



# INTERIM REPORT

# 2008/09

• Enhance Productivity • Sustain Market Position •



**大洋集團控股有限公司**  
**Ta Yang Group Holdings Limited**

*(incorporated in the Cayman Islands with limited liability)* (Stock Code : 1991)

## CONTENTS

Corporate Information	2
Condensed Consolidated Income Statement	4
Condensed Consolidated Balance Sheet	5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Cash Flow Statement	8
Notes to Condensed Consolidated Financial Statements	9
Report on Review of Interim Financial Statements	18
Management Discussion and Analysis	20
Other Information	24

## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Huang Sheng-Shun  
Wu Ih Chen  
Lin Hung-Ming  
Wong Tak Leung  
Huang Te-Wei

#### Non-Executive Director

Kirk Yang

#### Independent Non-Executive Directors

Chuang Hong-Jen  
Yeung Chi Tat  
Hsieh Yu

## COMMITTEES

#### Audit Committee

Yeung Chi Tat\*  
Chuang Hong-Jen  
Hsieh Yu

#### Remuneration Committee

Yeung Chi Tat\*  
Chuang Hong-Jen  
Hsieh Yu

#### Nomination Committee

Yeung Chi Tat\*  
Chuang Hong-Jen  
Hsieh Yu

#### Executive Committee

Huang Sheng-Shun\*  
Wu Ih Chen  
Huang Te-Wei  
Wu Pei Min  
Chan Oi Fat

#### Compliance Committee

Yeung Chi Tat\*  
Huang Sheng-Shun  
Huang Te-Wei  
Chan Oi Fat

\* Committee Chairman

<b>Company Secretary</b>	Chan Oi Fat
<b>Financial Controller</b>	Chan Oi Fat
<b>Auditors</b>	SHINEWING (HK) CPA Limited
<b>Principle Share Registrar and Transfer Office</b>	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street, P.O. Box 705 Grand Cayman, KY1-1107 Cayman Islands
<b>Hong Kong Branch Share Registrar and Transfer Office</b>	Tricor Investor Services Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Principal Place of Business in Hong Kong</b>	Flat 28, 23rd Floor, Metro Centre II 21 Lam Hing Street Kowloon Bay, Kowloon Hong Kong
<b>Stock Code</b>	1991
<b>Website</b>	<a href="http://www.tayang.com">www.tayang.com</a>

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January 2009

	Notes	Six months ended 31st January	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Turnover	4,5	<b>331,447</b>	397,668
Cost of sales		<b>(232,975)</b>	(266,330)
Gross profit		<b>98,472</b>	131,338
Other operating income		<b>10,598</b>	12,752
Selling and distribution expenses		<b>(14,753)</b>	(13,659)
Administrative expenses		<b>(57,651)</b>	(41,441)
Other net expenses		<b>(3,469)</b>	(6,246)
Finance costs		–	(1,279)
Share of results of an associate		<b>(39)</b>	565
Profit before taxation		<b>33,158</b>	82,030
Income tax expense	6	<b>(1,637)</b>	(2,250)
Profit for the period	7	<b>31,521</b>	79,780
Dividends	8	<b>48,000</b>	48,000
Earnings per share			
Basic	9	<b>HK3.94 cents</b>	HK9.97 cents
Diluted	9	<b>HK3.94 cents</b>	HK9.97 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 31st January 2009

	Notes	31/1/2009 HK\$'000 (Unaudited)	31/7/2008 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>317,004</b>	302,885
Construction in progress		<b>14,886</b>	12,110
Prepaid lease prepayments		<b>60,004</b>	61,166
Interest in an associate		<b>1,749</b>	2,643
Deferred tax assets		<b>1,815</b>	556
		<b>395,458</b>	379,360
<b>Current assets</b>			
Inventories		<b>161,576</b>	137,921
Trade and other receivables	11	<b>273,848</b>	292,904
Income tax recoverable		<b>2,294</b>	1,588
Bank balances and cash		<b>427,788</b>	487,429
		<b>865,506</b>	919,842
<b>Current liabilities</b>			
Trade and other payables	12	<b>76,485</b>	99,182
Derivative financial instruments		<b>-</b>	827
Income tax payable		<b>51,933</b>	51,065
		<b>128,418</b>	151,074
<b>Net current assets</b>		<b>737,088</b>	768,768
		<b>1,132,546</b>	1,148,128
<b>Capital and reserves</b>			
Share capital	13	<b>80,000</b>	80,000
Reserves		<b>1,052,546</b>	1,068,128
		<b>1,132,546</b>	1,148,128

## CONDENSED CONSOLIDATED STATEMENT OF THE CHANGES IN EQUITY

For the six months ended 31st January 2009

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Exchange reserve HK\$'000	Statutory surplus reserve HK\$'000 (Note 1)	Legal reserve HK\$'000 (Note 2)	Total HK\$'000
At 1st August 2007 (audited)	80,000	659,945	1,400	240,854	18,631	21,123	49	1,022,002
Exchange difference on translation of financial statements of subsidiaries and recognised directly in equity	-	-	-	-	33,729	-	-	33,729
Profit for the period and total recognised income and expenses for the period	-	-	-	79,780	-	-	-	79,780
Transfer to reserve for value of share option lapsed	-	-	(381)	381	-	-	-	-
Equity-settled share based transactions	-	-	2,873	-	-	-	-	2,873
Dividend declared and paid during the period	-	-	-	(48,000)	-	-	-	(48,000)
At 31st January 2008 (unaudited)	80,000	659,945	3,892	273,015	52,360	21,123	49	1,090,384
Exchange difference on translation of financial statements of subsidiaries	-	-	-	-	34,292	-	-	34,292
Share of exchange reserve of an associate	-	-	-	-	238	-	-	238
Net income recognised directly in equity	-	-	-	-	34,530	-	-	34,530
Profit for the period and total recognised income and expenses for the period	-	-	-	20,603	-	-	-	20,603
Transfer to reserve for value of share option lapsed	-	-	(317)	317	-	-	-	-
Appropriation to reserves	-	-	-	(416)	-	416	-	-
Equity-settled share based transactions	-	-	2,611	-	-	-	-	2,611
At 31st July 2008 (audited)	80,000	659,945	6,186	293,519	86,890	21,539	49	1,148,128
Exchange difference on translation of financial statements of subsidiaries	-	-	-	-	(32)	-	-	(32)
Share of exchange reserve of an associate	-	-	-	-	(529)	-	-	(529)
Net expense recognised directly in equity	-	-	-	-	(561)	-	-	(561)
Profit for the period and total recognised income and expenses for the period	-	-	-	31,521	-	-	-	31,521
Transfer to reserve for value of share option lapsed	-	-	(182)	182	-	-	-	-
Equity-settled share based transactions	-	-	1,458	-	-	-	-	1,458
Dividend declared and paid during the period	-	-	-	(48,000)	-	-	-	(48,000)
At 31st January 2009 (unaudited)	80,000	659,945	7,462	277,222	86,329	21,539	49	1,132,546

Notes:

**1. Statutory surplus reserve**

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

**2. Legal reserve**

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



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January 2009

08

	Six months ended 31st January	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Net cash from operating activities	20,995	19,464
Net cash used in investing activities	(32,636)	(48,690)
Net cash used in financing activities	(48,000)	(49,279)
Net decrease in cash and cash equivalents	(59,641)	(78,505)
Cash and cash equivalents at 1st August	487,429	609,255
Effect of foreign exchange rate change	–	481
Cash and cash equivalents at 31st January, representing bank balances and cash	427,788	531,231

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

Ta Yang Group Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liabilities. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section of the interim report.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries are HK\$.

As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the condensed consolidated financial statements in HK\$.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and sale of silicone rubber related products.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange and with the Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31st July 2008.

The accounting policies used in the condensed consolidated financial statements for the six months ended 31st January 2009 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st July 2008, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning 1st August 2008. The adoption of these new HKFRSs has had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

**3. PRINCIPAL ACCOUNTING POLICIES** (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

Hong Kong Financial Reporting Standards (“HKFRSs”) (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>3</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRSs <sup>3</sup>
HKFRS 1 & HKFRS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments <sup>2</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) – Interpretation (“INT”) 9 and HKAS 39 (Amendments)	Embedded Derivatives <sup>5</sup>
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>
HK(IFRIC) – INT 17	Distribution of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC) – INT 18	Transfers of Assets from Customers <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st January 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1st July 2009.

<sup>4</sup> Effective for annual periods beginning on or after 1st October 2008.

<sup>5</sup> Effective for annual periods ending on or after 30th June 2009.

<sup>6</sup> Effective for transfers of assets from customers received on or after 1st July 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

**4. TURNOVER**

The Group is principally engaged in the manufacturing and sale of silicone rubber related products. Turnover represents sales value of goods sold to customers net of sales tax and value added tax.

## 5. SEGMENT INFORMATION

During the period, the Group principally operated in a single business segment: the manufacturing and sale of silicone rubber and related products. Accordingly, no business segment information is presented.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Turnover based on geographical locations:

	<b>Six months ended 31st January</b>	
	<b>2009</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2008 HK\$'000 (Unaudited)
The PRC (excluding Hong Kong)	<b>159,965</b>	177,111
Hong Kong	<b>58,451</b>	60,381
Other Asian Countries	<b>71,994</b>	108,588
The Americas	<b>28,000</b>	36,482
Europe	<b>13,037</b>	15,106
	<b>331,447</b>	397,668

An analysis of segment assets and capital expenditure by geographical area in which the assets are located has not been presented as the Group's assets are substantially located in the PRC.

## 6. INCOME TAX EXPENSE

	<b>Six months ended 31st January</b>	
	<b>2009</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2008 HK\$'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	–	1,278
PRC Enterprise Income Tax	<b>2,896</b>	1,189
	<b>2,896</b>	2,467
Deferred taxation		
Current period	<b>(1,259)</b>	(217)
	<b>1,637</b>	2,250

Hong Kong Profits Tax has not been provided for in the condensed consolidated financial statements as there was no estimated assessable profit derived for the period ended 31st January 2009.

**6. INCOME TAX EXPENSE** (Continued)

Hong Kong Profits Tax was calculated at 17.5% on the estimated assessable profit for the period ended 31st January 2008.

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

Ta Yang Group (Macau Commercial Offshore) Limited ("MCO") was incorporated as a commercial offshore entity in Macau and is exempt from Macau Complementary Tax.

Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Enterprise Income Tax as follows:

- Dongguan Ta Yang Silicone Rubber Industrial Company Limited ("Dongguan Ta Yang") is an approved foreign investment product export oriented enterprise during the periods ended 31st January 2008 and eligible to a preferential tax rate of 12% up to 31st December 2007. From 1st January 2008 onwards Dongguan Ta Yang applied the unified tax rate of 25%.
- Dongguan Tay Yang Rubber Plastic Industrial Company Limited ("Dongguan Tay Yang"), Huzhou Ta Yang Electronic Technology Company Limited ("Huzhou Ta Yang") and Dongguan Tai Yang Rubber Plastic Industrial Company Limited ("Dongguan Tai Yang") are foreign investment enterprises and are entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate.
- Dongguan Tay Yang is entitled to a preferential tax rate of 24%. The first profit-making year of Dongguan Tay Yang is 2005. Accordingly, Dongguan Tay Yang is exempted from PRC Enterprise Income Tax from 1st January 2005 to 31st December 2006 and is entitled to a 50% exemption of income tax from 1st January 2007 to 31st December 2009.
- Huzhou Ta Yang is entitled to a preferential tax rate of 26.4%. The first profit-making year of Huzhou Ta Yang is 2004. Accordingly, Huzhou Ta Yang is exempted from PRC Enterprise Income Tax from 1st January 2004 to 31st December 2005 and is entitled to a 50% exemption of income tax from 1st January 2006 to 31st December 2008. From 1st January 2009 onwards Huzhou Ta Yang applied the unified tax rate of 25%.
- Dongguan Tai Yang is entitled to a preferential tax rate of 24% and it sustained tax losses during the periods ended 31st January 2008 and 2009. Dongguan Tai Yang is exempted from PRC Enterprise Income Tax from 1st January 2008 to 31st December 2009 and is entitled to a 50% exemption of income tax from 1st January 2010 to 31st December 2012.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income Tax rate of the subsidiaries in the PRC was reduced from 33% to 25% progressively from 1st January 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC ranged from 12% to 25% (2008: 12% to 13.2%).

**7. PROFIT FOR THE PERIOD**

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

	<b>Six months ended 31st January</b>	
	<b>2009</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2008 HK\$'000 (Unaudited)
Amortisation of prepaid lease payments	654	139
Depreciation of property, plant and equipment	19,603	15,124
Impairment losses recognised in respect of trade receivables	784	861
Exchange loss	2,892	6,246
Interest income	(4,432)	(10,035)
Government grants	(1,195)	(218)

**8. DIVIDENDS**

	<b>Six months ended 31st January</b>	
	<b>2009</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2008 HK\$'000 (Unaudited)
2008 final dividend of HK\$0.06 per share (2007: final dividend of HK\$0.06 per share)	48,000	48,000

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31st January 2009 and 2008.

**9. EARNINGS PER SHARE**

The calculations of the basic and diluted earnings per share for the periods are based on the Group's profit attributable to equity holders of the Company of approximately HK\$31,521,000 (2008: HK\$79,780,000).

The basic earnings per share is based on the weighted average number of 800,000,000 (2008: 800,000,000) ordinary shares in issue during the periods.

The diluted earnings per share for the six months ended 31st January 2009 and 2008 was the same as the basic earnings per share because the exercise price of the Company's share options was higher than the average market price of the Company's shares for the six months ended 31st January 2009 and 2008.

**10. PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent approximately HK\$37,441,000 (2008: HK\$36,000,000) on property, plant and equipment to upgrade its manufacturing capacities and construct new manufacturing plant and staff quarters.

## 11. TRADE AND OTHER RECEIVABLES

	<b>31/1/2009</b>	31/7/2008
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables		
– from third parties	<b>234,333</b>	242,625
– from an associate	<b>2,950</b>	2,500
Less: Impairment losses recognised in respect of trade receivables	<b>(1,106)</b>	(322)
	<b>236,177</b>	244,803
Prepayments, deposits and other receivables	<b>37,671</b>	48,101
	<b>273,848</b>	292,904

The Group's sales are on open account terms. The Group normally grants to its customers credit periods ranging from 30 days to 120 days which are subject to periodic review by management.

An aged analysis of trade receivables, net of impairment losses recognised is as follows:

	<b>31/1/2009</b>	31/7/2008
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within 1 month or on demand	<b>114,361</b>	111,220
More than 1 month but less than 3 months	<b>64,161</b>	95,600
More than 3 months but less than 12 months	<b>57,655</b>	36,795
More than 12 months	<b>–</b>	1,188
	<b>236,177</b>	244,803

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	<b>31/1/2009</b>	31/7/2008
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Audited)
United States dollars	<b>19,126</b>	21,546
Euros	<b>6,771</b>	825
New Taiwan dollars	<b>405</b>	10

## 12. TRADE AND OTHER PAYABLES

	<b>31/1/2009</b>	31/7/2008
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade and bills payables	<b>48,954</b>	56,803
Other payable	<b>27,531</b>	42,379
	<b>76,485</b>	99,182

An aged analysis of trade and bills payables was as follows:

	<b>31/1/2009</b>	31/7/2008
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Due within 1 month or on demand	<b>13,031</b>	22,144
Due after 1 month but within 3 months	<b>25,950</b>	26,333
Due after 3 months but within 6 months	<b>7,128</b>	4,042
Due after 6 months but within 1 year	<b>1,366</b>	4,128
Due after 1 year	<b>1,479</b>	156
	<b>48,954</b>	56,803

Included in trade and bills payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	<b>31/1/2009</b>	31/7/2008
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Audited)
United States dollars	<b>3,080</b>	2,806
New Taiwan dollars	<b>150</b>	150



**13. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Amount</b>
	(in thousands)	HK\$'000
Ordinary share of HK\$0.10 share each		
Authorised:		
At 1st August 2007, 31st July 2008 and 31st January 2009	20,000,000	2,000,000
Issued and fully paid:		
At 1st August 2007, 31st July 2008 and 31st January 2009	800,000	80,000

**14. SHARE OPTION SCHEME**

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding are as follows:

	<b>Exercise price</b>	<b>Six months ended 31st January</b>	
		<b>2009</b>	2008
		<b>Number of share options</b>	
Outstanding at the beginning of the period	HK\$2.20	<b>7,425,000</b>	8,935,000
Lapsed during the period	HK\$2.20	<b>(185,000)</b>	(1,070,000)
<b>Outstanding at the end of the period</b>	HK\$2.20	<b>7,240,000</b>	7,865,000

No share options were granted during the six months ended 31st January 2009 and 2008.

## 15. RELATED PARTY TRANSACTIONS

- (a) Other than disclosed elsewhere in the condensed consolidated financial statements, during the period, the Group entered into the following transactions with related parties:

Name of company	Nature of transactions	Six months ended 31st January	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
SiTY Silcum & Ta Yang	Sales of silicone rubber keypads	3,735	3,423
International GmbH	Receive tooling charges	289	54
("SiTY") (Note)	Receive modification charges	31	14
	Receive fixture charges	12	–

Note: SiTY is an associate of the Group.

- (b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the period was as follows:

	Six months ended 31st January	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Short-term benefits	6,226	5,134
Post-employment benefits	98	83
Share-based payments	468	872
	6,792	6,089

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

## 16. COMMITMENTS

At the balance sheet date, the Group had the following capital commitments for the acquisition of property, plant and equipment:

	31/1/2009	31/7/2008
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Contracted but not provided for	7,510	13,236

## REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

---

18



SHINEWING (HK) CPA Limited  
16/F., United Centre  
95 Queensway, Hong Kong

### **TO THE DIRECTORS OF TA YANG GROUP HOLDINGS LIMITED**

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

### Introduction

We have reviewed the interim financial statements ("Interim Financial Statements") set out on pages 4 to 17, which comprises the condensed consolidated balance sheet of Ta Yang Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31st January 2009 and the related condensed consolidated income statement, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on Interim Financial Statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Statements in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Interim Financial Statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

19

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements is not prepared, in all material respects, in accordance with HKAS 34.

### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

#### **Ip Yu Chak**

Practising Certificate Number: P04798

Hong Kong

24th April 2009

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Global demand for the 4C products, including consumer electronic devices, keypads for mobile phones, keypads for computers and notebooks and automotive peripheral, has confronted an unprecedented changing operation environment in 2008/2009. The industry is affected by fluctuation in raw material cost, appreciation of RMB and global markets uncertainties caused by the sub-prime crisis. Highly volatile orders have also posed challenges to the deployment of our production resources. In addition, the demand in consumer electronic devices, mobile phones, computers and notebooks and automotive peripheral products are inevitably declining as a result of the fall in consumer confidence and demand. The Group's performance has therefore been negatively impacted in the last quarter of 2008. In view of the uncertainty in global economic conditions, we have taken further measures to control production costs, closely monitor production schedules and expand customer base.

During the period under review, the Group recorded operating profits before tax of approximately HK\$33.2 million. The decrease in the turnover and profit was mainly attributable to (i) the increase of operation costs resulted from the increase of labour costs in Mainland China and the appreciation of RMB against Hong Kong dollars, (ii) the slowdown in global economic growth and (iii) the unexpected decline in order from the customers.

In order to strengthen the Group's competitive edge and profitability, the Group has focused on optimising its product mix with advanced technological features to meet the need of the customers.

Despite the slowdown in worldwide economy, the Group managed to acquire new customers by leveraging on our competitiveness. Apart from the continuous efforts to monitor market development, restructure and streamline our business operations, as and when necessary, so as to improve the current financial position of the Group and enhance the business performance, the management of the Group also looks for new business opportunities to offset our loss in turnover stemmed by the prevailing weak market demand.

The Group will strive to increase overall production efficiency through research and development of innovative high-end products, improving workflow and increasing yield rate. Besides, the Group will tighten controlling measures on inventories and receivables with a view to improve the entire process to manage finance and sales.

The newly launched brand "SIPALS" has maintained steady growth. As such, the Group will continue to develop and offer new innovative products under "SIPALS" brand with competitive prices to capture potential customers and to enhance the profits of the Group.

## OUTLOOK

Given the economic uncertainties and adversities, 2009 will be another challenging year for the Group. The Group will continue to increase its market share and consolidate its core businesses by further strengthen the existing customer base and seeking new customers through diversifying its product and service offerings.

At the same time, the Group will exercise more stringent cost control measures, in particular on material price reduction, as well as consolidate its production facilities and lower its overall operation and administrative expenses. The Group will adopt conservative cash management approach by closely monitor its inventory level and trade receivables to maintain a healthy cash position of the Group.

Although the corporate operating environment is expected to remain tough, the Group will continue to adopt a cautious approach in 2009. Leveraging on our solid financial situation and strong management team, the Group is well-positioned to tackle the challenges and create value for shareholders, customers and employees in a continuous and steady manner.

In the short term, we will focus to reserve more cash to maintain a high degree of liquidity. Meanwhile, we are also committed to explore business opportunities by acquiring business relevant to the Group's core businesses at attractive prices with an aim to consolidate our competitive advantages in the industry and expand our business to application field with promising futures.

In the long term, the reduction in demand will accelerate the market consolidation which enables us to gain market share at the expenses of weaker competitors. Accordingly, the management of the Group considers the downturn in economy as a positive opportunity for the Group and believes that our measures will position ourselves well for the future growth.

## FINANCIAL REVIEW

### *TURNOVER*

Due to the financial turmoil originated from Wall Street which created a sudden freeze in global consumption and widely-spread loss of individual wealth, the turnover for the period was HK\$331.4 million, which represents a decrease of HK\$66.2 million, or 16.7% compared with the corresponding period in 2008. Apart from financial turmoil of 2008, the continuous industry consolidation in 4C products also have the adverse effect on sales of the Group. In addition, the demand for one of the Group's product, silicone protective cover for Wii console handheld devices "Wii Jacket" has an obvious decrease for the period.

However, the Group commenced to launch a new product line under the brand "SIPALS". SIPALS offers innovative products for daily life. Although the sales of SIPALS brand products only contributed a small portion to the Group's total turnover, it has steady growth during the period.

**GROSS PROFIT**

The gross profit was HK\$98.5 million, a decrease of HK\$32.8 million or 25.0% as compared with the corresponding period in 2008. Overall gross profit margin for the period decreased from 33.0% to 29.7%. The decrease in gross profit was due to the Group suffering from the adverse effect of increasing raw material costs and labour costs which was difficult to shift the increasing costs to the customers under the current recession.

**OTHER OPERATING INCOME**

Other operating income decreased by HK\$2.2 million or 16.9% to HK\$10.6 million as compared with the corresponding period in 2008. The decrease was mainly due to the decrease in interest income from bank deposits. The decrease was partly offset by the compensation from insurance due to the fire accident in the PRC factory.

**ADMINISTRATIVE EXPENSES**

Administrative expenses increased from HK\$41.4 million to HK\$57.7 million as compared with the corresponding period in 2008. When counted as a percentage of the Group's turnover, the total amount of administrative expenses was 17.4%, 7.0% increased compared with the corresponding period in 2008. The increase was a result of the increase in additional management and administrative costs incurred to support expansion of business and new production bases and continuous increase in costs in PRC.

**PROFIT FOR THE PERIOD**

Profit for the period was HK\$31.5 million, representing an decrease of HK\$48.3 million or 60.5% as compared with the corresponding period in 2008.

**LIQUIDITY AND FINANCIAL RESOURCES**

During the period, the Group's source of fund was cash generated from operating activities and the Group's working capital continued to remain stable.

	<b>31/1/2009</b>	31/7/2008
	<b>HK\$'000</b>	HK\$'000
Cash and cash equivalents	<b>427,788</b>	487,429
Net current assets	<b>737,088</b>	768,768
Current Ratio	<b>6.74</b>	6.09
Quick Ratio	<b>5.48</b>	5.18

**FINANCIAL MANAGEMENT AND TREASURY POLICY**

The Group adopts a conservative approach for cash management and investment on uncommitted funds. The net proceeds from the international offering (as defined in the Prospectus) have been placed on short-term deposits with authorized financial institutions in Hong Kong and the PRC.

During the year, the Group's receipts were mainly denominated in US dollars and Hong Kong dollars. Payments were mainly made in US dollars and RMB.

In respect of the RMB, as the Group's production plants are located in the PRC, most of our labour costs, manufacturing overheads, selling and administrative expenses were denominated in RMB. Therefore, the appreciation of RMB will adversely affect the Group's profitability. The Group will closely monitor the trend of RMB and consider to take appropriate measure to deal with the RMB exposure.

## USE OF PROCEEDS

The net proceeds raised from the international offering received by the Company was approximately HK\$635 million.

The usage of net proceeds until 31st January 2009 are as follows:

Particular	Planned amount	Utilised amount
	HK\$ million	HK\$ million
Expansion of production facilities for silicone rubber based products	468	(157)
Upgrade and expansion of upstream production facilities	56	–
Strengthening research and development capabilities	39	(11)
Implementation of resources planning system	22	(1)
General working capital	50	(50)
<b>Total</b>	<b>635</b>	<b>(219)</b>

The remaining net proceeds have been deposited on short-term basis in licensed financial institutions in Hong Kong and the PRC.

## HUMAN RESOURCES AND REMUNERATION POLICIES

As the Group is committed to expand our production capacity and develop high value-added products, such as mobile phone keypads, experienced workers, engineers and professionals are the most important assets to the Group. We offer on-the-job training and encourage staff to attend continuous professional training in order to update their skills and knowledge.

We offer competitive remuneration package, including quality staff quarters, trainings, medical, insurance coverage and retirement benefits, to all employees in Hong Kong and in the PRC. As at 31st January 2009, the Group employed more than 6,700 employees.

The Group adopted a Pre-IPO Share Option Scheme on 16th May 2007 for the purpose of recognition of employees' contribution before the listing of the Company. As at 31st January 2009, 7,240,000 share options were still outstanding under the Pre-IPO Share Option Scheme, of which 5,410,000 options are held by the employees of the Group. The Company also adopted a Post-IPO Share Option Scheme on 16th May 2007. No option has been granted under the Post-IPO Share Option Scheme.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31st January 2009.



## OTHER INFORMATION

### DIRECTORS' PROFILE

The particulars of the Directors and their changes are set out as follows:

#### **Huang Sheng-Shun**

*Chairman and Executive Director*

Mr. Huang Sheng-Shun, aged 55, is the chairman and Executive Director of the Company. He is responsible for the development of our general corporate strategy, operation management, planning and decision making. Mr. Huang together with Mr. Wu Ih Chen, founded the Group on 7th May 1991. Prior to the establishment of the Group, he was the operation manager of a chemical company between June 1978 and May 1982. Afterwards, he worked at Ta Yang Oil N Fat Industrial Co., Ltd. (大洋油脂工業股份有限公司), a private company, and since 1986 became the company's general manager until 2005. Mr. Huang and his family members have been the shareholders of Ta Yang Oil N Fat Industrial Co., Ltd. until Ta Yang Oil N Fat Industrial Co., Ltd., ceased operations and was wound up in April 2006. Save as disclosed above, there is no relationship between Ta Yang Oil N Fat Industrial Co., Ltd. and each of the Group, its substantial shareholders and their respective associates. Mr. Huang is also a director of various subsidiaries of the Group.

Mr. Huang has also been a Non-executive Director of Formosan Union Chemical Corp., a company listed on the Taiwan Stock Exchange Corporation, from 1st July 1987 to 30th June 1996 and from 1st July 2002 to present. He has over 30 years of experience in management positions in the chemical manufacturing industry. Mr. Huang graduated from the Faculty of Law, National Taiwan University in 1976. Saved as disclosed above, Mr. Huang did not hold other directorship in any public listed companies whether in Hong Kong or overseas in the last three years and he does not hold any other directorship in the Group.

Mr. Huang is the father of Mr. Huang Te-Wei, an Executive Director and general manager of the Company. Save as disclosed above, Mr. Huang does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Huang Sheng-Shun is entitled a monthly salary of HK\$100,000 for 12 months of a year, a discretionary bonus of one extra month's salary at the discretion of the Board of Directors (the "Board") and a discretionary management bonus at the absolute discretion of the Board for serving as a Director of the Company in 2009.

#### **Wu Ih Chen**

*Executive Director and Chief Executive Officer*

Mr. Wu Ih Chen, aged 57, is the Executive Director and chief executive officer of the Company. Mr. Wu has over 22 years of experience in the silicone rubber industry. Mr. Wu, together with Mr. Huang Sheng-Shun founded the Group on 7th May 1991. He is currently mainly responsible for the marketing, administration and financial planning of the Group. He is also devoted to the development of the core techniques and has personally developed various patented keypads. Mr. Wu graduated from the Aletheia University in 1971 and completed the Studying Program for Hong Kong Senior Management in Business organised by the Peking University in the PRC. Mr. Wu is a Director for the Eleventh Board of Directors of International Association of Chinese Traders. Mr. Wu is also a director of various subsidiaries of the Group. Saved as disclosed above, Mr. Wu did not hold other directorship in any public listed companies whether in Hong Kong or overseas in the last three years and he does not hold any other directorship in the Group.

Mr. Wu is the elder brother of Mr. Wu Tien-Tao, the associate general manager of the Group and the father of Mr. Wu Chung-chieh, Jack and Ms. Wu Pei Min who are the corporate development manager and the corporate relations manager of the Group. Save as disclosed above, Mr. Wu does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Wu Ih Chen is entitled a monthly salary of HK\$80,000 for 12 months of a year, a discretionary bonus of one extra month's salary at the discretion of the Board and a discretionary management bonus at the absolute discretion of the Board for serving as a Director of the Company in 2009.

### **Lin Hung-Ming**

*Executive Director and Research & Development Director*

Mr. Lin Hung-Ming, aged 44, is an Executive Director and the research and development director of the Group. Mr. Lin joined the Group in 1993 and is currently responsible for research and development of the Group. Mr. Lin graduated from the Department of Mechanics, Private Chih-Kwang Vocational High School of Business and Technology. He has 21 years of experience in the silicone rubber industry. Prior to joining the Group, Mr. Lin was a factory manager of an electronics company in Taiwan. Save as disclosed above, Mr. Lin did not hold other directorship in any public listed companies in the last three years and he does not hold any directorship in the Group.

Mr. Lin does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Lin is entitled a monthly salary of HK\$70,000 for 12 months of a year, a discretionary bonus of one extra month's salary at the discretion of the Board and discretionary management bonus at the absolute discretion of the Board for serving as a Director of the Company in 2009.

### **Wong Tak Leung**

*Executive Director*

Mr. Wong Tak Leung, aged 47, is an Executive Director of the Company. Mr. Wong joined the Group in May 1993 and was subsequently promoted to deputy managing director in 2001. Mr. Wong is responsible for the sales and marketing functions of the Group. During 1981 to 1989, Mr. Wong served in the Strategic Planning Department of Hong Kong Aircraft Engineering Company Limited. Mr. Wong is also a director of certain subsidiaries of the Group. Save as disclosed above, Mr. Wong did not hold other directorship in any public listed companies in the last three years and he does not hold any directorship in the Group.

Mr. Wong does not any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Wong is entitled a monthly salary of HK\$55,000 for 12 months of a year, a discretionary bonus of one extra month's salary at the discretion of the Board and a discretionary management bonus at the absolute discretion of the Board for serving as a Director of the Company in 2009.

**Huang Te-Wei**

*Executive Director and General Manager*

Mr. Huang Te-Wei, aged 29, is an Executive Director and the general manager of the Group. He is the head of our control department with responsibilities to overseeing the Group's compliance and internal control matters. From 2008 onwards, Mr. Huang was also responsible for the supervision of the daily operation of the Group's factories in PRC and strategic planning. Mr. Huang graduated from the Industrial Administration stream, Department of Business Administration, National Taiwan University and has undergone military training in Taiwan. Mr. Huang is also a director of various subsidiaries of the Group. Save as disclosed above, Mr. Huang did not hold other directorship in any public listed companies whether in Hong Kong or overseas in the last three years and he does not hold any directorship in the Group.

Mr. Huang is the eldest son of Mr. Huang Shen-Shun, the chairman and the Executive Director of the Company. Save as disclosed above, Mr. Huang does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Huang is entitled a monthly salary of HK\$55,000 for 12 months of a year, a discretionary bonus of one extra month's salary at the discretion of the Board and a discretionary management bonus at the absolute discretion of the Board for serving as a Director of the Company in 2009.

**Kirk Yang**

*Non-Executive Director*

Mr. Kirk Yang, aged 41, is a Non-executive Director of the Company. He holds Bachelor (with distinction) and Master of Science degrees in Electrical Engineering from Purdue University and Master of Business Administration (Finance, Accounting and Marketing concentrations) from University of Chicago.

Prior to joining the Company, Mr. Yang was a managing director and head of Asia Technology Research of Citi Investment Research of Citigroup Global Markets Asia Limited based in Hong Kong ("Citi"). He was also awarded the No.1 analyst by Institutional Investors, Financial Times and Greenwich in 2004, 2006 and 2007 respectively in recognition of his accomplishment in investment equity research industry. Before joining Citi, Mr. Yang served as the director and head of Asia Technology Hardware Research at Credit Suisse and No. 1 analyst. Mr. Yang has more than eight years of experience in investment equity research industry including worked at Goldman Sachs and BNP Paribas respectively. Mr. Yang also has more than seven years experience in management consulting, sales/marketing and engineering operation in various corporations such as A.T. Kearney, Accenture, EDS, Emerson Electric, IBM, and AT&T. Save as disclosed above, Mr. Yang did not hold other directorship in any public listed companies whether in Hong Kong or overseas in the last three years and he does not hold any directorship of the Group with effect from 1st February 2009.

Mr. Yang does not any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Yang is entitled a monthly salary of HK\$169,230 for being the Executive Director and chief financial officer of the Company. With effect from 1st February 2009, Mr. Yang is entitled to a yearly fee of HK\$180,000 (but not entitled any other bonus) for being a Non-executive Director.

### **Chuang Hong-Jen**

*Independent Non-Executive Director*

Mr. Chuang Hong-Jen, aged 55, is an Independent Non-executive Director of the Company. Mr. Chuang has experience in the financial services industry as he acted as a deputy general manager in a securities company in Taiwan from 1989 to 1996. Mr. Chuang also has experience in the display devices industry. Mr. Chuang graduated from the Tamsui Institute of Business Administration of Taiwan in June 1975. He obtained a bachelor degree from Feng Chia University in June 1980, and was awarded a master's degree from the Department of Accounting, Soochow University in June 1984. For the last three years, Mr. Chuang was the chairman of Innolux Display Corporation, a company listed in the Taiwan Stock Exchange Corporation which engage in the production of liquid crystal display devices. Save as disclosed above, Mr. Chuang did not hold other directorship in any public listed companies whether in Hong Kong or overseas in the last three years and he does not hold any position in the Group.

Mr. Chuang does not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Chuang is entitled to a yearly director fee of HK\$120,000 (but not entitled any other bonus) in 2009.

### **Hsieh Yu**

*Independent Non-Executive Director*

Mr. Hsieh Yu, aged 61, is an Independent Non-Executive Director of the Company. He obtained a certificate for solicitor in Taiwan in 1977 and jointed the Taipei Bar Association immediately as a practicing Attorney-at-Law. He is the responsible officer of 聯德法律事務所. He had been the legal consultant for various corporations and organizations. Mr. Hsieh graduated from the Faculty of Law, National Taiwan University in 1976. Save as disclosed above, Mr. Hsieh did not hold other directorship in any public listed companies whether in Hong Kong or overseas in the last three years and he does not hold any position in the Group.

Mr. Hsieh does not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Hsieh is entitled to a yearly director fee of HK\$120,000 (but not entitled any other bonus) in 2009.

**Yeung Chi Tat**

*Independent Non-Executive Director*

28

Mr. Yeung Chi Tat, aged 39, is an Independent Non-executive Director of the Company. He holds a bachelor's degree in business administration from The University of Hong Kong and a master's degree in professional accounting from Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales, a certified public accountant practising in Hong Kong and a senior international finance manager of International Financial Management Association. He is currently the financial controller, qualified accountant and company secretary of Dynasty Fine Wines Group Limited (Stock Code: 828) and an independent non-executive director of ANTA Sports Products Limited (Stock Code: 2020), both of which are listed on the main board of the Stock Exchange in Hong Kong. Mr. Yeung is also independent non-executive director of Linefan Technology Holdings Limited (Stock Code: 8166) which is listed on the GEM Board of the Stock Exchange in Hong Kong. Mr. Yeung has previously worked at a major international accounting firm for over ten years. He possesses experience in auditing, corporate restructuring and corporate financial services. Save as disclosed above, Mr. Yeung did not hold any other directorship in any public listed companies whether listed in Hong Kong or overseas in the last three years and he does not hold any position in the Group.

Mr. Yeung does not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Yeung is entitled to a yearly director fee of HK\$180,000 (but not entitled any other bonus) in 2009.

The Directors (except Executive Directors) will receive Directors' fees in the amount proposed by the Board and approved by the shareholders at the annual general meeting of the Company. The salary package of an Executive Director is subject to the review by the Board from time to time with reference to their contribution in terms of time, effort and accomplishments.

Note:

The following changes have been effective after the date of this interim report and prior to the printing of this interim report:

1. Mr. Kirk Yang has been re-designated as a Non-Executive Director of the Company effective on 1st February 2009.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31st January 2009, the interests and short positions of the Directors and the 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 Securities and Futures Ordinance (the "SFO") as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

### (A) Long Positions in Shares and Underlying Shares in the Company

Name of director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Approximate percentage of the issued share capital of the Company	Note(s)
		Interests in shares	Equity derivatives (Share Options)	Total interests		
Huang Sheng-Shun	Settlor of Huang Trust	413,940,000	–	421,990,000	52.75%	1 to 3
	Beneficial Owner	7,500,000	550,000	–		
Wu Ih Chen	Beneficial Owner	500,000	455,000	955,000	0.12%	4
Lin Hung-Ming	Beneficial Owner	9,640,000	320,000	9,960,000	1.25%	5
Wong Tak Leung	Beneficial Owner	5,760,000	275,000	6,035,000	0.75%	5
Huang Te-Wei	Beneficiary of Huang Trust	413,940,000	–	414,170,000	51.77%	6&7
	Beneficial Owner	–	230,000	–		

#### Notes:

- Huang Trust is a discretionary trust, of which Mr. Huang Sheng-Shun is the settlor, Homelink Venture Corp. (the "Homelink") is the trustee and family members of Mr. Huang Sheng-Shun (including Mr. Huang Te-Wei) are beneficiaries.
- The 413,940,000 shares, representing approximately 51.74% shareholding of the Company, are directly held by the following seven British Virgin Islands companies ("7 BVI Companies") in aggregate as follows:

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS (CONTINUED)****(A) Long Positions in Shares and Underlying Shares in the Company (Continued)**

Notes: (Continued)

2. (Continued)

<b>Name of the 7 BVI Companies</b>	<b>No. of shares held</b>	<b>Approximate percentage of issued share capital of the Company</b>
Ace Chain Investments Corporation ("Ace Chain")	149,100,000	18.64%
China Gain Holdings Limited ("China Gain")	103,560,000	12.94%
Highwise Investment Group Corporation ("Highwise")	57,600,000	7.20%
Join Success Business Inc. ("Join Success")	34,560,000	4.32%
Jumbo Regent Investment Limited ("Jumbo Regent")	34,560,000	4.32%
Master Rich Business Limited ("Master Rich")	28,800,000	3.60%
Million Era Holding Corporation ("Million Era")	5,760,000	0.72%
<b>Total</b>	<b>413,940,000</b>	<b>51.74%</b>

The 7 BVI Companies are respectively 100% owned subsidiaries of Acuwake Enterprises Limited (the "Acuwake"). Acuwake is 100% owned by Homelink as trustee of Huang Trust. Mr. Huang Sheng-Shun is the settlor of Huang Trust and accordingly is taken to be interested in such shares. Mr. Huang Sheng-Shun is also a director of each of the 7 BVI Companies.

3. The 550,000 shares represent shares exercisable pursuant to options granted to Mr. Huang Sheng-Shun on 16th May 2007 under the Pre-IPO Share Option Scheme of the Company and which is exercisable at a price of HK\$2.20 per share during the period from 8th June 2008 to 15th May 2017.
4. The 455,000 shares represent Shares exercisable pursuant to the options granted to Mr. Wu Ih Chen on 16th May 2007 under the Pre-IPO Share Option Scheme of the Company and which is exercisable at a price of HK\$2.20 per share during the period from 8th June 2008 to 15th May 2017.
5. 320,000 shares and 275,000 shares are shares exercisable pursuant to the options granted to Mr. Lin Hung-Ming and Mr. Wong Tak Leung, directors of the Company respectively on 16th May 2007 under the Pre-IPO Share Option Scheme of the Company and which is exercisable at a price of HK\$2.20 per share during the period from 8th June 2008 to 15th May 2017.
6. Mr. Huang Te-Wei is a son of Mr. Huang Sheng-Shun and a beneficiary of Huang Trust. As such, Mr. Huang Te-Wei is taken to be interested in the same block of 413,940,000 shares held by the 7 BVI Companies.
7. The 230,000 shares represent Shares exercisable pursuant to the options granted to Mr. Huang Te-Wei on 16th May 2007 under the Pre-IPO Share Option Scheme of the Company and which is exercisable at a price of HK\$2.20 per share during the period from 8th June 2008 to 15th May 2017.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS (CONTINUED)

### (B) Interest in Associated Corporations of the Company

Name of director	Name of associated corporation*	Capacity in which interests are held	Class of shares	Number of shares interested	Percentage of the relevant associated corporation's issued share capital
Huang Sheng-Shun	Homelink as trustee of Huang Trust	Settlor of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Acuwake	Settlor of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Ace Chain	Settlor of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	China Gain	Settlor of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Highwise	Settlor of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Join Success	Settlor of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Jumbo Regent	Settlor of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Master Rich	Settlor of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Million Era	Settlor of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
Huang Te-Wei	Homelink as trustee of Huang Trust	Beneficiary of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Acuwake	Beneficiary of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Ace Chain	Beneficiary of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	China Gain	Beneficiary of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Highwise	Beneficiary of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Join Success	Beneficiary of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Jumbo Regent	Beneficiary of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Master Rich	Beneficiary of Huang Trust	Ordinary shares of US\$1.00 each	1	100%
	Million Era	Beneficiary of Huang Trust	Ordinary shares of US\$1.00 each	1	100%



**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS (CONTINUED)****(B) Interest in Associated Corporations of the Company (Continued)****\*Note**

For details of the corporate structure of each of the associated companies, please see notes 1 and 2 of the sub-section headed "(A) Long positions in Shares and underlying shares held in the Company".

Save as disclosed above, as at 31st January 2009, none of the Directors and the Chief Executive of the Company nor their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

**INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS**

As at 31st January 2009, so far as is known to the Directors of the Company, the following persons, not being a Director or the Chief Executive of the Company, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under Section 336 of SFO:

**Long Positions in the Shares and Underlying Shares**

<b>Name of shareholder</b>	<b>Nature of interests</b>	<b>Number of shares held in the Company</b>	<b>Number of shares subject to options</b>	<b>Total</b>	<b>Approximate percentage of interest as to the issued share capital of the Company</b>	<b>Note(s)</b>
Acuwake	Controlled corporation of Huang Trust	413,940,000	–	413,940,000	51.74%	1
Homelink	Trustee of Huang Trust	413,940,000	–	413,940,000	51.74%	1
Ace Chain	Beneficial interests	149,100,000	–	149,100,000	18.64%	1
China Gain	Beneficial interests	103,560,000	–	103,560,000	12.94%	1
Highwise	Beneficial interests	57,600,000	–	57,600,000	7.20%	1
Huang Sheng-Shun	Settlor of Huang Trust	413,940,000	–	421,990,000	52.75%	1
	Beneficial interests	7,500,000	550,000	–		

**INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS (CONTINUED)***Long Positions in the Shares and Underlying Shares (Continued)*

Name of shareholder	Nature of interests	Number of		Total	Approximate percentage of interest as to the issued share capital of the Company	Note(s)
		shares held in the Company	shares subject to options			
Tong Mei-Jen	Spouse interests	413,940,000	–	421,990,000	52.75%	1
		7,500,000*	550,000	–		
Huang Te-Wei	Beneficiary of Huang Trust Beneficial interests	413,940,000	–	414,170,000	51.77%	6
		–	230,000	–		
Chao Yu Ting	Spouse interests	413,940,000	–	414,170,000	51.77%	6
		–	230,000	–		
Wu Pei Min	Corporate Interests Beneficial Interests	60,120,000	–	60,215,000	7.53%	2
		–	95,000	–		
Wu Chung-chieh, Jack	Corporate interests Beneficial interests	57,600,000	–	57,636,000	7.2%	4
		36,000	–	–		
Lo Wah Wai	Interest in controlled corporation of Homelink	413,940,000	–	413,940,000	51.74%	1&5
Tsang Kwan Li	Spouse interests	413,940,000	–	413,940,000	51.74%	5

**Notes**

- (1) The reference to 413,940,000 shares relates to the same block of shares directly held by the 7 BVI companies in aggregates as controlled companies of Huang Trust. For details, please see notes 1 and 2 of the sub-section headed "(A) Long positions in Shares and underlying Shares in the Company" under the section headed "Directors' Interests" in above. Ace Chain, China Gain and Highwise are three of the 7 BVI Companies directly holding such respective shareholding of the Company as disclosed in above.

Accordingly, Acuwake being the 100% holding company of the 7 BVI Companies, Homelink as trustee of Huang Trust and Mr. Huang Sheng-Shun as settlor of Huang Trust are taken to have an interest in such shares. Mr. Huang Sheng-Shun is also beneficially interested in 550,000 shares exercisable pursuant to options granted to him on 16th May 2007 under Pre-IPO Share Option Scheme. Ms. Tong Mei-Jen, the spouse of Mr. Huang Sheng-Shun, is also deemed to be interested in such shares which Mr. Huang Sheng-Shun is interested in.

- (2) 57,600,000 shares out of 60,120,000 shares are beneficially-owned by Golden King Holdings Business Limited and Joint Kingdom International Holding Limited which were 50% held by Ms. Wu Pei Min and 50% held by Mr. Wu Chung-chieh, Jack respectively. Accordingly, Ms. Wu Pei Min is deemed to have beneficial interests in all these shares by virtue of SFO.

## INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS (CONTINUED)

### *Long Positions in the Shares and Underlying Shares (Continued)*

#### Notes (Continued)

- (3) 2,520,000 shares out of 60,120,000 shares were held by Kingstex Universal Investment Limited, a company wholly owned by Ms. Wu Pei Min. Therefore, Ms. Wu is deemed to be interest in all these shares. 950,000 shares represent shares exercisable pursuant to the options granted to Ms. Wu Pei Min on 16th May 2007 under the Pre-IPO Share Option Scheme of the Company and which is exercisable at a price of HK\$2.20 per share during the period from 8th June 2008 to 15th May 2017.
  - (4) The reference to 57,600,000 shares related to the same block of shares directly held by Golden King Holdings Business Limited and Joint Kingdom International Holding Limited which were 50% held by Ms. Wu Pei Min and 50% held by Mr. Wu Chung-chieh, Jack respectively. Accordingly, Mr. Wu Chung-chieh, Jack is deemed to have beneficial interests in all these shares by virtue of SFO.
  - (5) The entire issued share capital of Homelink is beneficially owned by Mr. Lo Wah Wai. Ms. Tsang Kwan Li is the spouse of Mr. Lo Wah Wai. Accordingly, Mr. Lo Wah Wai and Ms. Tsang Kwai Li are deemed to be interested in the shares which Homelink as a trustee of Huang Trust is taken be interested in.
  - (6) Mr. Huang Te-Wei is the son of Mr. Huang Sheng-Shun and a beneficiary of Huang Trust. As such, Mr. Huang Te-Wei is taken to be interested in the 413,940,000 shares directly held by the 7 BVI Companies as controlled companies of Huang Trust. Mr. Huang Te-Wei is also beneficially interested in 230,000 shares exercisable pursuant to options granted to him on 16th May 2007 under Pre-IPO Share Option Scheme. Ms. Chao Yu Ting is the spouse of Mr. Huang Te-Wei and accordingly is deemed to be interested in all the shares which Mr. Huang Te-Wei is interested in.
- \* Personal interests of Mr. Huang Sheng-Shun.

Save as disclosed above, as at 31st January 2009, the Directors and the Chief Executive of the Company were not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was 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 member of the Group.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors or the Chief Executives of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SHARE OPTION SCHEME

As at 31st January 2009, options to subscribe for an aggregate of 7,240,000 shares of the Company granted to certain Directors and employees of the Group were outstanding. Details of which were as follows:

Category or name of grantees	Options to subscribe for shares of the Company					Exercise period (subject to vesting period)	Exercise price per share HK\$
	Balance as at 1.8.2008	Granted during the period	Lapsed during the period	Exercised during the period	Balance as at 31.1.2009		
<b>Directors</b>							
Huang Sheng-Shun	550,000	-	-	-	550,000	08.06.2008– 15.05.2017	\$2.20
Wu Ih Chen	455,000	-	-	-	455,000	08.06.2008– 15.05.2017	\$2.20
Lin Hung-Ming	320,000	-	-	-	320,000	08.06.2008– 15.05.2017	\$2.20
Wong Tak Leung	275,000	-	-	-	275,000	08.06.2008– 15.05.2017	\$2.20
Huang Te-Wei	230,000	-	-	-	230,000	08.06.2008– 15.05.2017	\$2.20
<b>Employees</b>	5,595,000	-	(185,000) <sup>1</sup>	-	5,410,000	08.06.2008– 15.05.2017	\$2.20
<b>Total</b>	7,425,000	-	(185,000)	-	7,240,000		

### Notes

- 1) The share options were held by a grantee who ceased to be the employee of the Group during the period.
- 2) No share options were cancelled during the period.

During the six months period ended 31st January 2009, no share option were granted under the Post-IPO share options Scheme.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 31st January 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices 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 31st January 2009.

Despite the removal of the requirement for a qualified accountant in the Main Board Listing Rules effective on 1st January 2009, the Group continues to maintain a qualified accountant to oversee its financial reporting and other accounting-related issues in accordance with the relevant laws, rules and regulations.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for Directors' securities transactions (the "Model Code"). Having made specific enquiry, all the Directors confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 31st January 2009.

## AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. Yeung Chi Tat (chairman), Mr. Chuang Hong-Jen and Mr. Hsieh Yu, all of whom are independent non-executive Directors of the Company.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters.

The Company's unaudited consolidated financial statements for the six months ended 31st January 2009 have been reviewed by the Audit Committee and Messrs. SHINEWING (HK) CPA Limited, the auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

### **By Order of the Board**

Ta Yang Group Holdings Limited

### **Huang Sheng-Shun**

*Chairman*

Hong Kong, 24th April 2009