



Ta Yang Group Holdings Limited

大洋集團控股有限公司 (Stock Code : 1991)

(incorporated in the Cayman Islands with limited liability)



Value Innovation

TaYang

Interim Report **2009/10**



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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

Hsieh Yu
Jou Yow-Jen
Yeung Chi Tat

COMMITTEES

Audit Committee

Yeung Chi Tat*
Hsieh Yu
Jou Yow-Jen

Remuneration Committee

Yeung Chi Tat*
Hsieh Yu
Jou Yow-Jen

Nomination Committee

Yeung Chi Tat*
Hsieh Yu
Jou Yow-Jen

Executive Committee

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

Compliance Committee

Yeung Chi Tat*
Wu Ih Chen
Huang Te-Wei
Chan Oi Fat

* Committee Chairman

CORPORATE INFORMATION

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January 2010

	Notes	Six months ended 31st January	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited and restated)
Turnover	5	397,661	331,447
Cost of sales		(295,710)	(232,975)
Gross profit		101,951	98,472
Other operating income		7,787	9,561
Selling and distribution expenses		(12,259)	(14,753)
Administrative expenses		(46,697)	(57,651)
Other net expenses		(1,847)	(3,469)
Share of results of an associate		291	(39)
Profit before taxation		49,226	32,121
Income tax expense	7	(3,903)	(1,378)
Profit for the period attributable to owners of the Company	8	45,323	30,743
Earnings per share			
Basic	9 (a)	HK5.67 cents	HK3.84 cents
Diluted	9 (b)	HK5.66 cents	HK3.84 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31st January 2010

	Six months ended 31st January	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited and restated)
Profit for the period	45,323	30,743
Other comprehensive income/(expense):		
Exchange differences on translation of foreign operations	–	(32)
Share of exchange reserve of an associate	162	(529)
Fair value gain on available-for-sale investments	4,623	–
Other comprehensive income/(expense) for the period (net of tax)	4,785	(561)
Total comprehensive income for the period attributable to owners of the Company	50,108	30,182

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st January 2010

	Notes	31/1/2010 HK\$'000 (Unaudited)	31/7/2009 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	319,755	303,717
Construction in progress	12	719	18,740
Prepaid lease prepayments		57,414	58,057
Available-for-sale investments		28,385	17,086
Held-to-maturity investment	13	11,610	11,610
Interest in an associate		1,720	1,652
Deferred tax assets		–	888
		419,603	411,750
Current assets			
Inventories		136,167	108,989
Trade and other receivables	14	255,599	205,331
Prepaid lease payments		1,298	1,298
Income tax recoverable		1,906	3,066
Financial assets at fair value through profit and loss	15	15,447	598
Held-to-maturity investment	13	39,760	–
Derivative financial instrument		–	115
Short term bank deposits		7,748	1,026
Bank balances and cash		358,572	458,000
		816,497	778,423
Current liabilities			
Trade and other payables	16	122,580	68,139
Income tax payable		51,254	50,083
		173,834	118,222
Net current assets		642,663	660,201
		1,062,266	1,071,951
Capital and reserves			
Share capital	17	80,000	80,000
Reserves		981,074	990,925
		1,061,074	1,070,925
Non-current liabilities			
Deferred income		1,014	1,026
Deferred tax liabilities		178	–
		1,192	1,026
		1,062,266	1,071,951

CONDENSED CONSOLIDATED STATEMENT OF THE CHANGES IN EQUITY

For the six months ended 31st January 2010

	Share capital	Share premium	Share option reserve	Share repurchase reserve	Retained profits	Exchange reserve	Investments revaluation reserve	Statutory surplus reserve	Legal reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000
At 1st August 2008 (audited)	80,000	659,945	6,186	-	293,519	86,890	-	21,539	49	1,148,128
Total comprehensive income (expense) for the period, as restated	-	-	-	-	30,743	(561)	-	-	-	30,182
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 and restated)	80,000	659,945	7,462	-	276,444	86,329	-	21,539	49	1,131,768
Total comprehensive (expense) income for the period, as restated	-	-	-	-	(69,636)	(20)	7,380	-	-	(62,276)
Transfer to reserve for value of share option lapsed	-	-	(193)	-	193	-	-	-	-	-
Appropriation to reserves	-	-	-	-	(3,333)	-	-	3,333	-	-
Equity-settled share-based transactions	-	-	1,433	-	-	-	-	-	-	1,433
At 31st July 2009 (audited)	80,000	659,945	8,702	-	203,668	86,309	7,380	24,872	49	1,070,925
Total comprehensive income for the period	-	-	-	-	45,323	162	4,623	-	-	50,108
Transfer to reserve for value of share option lapsed	-	-	(412)	-	412	-	-	-	-	-
Equity-settled share-based transactions	-	-	1,455	-	-	-	-	-	-	1,455
Repurchase of own shares pending for cancellation	-	-	-	(13,414)	-	-	-	-	-	(13,414)
Dividend declared and paid during the period	-	-	-	-	(48,000)	-	-	-	-	(48,000)
At 31st January 2010 (unaudited)	80,000	659,945	9,745	(13,414)	201,403	86,471	12,003	24,872	49	1,061,074

CONDENSED CONSOLIDATED STATEMENT OF THE CHANGES IN EQUITY

For the six months ended 31st January 2010

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 statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to equity owners.

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 the subsidiary's registered capital. Legal reserve is not distributable to shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st January 2010

	Six months ended 31st January	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net cash from operating activities	49,868	20,995
Net cash used in investing activities	(89,239)	(32,636)
Net cash used in financing activities	(60,057)	(48,000)
Net decrease in cash and cash equivalents	(99,428)	(59,641)
Cash and cash equivalents at 1st August	458,000	487,429
Cash and cash equivalents at 31st January, representing bank balances and cash	358,572	427,788

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

1. GENERAL

Ta Yang Group Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The condensed consolidated interim financial information 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 interim financial information 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 condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. PRIOR PERIOD ADJUSTMENT

In last interim period, the Group received a government grant of approximately HK\$1,049,000 from 浙江湖州經濟開發區管理委員會 and the amount was recognised as other operating income for the six months ended 31st January 2009. Subsequent to last interim period, the management clarified that the government grant was received for the acquisition of land use rights included in prepaid lease payments. As such, the amount was presented as deferred income and was released to income over the useful lives of the assets in the consolidated audited financial statements of the Group for the year ended 31st July 2009. To ensure a single accounting policy is applied throughout an entire financial year, the financial information of prior interim period in relation to the government grant was restated. The effects of the restatement by line items are as follows:

For the six months ended 31st January 2009:

	HK\$'000
Decrease in other operating income	1,037
Decrease in income tax expense	259
Decrease in profit attributable to owners of the Company	778
Net decrease in earnings per share	HK0.10 cents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

4. PRINCIPAL ACCOUNTING POLICIES

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

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

In the current period, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for the amendments that are effective for annual periods beginning on or after 1st January 2010
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 (Revised)	First-time adoption of HKFRSs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Interpretation ("Int") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the condensed consolidated interim financial information of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the interim financial information) and changes in the format and content of the interim financial information.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁵
HKAS 32 (Amendment)	Classification of Right Issues ³
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁴
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ²
HKFRS 9	Financial Instruments ⁶
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁵
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁴

¹ Amendments that are effective for annual periods beginning on or after 1st January 2010.

² Effective for annual periods beginning on or after 1st January 2010.

³ Effective for annual periods beginning on or after 1st February 2010.

⁴ Effective for annual periods beginning on or after 1st July 2010.

⁵ Effective for annual periods beginning on or after 1st January 2011.

⁶ Effective for annual periods beginning on or after 1st January 2013.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the condensed consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the condensed consolidated interim financial information.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

5. TURNOVER

Turnover represents sales value of goods sold to customers net of sales tax and value added tax.

6. SEGMENT INFORMATION

Application of HKFRS 8 Operating Segments

The Group has adopted HKFRS 8 Operating Segments with effect from 1st August 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 Segment Reporting. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's revenues, results and assets are primarily attributable to the manufacturing and sale of silicone rubber related products. The directors of the Company consider that there is only one operating and reportable segment for the Group. Accordingly, no reportable segment information is presented.

7. INCOME TAX EXPENSE

	Six months ended 31st January	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited and restated)
Current tax		
– PRC Enterprise Income Tax	2,837	2,896
Deferred taxation		
– Current period	1,066	(1,518)
	3,903	1,378

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the six months ended 31st January 2010 and 2009.

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information as there was no estimated assessable profit in both period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

7. INCOME TAX EXPENSE (CONTINUED)

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.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January 2008 onwards. Accordingly, provision for PRC Enterprise Income Tax for the PRC subsidiaries is calculated at 25% of estimated assessable profits for both periods, except disclosed as follows:

- 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.
- The first profit-making year of Dongguan Tay Yang is 2005. Accordingly, Dongguan Tay Yang is exempted from PRC 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. From 1st January 2010 onwards, provision for PRC Enterprise Income Tax for Dongguan Tay Yang is calculated at 25% of its estimated assessable profits.
- The first profit-making year of Huzhou Ta Yang is 2004. Accordingly, Huzhou Ta Yang is exempted from PRC 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. In September 2008, Huzhou Ta Yang is recognised as an approved technology enterprise and is eligible to a preferential tax rate of 15% from 1st January 2009 to 31st December 2010.
- The first profit-making year of Dongguan Tai Yang is 2008. Accordingly, 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

8. PROFIT FOR THE PERIOD

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

	Six months ended 31st January	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited and restated)
Allowance for inventories (included in cost of sales)	–	1,493
Amortisation of prepaid lease payments	643	654
Cost of inventories recognised as expenses	295,710	231,482
Depreciation of property, plant and equipment	20,263	19,603
(Reversal) impairment losses recognised in respect of trade receivables	(2)	784
Exchange (gain) loss	(2,751)	2,892
Interest income	(2,495)	(4,432)
Government grants		
– Amortisation of deferred income	(12)	(12)
– Grants related to expenses recognised as other operating income	(154)	(146)
Loss from derivative financial instruments	1,611	1,549
Loss on disposal of property, plant and equipment	91	53
Gain on disposal of financial assets at fair value through profit or loss	(32)	–

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

9. EARNINGS PER SHARE

(A) BASIC

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	Six months ended 31st January	
	2010 (Unaudited)	2009 (Unaudited and restated)
Profit attributable to owners of the Company (HK\$'000)	45,323	30,743
Weighted average number of ordinary shares in issue ('000)	800,000	800,000
Basic earnings per share (HK\$ per share)	5.67 cents	3.84 cents

(B) DILUTED

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

	Six months ended 31st January	
	2010 (Unaudited)	2009 (Unaudited and restated)
Profit attributable to owners of the Company (HK\$'000)	45,323	30,743
Weighted average number of ordinary shares in issue ('000)	800,000	800,000
Effect of dilutive potential ordinary shares ('000)	512	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	800,512	800,000
Diluted earnings per share (HK\$ per share)	5.66 cents	3.84 cents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

9. EARNINGS PER SHARE (CONTINUED)

(B) DILUTED (CONTINUED)

For the six months ended 31st January 2009, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of the Company's share options was higher than the average market price of the Company's shares. Hence, the diluted earnings per share was the same as the basic earnings per share for the six months ended 31st January 2009.

10. DIVIDENDS

	Six months ended 31st January	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
2009 final dividend of HK\$0.06 per share (2008: 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 2010 and 2009.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31st January 2010, the Group acquired items of property, plant and equipment with a cost of approximately HK\$18,011,000 (six months ended 31st January 2009: approximately HK\$37,441,000) for the expansion of production facilities. Items of property, plant and equipment with a carrying amount of approximately HK\$1,328,000 were disposed of during the six months ended 31st January 2010 (six months ended 31st January 2009: approximately HK\$943,000), resulting in a loss on disposal of approximately HK\$91,000 (six months ended 31st January 2009: approximately HK\$53,000).

12. CONSTRUCTION IN PROGRESS

During the six months ended 31st January 2010, the Group acquired items of construction in progress with a cost of approximately HK\$1,597,000 (six months ended 31st January 2009: approximately HK\$27,681,000) mainly for construction of a warehouse. Items of construction in progress with a carrying amount of approximately HK\$19,618,000 were transferred to property, plant and equipment during the six months ended 31st January 2010 (six months ended 31st January 2009: approximately HK\$24,905,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

13. HELD-TO-MATURITY INVESTMENT

Held-to-maturity investment comprises:

	31/1/2010	31/7/2009
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Unlisted debt securities		
– Current portion	39,760	–
– Non-current portion	11,610	11,610
	51,370	11,610

The unlisted debt securities under current portion carry fixed interest at 2.4% per annum, payable at maturity date in February 2010.

The unlisted debt securities under non-current portion carry variable interest at three-month LIBOR plus 0.95% per annum, payable quarterly, and will mature in May 2012.

14. TRADE AND OTHER RECEIVABLES

	31/1/2010	31/7/2009
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables		
– from third parties	232,044	191,435
– from an associate	2,870	843
Less: Impairment losses recognised in respect of trade receivables	(345)	(406)
	234,569	191,872
Prepayments, deposits and other receivables	21,030	13,459
	255,599	205,331

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	31/1/2010	31/7/2009
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 1 month or on demand	96,272	67,950
More than 1 month but less than 3 months	100,158	86,965
More than 3 months but less than 12 months	38,139	36,882
More than 12 months	–	75
	234,569	191,872

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss ("FVTPL") comprise:

	31/1/2010	31/7/2009
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Held for trading		
– Equity securities listed in Hong Kong	99	598
Designated as at FVTPL		
– Dual currency option structured deposit	15,348	–
	15,447	598

During the six months ended 31st January 2010, the Group placed a deposit under dual currency option structured deposit contract with a financial institution in Hong Kong. The structured deposit with principal amount of approximately United States Dollar ("USD") 2,007,000 (equivalent to approximately HK\$15,536,000) at coupon rate of 3.74% per annum will mature on 16th February 2010. The structured deposit contains embedded derivative, the return of which is determined with reference to the change in exchange rate between USD and Euros quoted in the market. The structured deposit is designated as fair value through profit or loss at initial recognition. Subsequent on 16th February 2010, the structured deposit matured at a fair value of approximately HK\$15,233,000 and cash proceeds of approximately EUR1,418,000 (equivalent to approximately HK\$15,233,000) were received by the Group.

The loss arising from changes in fair value of financial assets at fair value through profit or loss for the six months ended 31st January 2010 is approximately HK\$188,000 (2008: Nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

16. TRADE AND OTHER PAYABLES

	31/1/2010	31/7/2009
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	78,249	31,822
Other payables	44,331	36,317
	122,580	68,139

An aged analysis of the trade payables is as follows:

	31/1/2010	31/7/2009
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Due within 1 month or on demand	21,581	20,969
Due after 1 month but less than 3 months	48,741	8,477
Due after 3 months but within 12 months	5,695	1,887
Due after 12 months	2,232	489
	78,249	31,822

17. SHARE CAPITAL

(A) AUTHORISED AND ISSUED SHARE CAPITAL

	Number of Shares	Amount
	(in thousands)	HK\$'000
Ordinary share of HK\$0.1 each		
Authorised:		
At 31st January 2009, 31st July 2009 and 31st January 2010	20,000,000	2,000,000
Issued and fully paid:		
At 31st January 2009, 31st July 2009 and 31st January 2010	800,000	80,000

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

17. SHARE CAPITAL (CONTINUED)

(B) REPURCHASE OF OWN SHARES

During the six months ended 31st January 2010, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Period	Note	Number of shares repurchased (in thousands)	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
January 2010	(i)	10,000	1.39	1.20	13,414

- (i) The repurchased shares were pending for cancellation at 31st January 2010 and the amount paid on the repurchase of the shares of approximately HK\$13,414,000 was charged to the share repurchase reserve. The repurchased shares were subsequently cancelled in February and March 2010.

18. SHARE OPTION SCHEME

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

	Six months ended 31st January	
	2010	2009
Outstanding at 1st August	7,085,000	7,425,000
Grant during the period	10,950,000	–
Lapsed during the period	(30,000)	(185,000)
Outstanding at 31st January	18,005,000	7,240,000

In the current period, share options with vesting period ranging from half to one year were granted to the directors and eligible employees on 24th December 2009. The closing price of the Company's shares immediately before 24th December 2009, the date of grant, was HK\$0.90. Those who were granted the options can exercise their rights in two periods starting from 24th June 2010 to 23rd December 2019 as below:

Lot 1: From 24th June 2010 to 23rd December 2019

Lot 2: From 24th December 2010 to 23rd December 2019

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

18. SHARE OPTION SCHEME (CONTINUED)

The fair value of the options determined at the date of grant using the Black-Scholes Option Pricing Model was approximately HK\$3,427,000.

The following assumptions were used to calculate the fair values of share options:

	Share option granted on 24th December 2009	
	Lot 1	Lot 2
Grant date share price	HK\$0.92	HK\$0.92
Exercise price	HK\$0.96	HK\$0.96
Expected volatility	54.21%	54.21%
Expected life	5.25 years	5.5 years
Risk-free rate	1.90%	1.96%
Expected dividend yield	4.2%	4.2%

Expected volatility was determined based on historical volatility of the share prices of a comparable company of the Company, since the Company is a newly listed company and has limited price history. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Black-Scholes Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognised total expenses of approximately HK\$1,455,000 for the six months ended 31st January 2010 (six months ended 31st January 2009: HK\$1,458,000) in relation to the fair value of the share options granted by the Company and vested during the period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

19. RELATED PARTY TRANSACTIONS

- (A) Other than disclosed in note 14 in the condensed consolidated interim financial information, the Group entered into the following material transactions with related parties:

Name of company	Nature of transactions	Six months ended 31st January	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
SiTY Silcum & Ta Yang	Sales of rubber keypads	4,556	3,735
International GmbH ("SiTY")	Receipt of tooling charges	–	289
(Note)	Receipt of modification charges	–	31
	Receipt of fixture charges	3	12

Note: SiTY is an associate company 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	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Short-term benefits	3,371	6,226
Post-employment benefits	60	98
Share-based payments	506	468
	3,937	6,792

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st January 2010

20. CAPITAL COMMITMENTS

	31/1/2010	31/7/2009
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated interim financial information in respect of the acquisition of		
– Property, plant and equipment	8,360	5,034
– Available-for-sale investments	–	6,676
	8,360	11,710

21. EVENT AFTER THE REPORTING PERIOD

As mentioned in Note 17(B), the Company repurchased its own ordinary shares on the Stock Exchange in January 2010. The repurchased shares were pending for cancellation and the amount paid on the repurchase of the shares of approximately HK\$13,414,000 was charged to the share repurchase reserve as at 31st January 2010. The repurchased shares were subsequently cancelled in February and March 2010 and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

INDEPENDENT REVIEW REPORT



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

TO THE DIRECTORS OF TA YANG GROUP HOLDINGS LIMITED

大洋集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 24, which comprises the condensed consolidated statement of financial position of Ta Yang Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31st January 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows 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 information 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 information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 information consists of making enquiries, 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information 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
20th April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The aftershocks of the financial tsunami still remained and the global economy kept having a lot of challenge during the period. This resulted in an extremely hard business environment for enterprises especially for those in the manufacturing industry. Consequently, the global demand for the traditional consumer products slowed down during the period. However, consumers still have a strong demand for innovative consumer electronic products which bring significant value to them, i.e. 3G smartphones, laptops and netbooks. Therefore, new opportunities were brought to the industry. Due to the rapid changing environment, we have taken appropriate actions to maintain a decent level of gross margin and profit during the period. This is achieved through prudent management of flexible business strategies, cost control and productivity enhancement.

With the gradual revival of the global economy, the Group managed to capitalize on opportunities from the rapid development of new 4C products including consumer electronic devices, keypads for mobile phones, keypads for computers and notebooks and automotive peripheral products. The turnover of the Group has grown to HK\$397.7 million, representing an increase of approximately 37.7% compared with the result of the second half of 2009.

Benefiting from the growing demand of netbooks and mobile phones, netbook and mobile phone keypads achieved encouraging results. To capture 4C products markets, the Group had upgraded its production equipment from time to time so as to increase its life span, enhance productivity and ensure product quality. The Group managed to gain new customers by leveraging on our competitiveness and ensure satisfactory returns during the period.

The Group will continue to streamline its financial control and reporting systems with emphasis on cost effective and good quality production process in order to strengthen its niche in the industry.

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

OUTLOOK

Although unfavourable economic conditions had affected the performance of the Group, it had also created business opportunities for the development of new product lines and penetration into new markets and new customers so as to achieve growth and rebuild the businesses in the wake of the economic downturn.

Notebook, netbook and mobile phone keypads, being the cornerstone of the Group, have consistently brought strong contribution to the Group's results. We expect that 4C consumer products market would continue flourishing. The Group will strive to strengthen its product quality. Such measure can not only improve the Group's overall profitability, but also expand its client base.

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

MANAGEMENT DISCUSSION AND ANALYSIS

As the economic conditions have increasingly shown signs of gradual recovery, the Company will explore business opportunities relating to the Group's core businesses at attractive prices with an aim to consolidate our competitive advantages in the industry and will also invest more resources to strengthen our core businesses.

Encouraged by the gradual recovery of the economy during the second half of the year, the Group planned to introduce more daily living products with environmentally friendly silicone material under the brand of "SIPALS" to cater for different customer needs.

Overall, the Group will continue to implement effective cost control measures and productivity enhancement for strengthening its financial position. Anticipating gradual economic rebound in the coming year, the Group is determined to capture opportunities by broadening its customer base and optimizing its operational efficiency.

FINANCIAL REVIEW

TURNOVER

With the gradual recovery of the global economy which increases the demand for the consumption of electronic products, the turnover for the period was HK\$397.7 million, which represents an increase of HK\$66.2 million, or 20.0% compared with the corresponding period in 2009. Thanks to the strong market demand for innovative electronic products such as smart phones and netbooks, it causes the sales of keypads for mobile phones and computers and notebooks to have a remarkable increase for the period.

For the sales of our own brand "SIPALS" which provide a wide range of new lifestyle products with environmentally friendly features and cultural concepts, there was a steady growth with increasingly market awareness. To sustain the growth, the Group will continue to maintain high-margin products and focus on marketing these products to broaden its customer base and explore business opportunities.

GROSS PROFIT

The gross profit was HK\$102.0 million, an increase of HK\$3.5 million or 3.5% as compared with the corresponding period in 2009. However, overall profit margin for the period decreased from 29.7% to 25.6%. The decrease in the profit margin was due to the increasing labour costs and manufacturing overhead such as depreciation which was difficult to shift all the increasing costs to the customers under the current economic environment.

OTHER OPERATING INCOME

Other operating income decreased by HK\$1.8 million or 18.6% to HK\$7.8 million as compared with the corresponding period in 2009. The decrease was mainly due to the decrease in the interest income from bank deposits.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 16.9% to HK\$12.3 million as compared with the corresponding period in 2009. When counted as a percentage of the Group's turnover, the total amount was 3.1%, 1.4% decreased as compared with the corresponding period in 2009. The decrease was a result of the effective cost control.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

Administrative expenses decreased from HK\$57.7 million to HK\$46.7 million as compared with the corresponding period in 2009. When counted as a percentage of the Group's turnover, the total amount of administrative expenses was 11.7%, 5.7% decreased compared with the corresponding period in 2009. The decrease was a result of the effective cost control and the improvement in the efficiency of operation.

PROFIT FOR THE PERIOD

Profit for the period was HK\$45.3 million, representing an increase of HK\$14.6 million or 47.4% as compared with the corresponding period in 2009.

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.

	As at 31st January 2010 HK\$'000	As at 31st July 2009 HK\$'000
Cash and cash equivalents	358,572	458,000
Net current assets	642,663	660,201
Current Ratio	4.7	6.6
Quick Ratio	3.9	5.7

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on uncommitted funds. The remaining 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 period, 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 take appropriate measure to deal with the RMB exposure.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2010 are as follows:

Particular	Planned amount	Utilised amount
	HK\$ million	HK\$ million
Expansion of production facilities for silicone rubber based products	468	(194)
Upgrade and expansion of upstream production facilities	56	–
Strengthening research and development capabilities	39	(21)
Implementation of resources planning system	22	(1)
General working capital	50	(50)
Total	635	(266)

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 2010 the Group employed more than 7,673 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. As at 31st January 2010, 7,055,000 share options were still outstanding under the Pre-IPO Share Option Scheme, of which 5,225,000 options are held by employees of the Group. A total of 30,000 options was lapsed during the period.

The Company also adopted a Post-IPO Share Option Scheme on 16th May 2007. On 24th December 2009, 10,950,000 options have been granted under the Post-IPO Share Option Scheme, of which 7,350,000 options are held by employees of the Group and no option has been lapsed during the period.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 31st January 2010 and 31st January 2009.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31st January, 2010, 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 issued share capital of the Company as at 31.1.2010	Notes
		Interests in shares	Equity derivatives (Share Options)	Total interests		
Huang Sheng-Shun	Settlor of Huang Trust	413,940,000	–	422,740,000	52.84%	1 to 2
	Beneficial Owner	7,500,000	1,300,000			
Wu Ih Chen	Beneficial Owner	1,500,000	1,205,000	2,705,000	0.34%	
Lin Hung-Ming	Beneficial Owner	9,640,000	920,000	10,560,000	1.32%	
Wong Tak Leung	Beneficial Owner	5,760,000	875,000	6,635,000	0.83%	
Huang Te-Wei	Beneficiary of Huang Trust	413,940,000	–	414,770,000	51.85%	1 to 3
	Beneficial Owner	–	830,000			
Kirk Yang	Beneficial Owner	–	100,000	100,000	0.01%	

OTHER INFORMATION

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Approximate percentage of issued share capital of the Company as at 31.1.2010	Notes
		Interests in shares	Equity derivatives (Share Options)	Total interests		
Hsieh Yu	Beneficial Owner	–	100,000	100,000	0.01%	
Yeung Chi Tat	Beneficial Owner	–	100,000	100,000	0.01%	

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:

Name of the 7 BVI Companies	No. of Shares held	Approximate percentage of issued share capital of the Company
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%
Total	413,940,000	51.74%

OTHER INFORMATION

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. 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.
4. On 1st February, 2010, Huang Trust was replaced by Sunshiny Trust. Sunshiny Trust is a discretionary trust, of which Mr. Huang Sheng-Shun is the settlor, Hang Seng Bank Trustee International Limited (the "Hang Seng Bank Trustee") is the trustee and family members of Mr. Huang Sheng-Shun (including Mr. Huang Te-Wei) are beneficiaries.

The 7 BVI Companies are respectively 100% owned subsidiaries of Acuwake Enterprises Limited (the "Acuwake"). Acuwake is 100% owned by Bluebell Global Enterprises Limited (the "Bluebell"). Bluebell is 100% owned by Hang Seng Bank Trustee as trustee of Sunshiny Trust. Mr. Huang Sheng-Shun is the settlor of Sunshiny Trust and accordingly is taken to be interested in such shares. As Mr. Huang Te-Wei is a son of Mr. Huang Sheng-Shun and a beneficiary of Sunshiny Trust, Mr. Huang Te-Wei is taken to be interested in the same block of 413,940,000 shares held by the 7 BVI Companies.

5. Details of the Directors' interests in the share options granted by the Company are set out under the heading "Directors' Rights to Acquire Shares" below.

OTHER INFORMATION

Directors's Right to Acquire Shares

Name of Director	Date of Grant	Exercise Period (subject to vesting period)	Balance as at 1.8.2009	Grant during the period	Exercise price per share HK\$	as at 31.1.2010	
						Number of Shares subject to outstanding options	Approximate percentage of the Company's issued capital
Huang Sheng-Shun	16.05.2007	08.06.2008 – 15.05.2017	550,000	–	\$2.20	550,000	0.07%
	24.12.2009	24.06.2010 – 23.12.2019	–	750,000	\$0.96	750,000	0.09%
						1,300,000	0.16%
Wu Ih Chen	16.05.2007	08.06.2008 – 15.05.2017	455,000	–	\$2.20	455,000	0.06%
	24.12.2009	24.06.2010 – 23.12.2019	–	750,000	\$0.96	750,000	0.09%
						1,205,000	0.15%
Huang Te-Wei	16.05.2007	08.06.2008 – 15.05.2017	230,000	–	\$2.20	230,000	0.03%
	24.12.2009	24.06.2010 – 23.12.2019	–	600,000	\$0.96	600,000	0.08%
						830,000	0.11%
Lin Hung-Ming	16.05.2007	08.06.2008 – 15.05.2017	320,000	–	\$2.20	320,000	0.04%
	24.12.2009	24.06.2010 – 23.12.2019	–	600,000	\$0.96	600,000	0.08%
						920,000	0.12%

OTHER INFORMATION

Name of Director	Date of Grant	Exercise Period (subject to vesting period)	Balance as at 1.8.2009	Grant during the period	Exercise price per share HK\$	as at 31.1.2010	
						Number of Shares subject to outstanding options	Approximate percentage of the Company's issued capital
Wong Tak Leung	16.05.2007	08.06.2008 – 15.05.2017	275,000	–	\$2.20	275,000	0.03%
	24.12.2009	24.06.2010 – 23.12.2019	–	600,000	\$0.96	600,000	0.08%
						875,000	0.11%
Kirk Yang	24.12.2009	24.06.2010 – 23.12.2019	–	100,000	\$0.96	100,000	0.01%
Hsieh Yu	24.12.2009	24.06.2010 – 23.12.2019	–	100,000	\$0.96	100,000	0.01%
Yeung Chi Tat	24.12.2009	24.06.2010 – 23.12.2019	–	100,000	\$0.96	100,000	0.01%

Further details of the share options are set out in the section headed "Share Option Scheme" below.

OTHER INFORMATION

(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%

OTHER INFORMATION

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 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%

*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, 2010, 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.

OTHER INFORMATION

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

As at 31st January 2010, 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

Name of shareholder	Nature of interests	Number of shares held in the Company	Number of shares subject to options	Total	Percentage of interest as to the issued share capital of the Company as at 31.1.2010	Note(s)
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	–	422,740,000	52.84%	1
	Beneficial interests	7,500,000	1,300,000			
Tong Mei-Jen	Spouse interests	413,940,000	–	422,740,000	52.84%	1
		7,500,000	1,300,000			
Huang Te-Wei	Beneficiary of Huang Trust	413,940,000	–	414,770,000	51.85%	6
	Beneficial interests	–	830,000			
Chao Yu Ting	Spouse interests	413,940,000	–	414,770,000	51.85%	6
		–	830,000			
Wu Pei Min	Corporate Interests	60,120,000	–	60,365,000	7.54%	2 & 3
	Beneficial Interests	–	245,000			

OTHER INFORMATION

Name of shareholder	Nature of interests	Number of shares held in the Company	Number of shares subject to options	Total	Percentage of interest as to the issued share capital of the Company as at 31.1.2010	Note(s)
Wu Chung-chieh, Jack	Corporate interests	57,600,000	–	57,672,000	7.2%	2 to 4
	Beneficial interests	32,000	40,000			
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. Details of Mr. Huang Sheng-Shun's share options, please refer to sub-section headed "Share Option Scheme" for details. Homelink was replaced by Hang Seng Bank Trustee on 1st February, 2010, please refer note 4 of the sub-section headed "(A) Long positions in Shares and underlying Shares in the Company" under the section headed "Directors' Interests" in above for details.

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 and Mr. Wu Chung-chieh, Jack are deemed to have beneficial interests in all these shares by virtue of SFO.

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- (3) 2,520,000 shares out of 60,120,000 shares were held by a company wholly owned by Ms. Wu Pei Min. Therefore, Ms. Wu is deemed to be beneficial interest in all these shares.

95,000 shares out of 245,000 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.

The 150,000 shares out of 245,000 shares represent shares exercisable pursuant to options granted to Ms. Wu Pei Min on 24th December, 2009 under the Post-IPO Share Option Scheme of the Company which is exercisable at a price of HK\$0.96 per share during the period from 24th June 2010 to 23rd December 2019.

- (4) The 40,000 shares represent shares exercisable pursuant to options granted to Mr. Wu Chung-chieh, Jack on 24th December, 2009 under the Post-IPO Share Option Scheme of the Company which is exercisable at a price of HK\$0.96 per share during the period from 24th June 2010 to 23rd December 2019.

- (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. Mr. Lo Wah Wai ceased to have interest in shares after Huang Trust was replaced by Sunshiny Trust on 1st February 2010.

- (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. Details of Mr. Huang Te-Wei's share options, please refer to sub-section headed "Share Option Scheme" for details.

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.

Save as disclosed above, as at 31st January, 2010, 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.

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SHARE OPTION SCHEME

The Company operates two share schemes, the Pre-IPO Share Options Scheme and Post-IPO Share Options Scheme under which the Board may, at its discretion, offer any employee including Directors of the Company to subscribe for shares in the Company subject to the terms and conditions stipulated in two schemes. Both Share Options Schemes were approved by the shareholders of the Company on 16th May, 2007.

Details of specific categories of options are as follows:-

Option Type	Date of Grant	Exercise Period	Exercise price (HK\$)
Pre-IPO Share Option Scheme ("Share Option Scheme I")	16.05.2007	08.06.2008 – 15.05.2017	HK\$2.20
Post-IPO Share Option Scheme ("Share Option Scheme II")	24.12.2009	24.06.2010 – 23.12.2019	HK\$0.96

The following table disclose movements in the share options during the period:

		Option to subscribe for shares of the Company					Exercise period (subject to vesting period)	Exercise price per share HK\$
Category or name of grantees	Option Type	Balance as at 1.8.2009	Granted during the period	Lapsed during the period	Exercised during the period	Balance as at 31.1.2010		
Directors								
Huang Sheng-Shun	Share Option Scheme I	550,000	-	-	-	550,000	08.06.2008 – 15.05.2017	\$2.20
	Share Option Scheme II	-	750,000	-	-	750,000	24.06.2010 – 23.12.2019	\$0.96
		550,000	750,000	-	-	1,300,000		

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Option to subscribe for shares of the Company								
Category or name of grantees	Option Type	Balance as at 1.8.2009	Granted during the period	Lapsed during the period	Exercised during the period	Balance as at 31.1.2010	Exercise period (subject to vesting period)	Exercise price per share HK\$
Wu Ih Chen	Share Option Scheme I	455,000	–	–	–	455,000	08.06.2008 – 15.05.2017	\$2.20
	Share Option Scheme II	–	750,000	–	–	750,000	24.06.2010 – 23.12.2019	\$0.96
		<u>455,000</u>	<u>750,000</u>	<u>–</u>	<u>–</u>	<u>1,205,000</u>		
Huang Te-Wei	Share Option Scheme I	230,000	–	–	–	230,000	08.06.2008 – 15.05.2017	\$2.20
	Share Option Scheme II	–	600,000	–	–	600,000	24.06.2010 – 23.12.2019	0.96
		<u>230,000</u>	<u>600,000</u>	<u>–</u>	<u>–</u>	<u>830,000</u>		
Lin Hung-Ming	Share Option Scheme I	320,000	–	–	–	320,000	08.06.2008 – 15.05.2017	\$2.20
	Share Option Scheme II	–	600,000	–	–	600,000	24.06.2010 – 23.12.2019	\$0.96
		<u>320,000</u>	<u>600,000</u>	<u>–</u>	<u>–</u>	<u>920,000</u>		
Wong Tak Leung	Share Option Scheme I	275,000	–	–	–	275,000	08.06.2008 – 15.05.2017	\$2.20
	Share Option Scheme II	–	600,000	–	–	600,000	24.06.2010 – 23.12.2019	\$0.96
		<u>275,000</u>	<u>600,000</u>	<u>–</u>	<u>–</u>	<u>875,000</u>		

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Option to subscribe for shares of the Company

Category or name of grantees	Option Type	Balance as at 1.8.2009	Granted during the period	Lapsed during the period	Exercised during the period	Balance as at 31.1.2010	Exercise period (subject to vesting period)	Exercise price per share HK\$
Kirk Yang	Share Option Scheme II	-	100,000	-	-	100,000	24.06.2010 – 23.12.2019	\$0.96
Hsieh Yu	Share Option Scheme II	-	100,000	-	-	100,000	24.06.2010 – 23.12.2019	\$0.96
Yeung Chi Tat	Share Option Scheme II	-	100,000	-	-	100,000	24.06.2010 – 23.12.2019	\$0.96
Total for Directors		1,830,000	3,600,000	-	-	5,430,000		
Employees	Share Option Scheme I	5,255,000	-	(30,000) ¹	-	5,225,000	08.06.2008 – 15.05.2017	\$2.20
	Share Option Scheme II	-	7,350,000	-	-	7,350,000	24.06.2010 – 23.12.2019	\$0.96
Total for Employees		5,255,000	7,350,000	(30,000)	-	12,575,000		
All Categories	Share Option Scheme I	7,085,000	-	(30,000)	-	7,055,000	08.06.2008 – 15.05.2017	\$2.20
	Share Option Scheme II	-	10,950,000	-	-	10,950,000	24.06.2010 – 23.12.2019	\$0.96
Total		7,085,000	10,950,000	(30,000)	-	18,005,000		

Notes:—

- The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.90 per share.

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2. The vesting period of Pre-IPO share options is from the date of grant until the commencement of the exercise period.
3. The vesting period of Post-IPO share options is from the date of grant until the commencement of the exercise period.
4. The share options were held by a grantee who ceased to be the employee of the Group during the period.
5. No share option were cancelled during the period.

Save as disclosed above, no share options were granted to the Directors or employees of the Groups under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 31st January 2010, the Company had repurchased a total of 10,000,000 shares of HK\$0.10 each of the Company on the Stock Exchange at an aggregate HK\$13,414,220, no share repurchased had been cancelled during the period from 1st August 2009 to 31st January 2010. Details of the repurchases are set out below:

Month of repurchase	Number of shares repurchases	Purchase price per share		Aggregate purchase price
		Highest	Lowest	
January	10,000,000	HK\$1.39	HK\$1.20	HK\$13,414,220

The repurchases were made by the Directors, pursuant to the mandate granted by the shareholders, with a view to benefit the Company and the shareholders as a whole in the enhancement of the net assets per share and earnings per share.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st January 2010.

UPDATED DIRECTOR'S INFORMATION

Below sets out the changes and updated information regarding Mr. Chuang Hong-Jen, Professor Jou Yow-Jen, Mr. Yeung Chi Tat and Mr. Kirk Yang:—

Mr. Chuang Hong-Jen retired as a Director of the Company at Annual General Meeting held on 29th December 2009.

Professor Jou Yow-Jen was appointed as a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company on 29th December 2009.

Mr. Yeung Chi Tat was an independent non-executive director of Linefan Technology Holdings Limited (Stock Code: 8166). The Company name of Linefan Technology Limited was changed to China Eco-Farming Limited with effect from 13th October 2009.

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Mr. Kirk Yang was currently the managing director and head of regional technology hardware research of Nomura International (Hong Kong) Limited.

Save as disclosed above, as at 31st January 2010, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2010.

Despite the removal of the requirement for a qualified accountant in the Main Board Listing Rules effective on 1st January 2010, 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 2010.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. Yeung Chi Tat (chairman), Mr. Hsieh Yu and Professor Jou Yow-Jen, 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 condensed consolidated interim financial information for the six months ended 31st January 2010 has been reviewed by the Audit Committee and Messrs. SHINEWING (HK) CPA Limited, the auditors of the Company.

By Order of the Board

Ta Yang Group Holdings Limited

Huang Sheng-Shun

Chairman

Hong Kong, 20th April 2010