereof arrange handover of all documents relating to the Properties, including but not limited to the relevant land certificates, checklists, construction particulars and lease agreements, and sign relevant handover documents. The Completion shall take place on the date of signing such handover documents.

## **Lease Arrangement**

As the Seller during the transitional period requires to operate on the Properties to continue its production orders and arrange for staff relocation, the parties agreed to enter into the Lease Agreement on a short-term basis. During the such transitional period, the Seller will arrange for termination of its production activities associated with the Properties, and relocation or dismissal of its staff who are appointed by the Seller for management and maintenance of the operation of the production facilities located at the Properties.

As at the date of this announcement, the Purchaser and the Seller have agreed to the initial two-month rent-free period and that the Seller has a right to terminate the Lease Agreement by giving a two-month's notice. In respect of the remaining commercial terms of the Lease Agreement, the Seller and the Purchaser have been discussing the detailed terms and conditions of the Lease Agreement.

## **INFORMATION ON THE PARTIES**

The Seller is a company incorporated in the PRC, and is principally engaged in the manufacturing and sale of silicone rubber input devices. The Seller is an indirectly wholly-owned subsidiary of the Company.

The Purchaser is a company incorporated in the PRC and is principally engaged in the non-residential property leasing and management. According to the information available to the Company, the Purchaser is 100% owned by the Guarantor.

The Guarantor is a company incorporated in the PRC and is principally engaged in the development, construction, maintenance and management of city infrastructure and ancillary facilities. The Guarantor is ultimately controlled by State-owned Assets Supervision and Administration Commission (Huzhou)\* (湖州市人民政府國有資產監督管理委員會, “**Huzhou SASAC**”).

The Group is principally engaged in designing and manufacturing of silicone rubber input devices, and providing healthcare and hotel services.

## **INFORMATION ON THE PROPERTIES**

The Properties mainly comprised the land with site area of approximately 66,679 m<sup>2</sup> and the buildings of the industrial complex with total gross floor area of approximately 71,042 m<sup>2</sup>. There are industrial buildings and structures attaching to the land and the properties (such as roads, fences and drainage), electricity equipment and green areas. The Properties are located at No. 389 Cheng Ye Road, Huzhou City, Zhejiang Province, the PRC, and are for industrial use purpose. As at the date of this announcement, the Properties are owned by the Seller, and legally registered under the name of the Seller.

As at the date of this announcement, the Properties are mainly used by the Seller for manufacturing of silicone rubber input devices and certain part of the Properties have been rented out which have generated rental income to the Group. For the year ended 31 December 2020, the sale volume of the orders processed within the Properties were approximately HK\$37.9 million, representing approximately 10.7% of the total sale volume of the Group. Upon completion of the Disposal, the Seller will terminate manufacturing processes associated with the Properties, and any future orders received will be proceeded in other production facilities of the Group. The Seller will also assign the existing lease agreement associated with the Properties to the Purchaser. Upon completion of the registration of the Properties under the name of the Purchaser, the right of receiving rental income from such lease agreements will be assigned to the Purchaser.

Based on the unaudited management accounts of the Group as at 30 June 2021, the carrying value of the Properties was approximately HK\$97.7 million. For the seventeen months ended 31 December 2019 and the year ended 31 December 2020, the gross rental income attributable to the Properties was approximately HK\$5.2 million and approximately HK\$13.2 million respectively. For the seventeen months ended 31 December 2019 and the year ended 31 December 2020, the net rental income attributable to the Properties was approximately HK\$4.4 million and approximately HK\$10.6 million respectively.

Based on a preliminary valuation prepared by the Valuer, the Properties had a fair value of approximately RMB104 million (equivalent to approximately HK\$125 million) as at 31 August 2021.

As at the date of this announcement, part of the Properties has been mortgaged to a commercial bank in the PRC as a guarantee for a borrowing of approximately RMB48 million (equivalent to approximately HK\$57.6 million). As at the date of this announcement, the outstanding amount of the borrowing was approximately RMB28.6 million (equivalent to approximately HK\$34.3 million). The Seller has agreed to arrange releasing such mortgage within 10 days from the Purchaser having paid the First Instalment.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

As disclosed in the 2020 annual report of the Company, the Group has been pursuing strict cost control and production efficiency for the business of manufacturing and sale of silicone products.

The Properties were acquired by the Group before 2010 with a plan to establish the Group's production centers in Zhejiang Province, the PRC. The initial plan was to explore the asset-heavy business model of the silicone product, and to diversify the Group's business portfolios. Based on historical information, performances of the production associated with the Properties has fallen behind the expectation of the Company. In particular, the production capacity of the Properties has not been fully utilized. In light of that the income generated by the Properties may not justify the maintenance and operation costs, the Group has been considering the options to realize the value of the Properties. Among all alternatives, the Disposal represents an attractive opportunity as (i) the Consideration represents a premium of approximately 41.2% over the carrying amount of the Properties; (ii) the Disposal is able to realize the fair value gain of the Properties at one sale; (iii) based on the information available to the Company, Purchaser and the Guarantor are reliable counter-parties backed by Huzhou SASAC; and (iv) the Purchaser has agreed on the lease arrangement for the Seller to smoothly terminate the production activities and arrange for the staff relocation, which may significantly reduce the termination costs and lower the operation disruption of the Group.

Upon completion of the Disposal, the Group will be able to better deploy its resources into more profitable and sustainable production sites (e.g. the core production line located in Dongguan of Guangdong Province). The Disposal represents a promising rationalization opportunity for the Group to optimise its business of manufacturing and sale of silicone products. By terminating the underperforming production lines, the Group is able to improve its profitability and create more return to the Shareholders.

Based on the above, the Directors consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Based on the unaudited management accounts of the Group as at 30 June 2021, the carrying value of the Properties was approximately HK\$97.7 million. It is estimated that the Group will realise an unaudited gain from the Disposal of approximately HK\$27.5 million. This estimated gain to be derived from the Disposal has taken into account the potential tax impact in relation to Disposal. The actual amount of gain from the Disposal to be recorded by the Group is subject to the review and final audit by the auditors of the Company.

Net proceeds from the Disposal, which have deducted professional fees and the potential tax impact in relation to the Disposal, are estimated to be approximately HK\$124.6 million. The Company intends to use the net proceeds as working capital of the business of manufacturing and sale of silicone products, repayment of existing liabilities of the Group, and/or funds for other appropriate opportunities arising from time to time.

## **IMPLICATIONS UNDER THE LISTING RULES**

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## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Agreement”	the sale and purchase agreement dated 10 September 2021 entered into between the Seller, the Purchaser and the Guarantor relating to the sale and purchase of the Properties
“Board”	the board of Directors of the Company
“Business Day”	a day on which licensed banks in the PRC are open for business throughout their normal business hours
“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
“Completion”	the completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the total consideration in the sum of RMB115 million (equivalent to approximately HK\$138 million) payable by the Purchaser to the Seller
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Properties by the Seller to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Guarantor”	Zhejiang Huzhou Huantaihu Group Co., Ltd.* (浙江湖州環太湖集團有限公司), a company incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is(are) not connected with the Company and its connected persons (as defined in the Listing Rules)
“Lease Agreement”	a short-term lease agreement to be entered into by the Seller as lessee and the Purchaser as lessor in respect of the lease of the Properties after the Completion
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Properties”	including the land with site area of approximately 66,679 m <sup>2</sup> and the buildings of the industrial complex with total gross floor area of approximately 71,042 m <sup>2</sup> , located at No. 389 Cheng Ye Road, Huzhou City, Zhejiang Province, the PRC
“Purchaser”	Huzhou Jingkai Property Management Co., Ltd.* (湖州經開物業管理有限公司), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Huzhou Tayang Electronic Technology Co., Ltd.* (湖州大洋電子科技有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company



“Shareholder(s)”	holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuer”	Sino-Infinite Appraisal Limited, an independent valuer
“%”	per cent

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

Chengdu, 10 September 2021

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

\* *For identification purposes only*