



Ta Yang Group Holdings Limited

大洋集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 1991)

TaYang

Interim Report 2011 / 12

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-Executive Directors

Wu Ih Chen
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*
Huang Te-Wei
Chan Oi Fat
Li Yung-Ming

Compliance Committee

Yeung Chi Tat*
Huang Te-Wei
Lin Hung-Ming
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 31 January 2012

	Notes	Six months ended 31 January	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover	4	293,828	406,917
Cost of sales		(254,463)	(320,490)
Gross profit		39,365	86,427
Other operating income		15,965	9,559
Selling and distribution expenses		(11,455)	(13,026)
Administrative expenses		(55,755)	(54,407)
Other expenses		(4,166)	(5,856)
Share of result of an associate		113	24
Share of results of jointly controlled entities		(768)	–
Finance costs	6	(161)	–
(Loss) profit before taxation		(16,862)	22,721
Income tax expense	7	(222)	(1,224)
(Loss) profit for the period attributable to owners of the Company	8	(17,084)	21,497
(Loss) earnings per share	9		
Basic		(HK2.19 cents)	HK2.77 cents
Diluted		(HK2.19 cents)	HK2.76 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2012

	Six months ended 31 January	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
(Loss) profit for the period	(17,084)	21,497
Other comprehensive income (expenses)		
Exchange differences arising on translating of foreign operations	10,498	19,159
Available-for-sale financial assets		
Net (loss) gain arising on revaluation of available-for-sale financial assets during the period	(14,173)	24,626
Reclassification adjustments relating to available-for-sale financial assets disposed during the period	(6,659)	(4,331)
	(20,832)	20,295
Share of other comprehensive (expenses) income of an associate and jointly controlled entities		
Share of exchange reserve of an associate	(202)	58
Share of exchange reserve of jointly controlled entities	12	–
	(190)	58
Other comprehensive (expenses) income for the period, net of tax	(10,524)	39,512
Total comprehensive (expenses) income for the period, net of tax, attributable to owners of the Company	(27,608)	61,009

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2012

	Notes	31/1/2012 HK\$'000 (Unaudited)	31/7/2011 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	312,953	312,675
Construction in progress	12	1,240	749
Prepaid lease payments	13	59,648	59,924
Investment property		26,840	26,510
Available-for-sale financial assets		63,543	74,509
Held-to-maturity investments		2,442	–
Interest in jointly controlled entities		15,961	16,741
Interest in an associate		1,417	1,442
Loan receivable from a jointly controlled entity		11,480	7,801
Deposits paid	14	22,428	6,811
		517,952	507,162
Current assets			
Inventories		186,011	180,181
Trade and other receivables	15	211,957	286,960
Prepaid lease payments	13	1,393	1,378
Amount due from jointly controlled entities		11,724	12,991
Income tax recoverable		16	16
Held-to-maturity investments		11,610	23,660
Held-for-trading investments		1,629	986
Derivative financial instrument		3,897	4,172
Short-term bank deposits with original maturity more than three months		96,380	–
Bank balances and cash		168,425	262,248
		693,042	772,592
Assets classified as held for sale	16	2,772	2,772
		695,814	775,364

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2012

	Notes	31/1/2012 HK\$'000 (Unaudited)	31/7/2011 HK\$'000 (Audited)
Current liabilities			
Bank borrowing	17	11,610	–
Trade and other payables	18	94,039	100,507
Income tax payable		40,163	40,517
		145,812	141,024
Net current assets		550,002	634,340
Total assets less current liabilities		1,067,954	1,141,502
Capital and reserves			
Share capital	19	77,854	77,854
Reserves		986,625	1,060,299
Total equity		1,064,479	1,138,153
Non-current liabilities			
Deferred income		1,040	1,040
Deferred tax liabilities		2,435	2,309
		3,475	3,349
		1,067,954	1,141,502

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2012

	Share capital	Share premium	Share option reserve	Retained profits	Exchange reserve	Investment revaluation reserve	Share repurchase reserve	Capital redemption reserve	Statutory surplus reserve	Legal reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000
At 1 August 2010 (audited)	77,801	632,962	12,455	216,527	95,599	14,171	(1,219)	2,201	29,704	49	1,080,250
Profit for the period	-	-	-	21,497	-	-	-	-	-	-	21,497
Other comprehensive income for the period	-	-	-	-	19,217	20,295	-	-	-	-	39,512
Total comprehensive income for the period	-	-	-	21,497	19,217	20,295	-	-	-	-	61,009
Exercises of share options	272	3,188	(848)	-	-	-	-	-	-	-	2,612
Transfer to reserve for value of share option forfeited	-	-	(525)	525	-	-	-	-	-	-	-
Equity-settled share-based transactions	-	-	1,331	-	-	-	-	-	-	-	1,331
Appropriation to reserves	-	-	-	(2,935)	-	-	-	-	2,935	-	-
Share repurchased and cancelled	(219)	(2,364)	-	(219)	-	-	1,219	219	-	-	(1,364)
Dividend declared and paid during the period	-	-	-	(46,707)	-	-	-	-	-	-	(46,707)
At 31 January 2011 (unaudited)	77,854	633,786	12,413	188,688	114,816	34,466	-	2,420	32,639	49	1,097,131
Profit for the period	-	-	-	21,147	-	-	-	-	-	-	21,147
Other comprehensive income (expenses) for the period	-	-	-	-	20,904	(2,964)	-	-	-	-	17,940
Total comprehensive income (expenses) for the period	-	-	-	21,147	20,904	(2,964)	-	-	-	-	39,087
Transfer to reserve for value of share option forfeited	-	-	(216)	216	-	-	-	-	-	-	-
Equity-settled share-based transactions	-	-	1,935	-	-	-	-	-	-	-	1,935
Appropriation to reserves	-	-	-	(72)	-	-	-	-	72	-	-
At 31 July 2011 (audited)	77,854	633,786	14,132	209,979	135,720	31,502	-	2,420	32,711	49	1,138,153

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2012

	Share capital	Share premium	Share option reserve	Retained profits	Exchange reserve	Investments revaluation reserve	Share repurchase reserve	Capital redemption reserve	Statutory surplus reserve	Legal reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000
At 31 July 2011 (audited)	77,854	633,786	14,132	209,979	135,720	31,502	-	2,420	32,711	49	1,138,153
Loss for the period	-	-	-	(17,084)	-	-	-	-	-	-	(17,084)
Other comprehensive income (expenses) for the period	-	-	-	-	10,308	(20,832)	-	-	-	-	(10,524)
Total comprehensive (expenses) income for the period	-	-	-	(17,084)	10,308	(20,832)	-	-	-	-	(27,608)
Transfer to reserve for value of share option forfeited	-	-	(647)	647	-	-	-	-	-	-	-
Equity-settled share-based transactions	-	-	646	-	-	-	-	-	-	-	646
Appropriation to reserves	-	-	-	(700)	-	-	-	-	700	-	-
Dividend declared and paid during the period	-	-	-	(46,712)	-	-	-	-	-	-	(46,712)
At 31 January 2012 (unaudited)	77,854	633,786	14,131	146,130	146,028	10,670	-	2,420	33,411	49	1,064,479

Notes:

1. Share repurchase reserve

Share repurchase reserve represents the amount paid on the repurchase of shares during the period but the shares were not yet cancelled as at the date of the reporting period.

2. Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

3. 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.

4. 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 31 January 2012

	Six months ended 31 January	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Net cash generated from operating activities	61,780	55,052
Net cash used in investing activities	(123,064)	(158,426)
Net cash used in financing activities	(33,805)	(44,463)
Net decrease in cash and cash equivalents	(95,089)	(147,837)
Cash and cash equivalents at 1 August	262,248	333,789
Effect of foreign exchange rate changes	1,266	3,328
Cash and cash equivalents at 31 January, representing bank balances and cash	168,425	189,280

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

1. GENERAL

Ta Yang Group Holdings Limited (the "Company") is incorporated in the Cayman Islands with limited liability and its shares are listed on the 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 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 manufacturing and sale of silicone rubber related products.

At 31 January 2012, the directors of the Company consider the ultimate holding company of the Company to be Bluebell Global Enterprises Limited which is incorporated in the British Virgin Islands ("BVI").

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. 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 31 July 2011, except as described below.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
HKAS 24 (as revised 2009)	Related Party Disclosure
Amendments to HK(IFRIC) – Interpretation ("Int") 14	Prepayments of a Minimum Funding Requirement

The application of the other 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.

Standards or interpretations issued but not yet effective

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

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ³ Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁵
HKFRS 9	Financial Instruments ⁵
HKFRS 10	Consolidated Financial Statements ³
HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Interests in Other Entities ³
HKFRS 13	Fair Value Measurement ³
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ²
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets ¹
HKAS 19 (as revised in 2011)	Employee Benefits ³
HKAS 27 (as revised in 2011)	Separate Financial Statements ³
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ³
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁴
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ³

¹ Effective for annual periods beginning on or after 1 January 2012.

² Effective for annual periods beginning on or after 1 July 2012.

³ Effective for annual periods beginning on or after 1 January 2013.

⁴ Effective for annual periods beginning on or after 1 January 2014.

⁵ Effective for annual periods beginning on or after 1 January 2015.

To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Standards or interpretations issued but not yet effective (continued)

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

New and revised Standards on consolidation

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries and associates. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

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

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

5. SEGMENT INFORMATION

The Group's revenue, results, assets and liabilities are primarily attributable to the manufacturing and sale of silicone rubber and related products, of which information is regularly reviewed by the chief operating decision maker, chief executive officer, for the purpose of resources allocation and performance assessment. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

6. FINANCE COSTS

	Six months ended 31 January	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Interest on bank borrowing wholly repayable within one year	161	–

7. INCOME TAX EXPENSE

	Six months ended 31 January	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Current tax		
– PRC Enterprise Income Tax	114	1,274
Deferred taxation		
– Current period	108	(50)
	222	1,224

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 periods.

Pursuant to the rules and regulations of the Cayman Islands and 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 Income 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 1 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:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

7. INCOME TAX EXPENSE (CONTINUED)

- 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.
- In September 2008, Huzhou Ta Yang is recognised as an approved technology enterprise and is eligible to a preferential tax rate of 15% from 1 January 2009 to 31 December 2011. From 1 January 2012 onwards, provision for PRC Enterprise Income Tax for Huzhou Ta Yang is calculated at 25% of its estimated assessable profits.
- The first profit-making year of Dongguan Tai Yang is 2008. Accordingly, Dongguan Tai Yang is exempted from PRC Enterprise Income Tax from 1 January 2008 to 31 December 2009 and is entitled to a 50% exemption of income tax from 1 January 2010 to 31 December 2012.

8. (LOSS) PROFIT FOR THE PERIOD

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

	Six months ended 31 January	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Allowance for inventories (included in cost of sales)	315	238
Amortisation of prepaid lease payments	685	708
Cost of inventories recognised as expenses	254,148	320,252
Depreciation of property, plant and equipment	22,956	22,535
Impairment losses recognised in respect of trade receivables	–	260
Bad debt written-off	–	122
Exchange loss, net	4,017	3,367
Interest income	(3,652)	(1,284)
Dividend income	(2,757)	(205)
Government grants		
– Amortisation of deferred income	(12)	(12)
– Grants related to expenses recognised as other operating income	(1,297)	(996)
Loss on derivative financial instruments	75	2,640
Gain on held-for-trading investments	(377)	(197)
Loss on disposal of property, plant and equipment	75	–
Gain on disposal of available-for-sale financial assets	(4,206)	(4,805)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

9. (LOSS) EARNINGS PER SHARE

(a) Basic

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

	Six months ended 31 January	
	2012 (Unaudited)	2011 (Unaudited)
(Loss) profit attributable to owners of the Company (HK\$'000)	(17,084)	21,497
Weighted average number of ordinary shares in issue ('000)	778,541	777,197
Basic (loss) earnings per share (HK cents)	(2.19)	2.77

(b) Diluted

Diluted (loss) 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 31 January	
	2012 (unaudited)	2011 (unaudited)
(Loss) profit attributable to owners of the Company (HK\$'000)	(17,084)	21,497
Weighted average number of ordinary shares in issue ('000)	778,541	777,197
Effect of dilutive potential ordinary shares ('000)	–	1,580
Weighted average number of ordinary shares for diluted (loss) earnings per share ('000)	778,541	778,777
Diluted (loss) earnings per share (HK cents)	(2.19)	2.76

No diluted loss per share is presented for the six months ended 31 January 2012 as the effect of exercise of the Company's outstanding share options was anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

10. DIVIDENDS

	Six months ended 31 January	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
2011 final dividend of HK\$0.06 per share (2010: final dividend of HK\$0.06 per share)	46,712	46,707

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 January 2012 and 2011.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 January 2012, the Group acquired items of property, plant and equipment with a cost of approximately HK\$19,992,000 (six months ended 31 January 2011: approximately HK\$17,463,000) for the expansion of production facilities. Items of property, plant and equipment with a carrying amount of approximately HK\$509,000 were disposed of during the six months ended 31 January 2012 (six months ended 31 January 2011: approximately HK\$724,000), with approximately HK\$75,000 loss on disposal (six months ended 31 January 2011: nil).

12. CONSTRUCTION IN PROGRESS

During the six months ended 31 January 2012, the Group acquired items of construction in progress with a cost of approximately HK\$2,542,000 (six months ended 31 January 2011: approximately HK\$22,851,000). Items of construction in progress with a carrying amount of approximately HK\$2,117,000 were transferred to property, plant and equipment during the six months ended 31 January 2012 (six months ended 31 January 2011: approximately HK\$21,802,000).

13. PREPAID LEASE PAYMENTS

During the six months ended 31 January 2012, the Group spent nil for the acquisition of prepaid lease payments on land use rights (six months ended 31 January 2011: approximately HK\$5,881,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

14. DEPOSITS PAID

At the end of each reporting period, deposits are paid for acquisition of the following assets:

	31/1/2012 HK\$'000 (Unaudited)	31/7/2011 HK\$'000 (Audited)
Equity interest in a private company in Taiwan (Note)	2,144	–
Land use right in the PRC	1,044	–
Land use right in Indonesia	19,240	6,811
	22,428	6,811

Note: During the period, the Group has entered into an agreement to acquire 321,000 shares in United Performance Materials Corp. ("United Performance") from an independent third party at cash consideration of New Taiwanese Dollar 8,218,000 (equivalent to approximately HK\$2,144,000). United Performance was incorporated in Taiwan and principally engaged in trading and manufacturing of oil related products. Upon completion of the acquisition, the Group will hold 0.66% equity interests in the company.

15. TRADE AND OTHER RECEIVABLES

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.

An aged analysis of trade receivables, net of impairment losses recognised, presented based on the invoice date at the reporting date is as follows:

	31/1/2012 HK\$'000 (Unaudited)	31/7/2011 HK\$'000 (Audited)
Within 1 month or on demand	86,105	137,959
More than 1 month but less than 3 months	77,622	81,063
More than 3 months but less than 12 months	28,243	31,767
More than 12 months	4	707
	191,974	251,496

As at 31 January 2012, included in trade receivables is an amount of approximately HK\$1,653,000 (31 July 2011: approximately HK\$2,130,000) due from an associate.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

16. ASSETS CLASSIFIED AS HELD FOR SALE

On 31 July 2011, one of the wholly-owned subsidiaries, Great Ocean Development Limited ("Great Ocean") entered into sale and purchase agreements with the Purchasers pursuant to which Great Ocean agreed to sell and the Purchasers agreed to acquire total of 1,100,000 shares in Ta Yang Agricode Sdn. Bhd. at aggregate cash consideration of Malaysian Ringgit 1,100,000 or equivalent to approximately HK\$2,890,000. The relevant interest in jointly controlled entities are classified as assets classified as held for sale and the share transfer has not yet been completed as at the date of the approval of the condensed consolidated interim financial information.

The relevant interest in jointly controlled entities are classified as assets classified as held for sale and that are expected to be disposed within twelve months.

17. BANK BORROWING

During the six months ended 31 January 2012, the Group obtained a new bank loan amounting to approximately HK\$11,610,000 (31 July 2011: nil). The loan carries variable interest rate at 3% per annum over HIBOR/LIBOR or the Lender's Cost of Funds, whichever is higher and is repayable on demand. The effective interest rate on the borrowing is 3.33% per annum (31 July 2011: nil).

18. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	31/1/2012 HK\$'000 (Unaudited)	31/7/2011 HK\$'000 (Audited)
Within 1 month or on demand	22,327	16,773
More than 1 month but less than 3 months	29,764	27,836
More than 3 months but less than 12 months	1,675	1,745
More than 12 months	1,859	1,810
	55,625	48,164

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

19. SHARE CAPITAL

(a) Authorised and issued share capital

	Number of shares (‘000)	Amount HK\$’000
<u>Ordinary share of HK\$0.1 each</u>		
Authorised:		
At 1 August 2010, 31 January 2011, 31 July 2011 and 31 January 2012	20,000,000	2,000,000
Issued and fully paid:		
At 1 August 2010	778,006	77,801
Share repurchased and cancelled	(2,186)	(219)
Exercise of share options	2,721	272
At 31 January 2011, 31 July 2011 and 31 January 2012	778,541	77,854

(b) Repurchase of own shares

No repurchase of own shares by the Company during the six months ended 31 January 2012.

During the six months ended 31 January 2011, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Period	Notes	Number of shares repurchased (‘000)	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$’000
12-31 July 2010	(i)	1,082	1.16	1.10	1,219
3-17 August 2010	(ii)	1,104	1.29	1.19	1,364
		2,186			2,583

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

19. SHARE CAPITAL (CONTINUED)

(b) Repurchase of own shares (continued)

- (i) The repurchased shares were pending for cancellation at 31 July 2010 and the amount paid for the repurchase of the shares of HK\$1,219,000 was charged to the share repurchase reserve. The repurchased shares were cancelled on 11 August 2010. Pursuant to section 37(4) of the Companies Law (2007 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK\$108,000 was transferred from retained profits to the capital redemption reserve. The par value of the shares cancelled of HK\$108,000 and the premium paid on the repurchased shares of HK\$1,111,000 was transferred from the share repurchase reserve to issued share capital and share premium respectively.
- (ii) The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law (2007 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK\$111,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HK\$1,253,000 was charged to share premium.

20. SHARE OPTION SCHEMES

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

Number of share options	Six months ended	
	31 January	
	2012	2011
Outstanding at 1 August	19,370,000	17,244,000
Grant during the period	–	5,994,000
Exercised during the period	–	(2,721,000)
Forfeited during the period	(82,000)	(548,000)
Outstanding at 31 January	19,288,000	19,969,000

No share options was granted during the six months ended 31 January 2012.

During the six months ended 31 January 2011, share options with vesting period ranging from half to one year were granted to the directors and eligible employees on 11 January 2011. The closing price of the Company's shares immediately before 11 January 2011, the date of grant, was HK\$1.05. Those who were granted the options can exercise their rights in two periods starting from 11 July 2011 to 10 January 2021 as below:

Lot 1: From 11 July 2011 to 10 January 2021

Lot 2: From 11 January 2012 to 10 January 2021

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

20. SHARE OPTION SCHEMES (CONTINUED)

The fair value of the options determined at the date of grant using the Black-Scholes Option Pricing Model was approximately HK\$2,266,000.

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

	Share option granted on 11 January 2011	
	Lot 1	Lot 2
Grant date share price	HK\$1.05	HK\$1.05
Exercise price	HK\$1.05	HK\$1.05
Expected volatility	63.28%	63.28%
Expected life	5.25 years	5.5 years
Risk-free rate	1.75%	1.84%
Expected dividend yield	5.66%	5.66%

Expected volatility was determined based on historical volatility of the share prices of the Company. 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\$646,000 and HK\$1,331,000 for the six months ended 31 January 2012 and 2011 respectively, in relation to the fair value of the share options granted by the Company and vested during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

21. RELATED PARTY TRANSACTIONS

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

Name of company	Nature of transactions	Six months ended 31 January	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
SiTY Silcum & Ta Yang International GmbH ("SiTY") (Note i)	Sales of rubber keypads Receipt of fixture charges	2,670 74	2,227 3
		2,744	2,230
Formosan Union Chemical Crop. ("Formosan") (Note ii)	Acquisition of 2,586,618 shares of Formosan (included in available- for-sale financial assets)	–	8,666
Force Mos Technology Company Limited ("Force Mos") (Note iii)	Disposal of 6,000 shares of Force Mos (included in available-for-sale financial assets)	52	–
Huzhou Ri Jun Electronic Technology Company Limited ("Huzhou Ri Jun") (Note iv)	Rental income	573	–
United Performance (Note v)	Deposit paid for acquisition of equity interest	2,144	–

Notes:

- (i) SiTY is an associate company of the Group.
- (ii) Formosan is a company listed on Taiwan Stock Exchange and Mr. Huang Sheng-Shun is the common director of the Company and Formosan.
- (iii) Force Mos is a company listed on Taiwan Stock Exchange and there is a common director of a subsidiary of the Company and Force Mos.
- (iv) Huzhou Ri Jun is a jointly controlled entity of the Group.
- (v) Mr. Huang Sheng-Shun is the common director of the Company and United Performance.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2012

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(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 31 January	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Short-term benefits	3,332	3,771
Post-employment benefits	50	51
Share-based payments	169	457
	3,551	4,279

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.

22. CAPITAL COMMITMENTS

	31/1/2012 HK\$'000 (Unaudited)	31/7/2011 HK\$'000 (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	867	1,516
– Land use right in Indonesia	4,636	17,957
	5,503	19,473

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Market conditions during the first half of this financial year were much more difficult than the corresponding period of last year. This is mainly due to the sluggishness of U.S. economic. At the same time, European economic conditions were even worse where the European sovereign debt crisis was deepening. As a result, these weakened the consumer confidence and demand for traditional electronic products. In addition, the recent popularity of those portable devices with touch-screen panels has immensely slowed down the demand conventional notebooks, computers and mobile phones. These caused tremendous pressure to business environment of the Group.

Meanwhile, the Group's financial performance was also affected by increases in the cost of materials, labour and other operating costs. The growth in emerging economies and the chaotic political situation in the Middle East and North Africa stimulated the rise in commodity prices which in return cause the increase in cost of raw materials. The labour shortage and the rise in statutory minimum wages in the PRC have resulted in an increase in labour costs. In addition, the operating costs in the PRC were affected by the steady appreciation of Renminbi ("RMB"). Under the current economic condition, it is extremely difficult to shift the cost increments to the customers.

OUTLOOK

It is believed that the sustained weakness in U.S. economy and the outcome of the European sovereign debt crisis will cloud worldwide economic prospects. This doubt will in return dampen the consumer's confidence and demand. In the PRC, challenges will also persist in the operating environment for the manufacturing sectors with increases in wages, inflation and appreciation of RMB. The management will remain cautious about the Group's business outlook.

To overcome the challenges ahead, the Group will continue to put more efforts on research and development to improve the product quality, develop application scopes of raw material such as silicon rubbers and broaden our product variety. The Group will also review its existing product mix and customer portfolio to focus more on the high margin products.

In addition, the Group has already taken some proactive measures to deal with the continuous rise in production costs in the PRC and appreciation of RMB, apart from the exercise of tight cost control and improvement of operation efficiency, the Group has relocated the production facilities to western region of the PRC and Southeast Asia where the cost is comparatively lower. The strategic move is expected to strengthen our competitive edge in securing orders and cost reduction.

We believed these prudent and proactive approaches will reinforce our top-tier position at all times in the economic cycle.

FINANCIAL REVIEW

TURNOVER

Due to weaker consumer confidence hence spending on the electronic consumer products in U.S. and Europe, the turnover for the period was HK\$293.8 million which represents an decrease of HK\$113.1 million compared with the corresponding period in 2011. In view of the uncertainty in the market, some of the customers have contracted their procurement orders so as to manage their inventory level until economic recovery. To improve the situation, the Group has continued to explore the market non keypads products so as to broaden the products mix. With the recent popularity of use of silicone material for lifestyle products, we believed it will be our new driving force of the Group.

For the sales of our owned-brand "SIPALS" which provide a wide range of new lifestyle products with environmentally friendly features and cultural concepts, SIPAL will continue to focus on the PRC market in the coming years in order to sustain the growth.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT

The gross profit was HK\$39.4 million, a decrease of HK\$47.1 million or 54.5% as compared with the corresponding period in 2011. The overall profit margin for the period decreased from 21.2% to 13.4%. The decrease in profit margin was due to the increase in production cost in the PRC and appreciation of RMB. In addition, the diminished size in sales orders caused the reduction in production volume and in turn factory utilization and cost-efficiency, thereby shrinking the margins.

OTHER OPERATING INCOME

Other operating income increased by HK\$6.4 million or 67.0% to HK\$16.0 million as compared with the corresponding period in 2011. The increase was mainly due to the gain on disposal of available-for-sale financial assets.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by 12.1% to HK\$11.5 million as compared with the corresponding period in 2011. The decrease was a result of the reduction in sales volume partly offset by increased cost in the PRC. When counted as a percentage of the Group's turnover, the total amount was 3.9%, 0.7% increased as compared with the corresponding period in 2011.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from HK\$54.4 million to HK\$55.8 million as compared with the corresponding period in 2011. When counted as a percentage of the Group's turnover, the total amount of administrative expenses was 19.0%, 5.6% increased compared with the corresponding period in 2011. The increase was a result of the inflation in expenses, appreciation of RMB and the contracted sales volume.

LOSS FOR THE PERIOD

Loss for the period was HK\$17.1 million while it was the profit of HK\$21.5 million for the corresponding period in 2011.

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 31 January, 2012 HK\$'000	As at 31 July, 2011 HK\$'000
Cash and cash equivalents	168,425	262,248
Net current assets	550,002	634,340
Current Ratio	4.8	5.5
Quick Ratio	3.5	4.2

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 31 January 2012 are as follows:

Particular	Planned amount	Utilised amount
	HK\$ million	HK\$ million
Expansion of production facilities for silicone rubber based products	468	(282)
Upgrade and expansion of upstream production facilities	56	–
Strengthening research and development capabilities	39	(39)
Implementation of resources planning system	22	(1)
General working capital	50	(50)
Total	635	(372)

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 31 January 2012, the Group employed more than 4,802 employees.

The Group adopted a Pre-IPO Share Option Scheme on 16 May 2007 for the purpose of recognition of employees' contribution before the Listing. As at 31 January 2012, 6,240,000 share options were still outstanding under the Pre-IPO Share Option Scheme, of which 4,410,000 options are held by employees of the Group.

The Company also adopted a Post-IPO Share Option Scheme on 16 May 2007. As at 31 January 2012, 7,312,000 share options were still outstanding under Post-IPO Share Option Scheme granted on 24 December 2009, of which 4,761,000 options are held by employees of the Group.

As at 31 January 2012, 5,736,000 share options were still outstanding under Post-IPO Share Option Scheme granted on 11 January 2011, of which 4,158,000 options are held by employees of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 31 January 2012 (31 January 2011: Nil).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 January 2012, 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 ⁵	Notes
		Interests in shares	Equity derivatives (Share Options)	Total interests		
Huang Sheng-Shun	Settlor of Sunshiny Trust Beneficial Owner	413,940,000	-	423,070,000	54.34%	1 & 2
		7,874,000	1,256,000			
Huang Te-Wei	Beneficiary of Sunshiny Trust/ Beneficial Owner	413,940,000	-	415,270,000	53.34%	1 to 3
		540,000	790,000			
Lin Hung-Ming	Beneficial Owner	9,640,000	1,180,000	10,820,000	1.39%	
Wong Tak Leung	Beneficial Owner	5,760,000	1,135,000	6,895,000	0.88%	
Wu In Chen	Beneficial Owner	1,875,000	1,160,000	3,035,000	0.38%	
Kirk Yang	Beneficial Owner	-	100,000	100,000	0.013%	
Hsieh Yu	Beneficial Owner	-	146,000	146,000	0.019%	
Jou Yow-Jen	Beneficial Owner	-	46,000	46,000	0.005%	
Yeung Chi Tat	Beneficial Owner	-	146,000	146,000	0.019%	

Notes:

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

OTHER INFORMATION

2. The 413,940,000 shares, representing approximately 53.17% 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 ⁵
Ace Chain Investments Corporation ("Ace Chain")	149,100,000	19.15%
China Gain Holdings Limited ("China Gain")	103,560,000	13.30%
Highwise Investment Group Corporation ("Highwise")	57,600,000	7.40%
Join Success Business Inc. ("Join Success")	34,560,000	4.44%
Jumbo Regent Investment Limited ("Jumbo Regent")	34,560,000	4.44%
Master Rich Business Limited ("Master Rich")	28,800,000	3.70%
Million Era Holding Corporation ("Million Era")	5,760,000	0.74%
Total	413,940,000	53.17%

The 7 BVI Companies are respectively 100% owned subsidiaries of Acuwake Enterprises Limited ("Acuwake"). Acuwake is 100% owned by Bluebell Global Enterprises Limited. ("Bluebell"). Bluebell is wholly owned by Hang Seng Bank Trustee. Hang Seng Bank Trustee as trustee of Sunshiny Trust, Mr. Huang Sheng-Shun as the settlor of Sunshiny Trust are 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 Sunshiny 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. 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.
5. The issued capital of the Company as at 31 January 2012 is 778,541,000 shares.

OTHER INFORMATION

Directors' Rights to Acquire Shares

Name of Director	Date of Grant	Exercise Period (subject to vesting period)	Balance as at 1.8.2011	Grant during the period	Exercise price per share HK\$	Exercise during the period	Number of Shares subject to outstanding options as at 31.1.2012	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	376,000	-	0.96	-	376,000	0.05%
	11.01.2011	11.07.2011 – 10.01.2021	330,000	-	1.05	-	330,000	0.04%
							1,256,000	0.16%
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	300,000	-	0.96	-	300,000	0.04%
	11.01.2011	11.07.2011 – 10.01.2021	260,000	-	1.05	-	260,000	0.03%
							790,000	0.10%
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%
	11.01.2011	11.07.2011 – 10.01.2021	260,000	-	1.05	-	260,000	0.03%
							1,180,000	0.15%
Wong Tak Leung	16.05.2007	08.06.2008 – 15.05.2017	275,000	-	2.20	-	275,000	0.04%
	24.12.2009	24.06.2010 – 23.12.2019	600,000	-	0.96	-	600,000	0.08%
	11.01.2011	11.07.2011 – 10.01.2021	260,000	-	1.05	-	260,000	0.03%
							1,135,000	0.15%

OTHER INFORMATION

Name of Director	Date of Grant	Exercise Period (subject to vesting period)	Balance as at 1.8.2011	Grant during the period	Exercise price per share HK\$	Exercise during the period	Number of Shares subject to outstanding options as at 31.1.2012	Approximate percentage of the Company's issued capital
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	375,000	–	0.96	–	375,000	0.05%
	11.01.2011	11.07.2011 – 10.01.2021	330,000	–	1.05	–	330,000	0.04%
							1,160,000	0.15%
Kirk Yang	24.12.2009	24.06.2010 – 23.12.2019	100,000	–	0.96	–	100,000	0.013%
	11.01.2011	11.07.2011 – 10.01.2021	–	–	1.05	–	–	0%
							100,000	0.013%
Jou Yow-Jen	11.01.2011	11.07.2011 – 10.01.2021	46,000	–	1.05	–	46,000	0.006%
							46,000	0.006%
Hsieh Yu	24.12.2009	24.06.2010 – 23.12.2019	100,000	–	0.96	–	100,000	0.013%
	11.01.2011	11.07.2011 – 10.01.2021	46,000	–	1.05	–	46,000	0.006%
							146,000	0.019%
Yeung Chi Tat	24.12.2009	24.06.2010 – 23.12.2019	100,000	–	0.96	–	100,000	0.013%
	11.01.2011	11.07.2011 – 10.01.2021	46,000	–	1.05	–	46,000	0.006%
							146,000	0.019%

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	Hang Seng Bank Trustee as trustee of Sunshiny Trust	Settlor of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Acuwake	Settlor of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Ace Chain	Settlor of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	China Gain	Settlor of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Highwise	Settlor of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Join Success	Settlor of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Jumbo Regent	Settlor of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Master Rich	Settlor of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Million Era	Settlor of Sunshiny 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	Hang Seng Bank Trustee as trustee of Sunshiny Trust	Beneficiary of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Acuwake	Beneficiary of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Ace Chain	Beneficiary of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	China Gain	Beneficiary of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Highwise	Beneficiary of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Join Success	Beneficiary of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Jumbo Regent	Beneficiary of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Master Rich	Beneficiary of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%
	Million Era	Beneficiary of Sunshiny Trust	Ordinary shares of US\$1.00 each	1	100%

*Note

For details of the corporate structure of each of the associated corporations, 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 31 January 2012, 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 31 January 2012, so far as is known to the Directors, the following, 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 interests as to the issued share capital of the Company ¹⁰	Note(s)
Acuwake	Interest of controlled corporation	413,940,000	–	413,940,000	53.17%	1
Bluebell	Interest of controlled corporation	413,940,000	–	413,940,000	53.17%	1
Hang Seng Bank Trustee	Trustee of Sunshiny Trust	413,940,000	–	413,940,000	53.17%	1 & 4
Hang Seng Bank Limited	Interest of controlled Corporation	413,940,000	–	413,940,000	53.17%	4 & 5
The Hongkong and Shanghai Banking Corporation Limited	Interest of controlled Corporation	413,940,000	–	413,940,000	53.17%	5
HSBC Asia Holdings BV	Interest of controlled Corporation	413,940,000	–	413,940,000	53.17%	5
HSBC Asia Holdings (UK) Limited	Interest of controlled Corporation	413,940,000	–	413,940,000	53.17%	5
HSBC Holdings BV	Interest of controlled Corporation	413,940,000	–	413,940,000	53.17%	5
HSBC Finance (Netherlands)	Interest of controlled Corporation	413,940,000	–	413,940,000	53.17%	5
HSBC Holdings plc	Interest of controlled Corporation	413,940,000	–	413,940,000	53.17%	5

OTHER INFORMATION

Name of shareholder	Nature of interests	Number of shares held in the Company	Number of shares subject to options	Total	Percentage of interests as to the issued share capital of the Company ¹⁰	Note(s)
Ace Chain	Beneficial interests	149,100,000	–	149,100,000	19.15%	1
China Gain	Beneficial interests	103,560,000	–	103,560,000	13.30%	1
Highwise	Beneficial interests	57,600,000	–	57,600,000	7.39%	1
Huang Sheng-Shun	Settlor of Sunshiny Trust/ Beneficial interests	413,940,000 7,874,000	– 1,256,000	423,070,000	54.34%	2
Tong Mei-Jen	Beneficiary of Sunshiny Trust/ Spouse Interests	413,940,000 7,874,000	– 1,256,000	423,070,000	54.34%	3
Huang Te-Wei	Beneficiary of Sunshiny Trust/ Beneficial interests	413,940,000 540,000	– 790,000	415,270,000	53.34%	8
Chao Yu Ting	Spouse interests	413,940,000 540,000	790,000	415,270,000	53.34%	9
Wu Pei Min	Corporate Interests/ Beneficial Interests	56,970,000 150,000	– –	57,120,000	7.34%	6
Wu Chung-chieh, Jack	Corporate interests/ Beneficial interests	56,970,000 –	– –	56,970,000	7.32%	6 & 7

OTHER INFORMATION

Notes:

- (1) The 413,940,000 shares relate to the same block of shares in the Company. These shares were directly held by the 7 BVI companies, all of which were wholly-owned by Acuwake which in turn was wholly-owned by Bluebell. Bluebell was wholly-owned by Hang Seng Bank Trustee as trustee of Sunshiny Trust. Ace Chain, China Gain and Highwise are three of the 7 BVI companies which hold their respective shareholding of the Company directly as detailed in the above table. For details of the interests of Sunshiny Trust in the Company, please refer to 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' and Chief Executive's Interests" in the above.
- (2) Mr. Huang Sheng-Shun as settlor of Sunshiny Trust is 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.
- (3) Ms. Tong Mei-Jen, the spouse of Mr. Huang Sheng-Shun, is the beneficiary of Sunshiny Trust. As such, she is taken to be interested in the 413,940,000 shares directly held by the 7 BVI Companies as controlled companies of Sunshiny Trust. Ms. Tong Mei-Jen is also deemed to be interested in such shares which Mr. Huang Sheng-Shun is interested in.
- (4) Hang Seng Bank Trustee was a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited was owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited.
- (5) The Hongkong and Shanghai Banking Corporation Limited was wholly owned by HSBC Asia Holdings BV which was a wholly owned subsidiary of HSBC Asia Holdings (UK) Limited. HSBC Asia Holdings (UK) Limited was wholly owned by HSBC Holdings BV which in turn was wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) was a wholly owned subsidiary of HSBC Holdings plc.
- (6) 56,970,000 Shares, the Corporate Interest, are beneficially-owned by Golden King Holdings Limited and Joint Kingdom International Holdings 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.
- (7) 58,000 Shares subject to Options were lapsed on 31 October 2011.
- (8) Mr. Huang Te-Wei is the son of Mr. Huang Sheng-Shun and a beneficiary of Sunshiny 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 Sunshiny Trust. Details of Mr. Huang Te-Wei's share options, please refer to sub-section headed "Share Option Scheme" for details.
- (9) 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.
- (10) As at 31 January 2012, the issued capital of the Company is 778,541,000 shares

OTHER INFORMATION

Save as disclosed above, as at 31 January 2012, 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 SCHEMES

The Company operates two share option schemes, the Pre-IPO Share Option Scheme and Post-IPO Share Option 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 Option Schemes were approved by the shareholders of the Company on 16 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 May 2007	08.06.2008 – 15.05.2017	2.20
Post-IPO Share Option Scheme ("Share Option Scheme II-A")	24 December 2009	24.06.2010 – 23.12.2019	0.96
Post-IPO Share Option Scheme ("Share Option Scheme II-B")	11 January 2011	11.07.2011 – 10.01.2021	1.05

OTHER INFORMATION

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 1.8.2011	Granted during the period	Lapsed during the period	Exercised during the period	Balance as at 31.1.2012		
Directors								
Huang Sheng-Shun	Share Option Scheme I	550,000	-	-	-	550,000	08.06.2008 – 15.05.2017	2.20
	Share Option Scheme II-A	376,000	-	-	-	376,000	24.06.2010 – 23.12.2019	0.96
	Share Option Scheme II-B	330,000	-	-	-	330,000	11.07.2011 – 10.01.2021	1.05
						1,256,000		
Huang Te-Wei	Share Option Scheme I	230,000	-	-	-	230,000	08.06.2008 – 15.05.2017	2.20
	Share Option Scheme II-A	300,000	-	-	-	300,000	24.06.2010 – 23.12.2019	0.96
	Share Option Scheme II-B	260,000	-	-	-	260,000	11.07.2011 – 10.01.2021	1.05
						790,000		
Lin Hung-Ming	Share Option Scheme I	320,000	-	-	-	320,000	08.06.2008 – 15.05.2017	2.20
	Share Option Scheme II-A	600,000	-	-	-	600,000	24.06.2010 – 23.12.2019	0.96
	Share Option Scheme II-B	260,000	-	-	-	260,000	11.07.2011 – 10.01.2021	1.05
						1,180,000		
Wong Tak Leung	Share Option Scheme I	275,000	-	-	-	275,000	08.06.2008 – 15.05.2017	2.20
	Share Option Scheme II-A	600,000	-	-	-	600,000	24.06.2010 – 23.12.2019	0.96
	Share Option Scheme II-B	260,000	-	-	-	260,000	11.07.2011 – 10.01.2021	1.05
						1,135,000		
Wu Ih Chen	Share Option Scheme I	455,000	-	-	-	455,000	08.06.2008 – 15.05.2017	2.20
	Share Option Scheme II-A	375,000	-	-	-	375,000	24.06.2010 – 23.12.2019	0.96
	Share Option Scheme II-B	330,000	-	-	-	330,000	11.07.2011 – 10.01.2021	1.05
						1,160,000		

OTHER INFORMATION

Option to subscribe for shares of the Company								
Category or name of grantees	Option Type	Balance as at 1.8.2011	Granted during the period	Lapsed during the period	Exercised during the period	Balance as at 31.1.2012	Exercise period (subject to vesting period)	Exercise price per share HK\$
Kirk Yang	Share Option Scheme II-A	100,000	-	-	-	100,000	24.06.2010 – 23.12.2019	0.96
	Share Option Scheme II-B	-	-	-	-	-	11.07.2011 – 10.01.2021	1.05
						100,000		
Jou Yow-Jen	Share Option Scheme II-B	46,000	-	-	-	46,000	11.07.2011 – 10.01.2021	1.05
						46,000		
Hsieh Yu	Share Option Scheme II-A	100,000	-	-	-	100,000	24.06.2010 – 23.12.2019	0.96
	Share Option Scheme II-B	46,000	-	-	-	46,000	11.07.2011 – 10.01.2021	1.05
						146,000		
Yeung Chi Tat	Share Option Scheme II-A	100,000	-	-	-	100,000	24.06.2010 – 23.12.2019	0.96
	Share Option Scheme II-B	46,000	-	-	-	46,000	11.07.2011 – 10.01.2021	1.05
						146,000		
Total for Directors		5,959,000	-	-	-	5,959,000		
Employees								
Employees	Share Option Scheme I	4,410,000	-	-	-	4,410,000	08.06.2008 – 15.05.2017	2.20
	Share Option Scheme II-A	4,813,000	-	(52,000) ⁴	-	4,761,000	24.06.2010 – 23.12.2019	0.96
	Share Option Scheme II-B	4,188,000	-	(30,000) ⁴	-	4,158,000	11.07.2011 – 10.01.2021	1.05
Total for Employees		13,411,000	-	(82,000)	-	13,329,000		
All Categories								
All Categories	Share Option Scheme I	6,240,000	-	-	-	6,240,000	08.06.2008 – 15.05.2017	2.20
	Share Option Scheme II-A	7,364,000	-	(52,000) ⁴	-	7,312,000	24.06.2010 – 23.12.2019	0.96
	Share Option Scheme II-B	5,766,000	-	(30,000) ⁴	-	5,736,000	11.07.2011 – 10.01.2021	1.05
Total		19,370,000	-	(82,000)	-	19,288,000		

OTHER INFORMATION

Notes:

1. The vesting period of the Pre-IPO Share Option Scheme I is from the date of grant until the commencement of the exercise period.
2. The vesting period of the Post-IPO Share Option Scheme II-A is from the date of grant until the commencement of the exercise period.
3. The vesting period of the Post-IPO Share Option Scheme II-B is from the date of grant until the commencement of the exercise period.
4. The share options were held by grantees who ceased to be the employees of the Group during the period.
5. No share option were cancelled during the period.

Save as disclosed above, no share option were granted 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 31 January 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

UPDATED DIRECTOR'S INFORMATION

Below sets out the updated information regarding personal information of Mr. Yeung Chi Tat, an independent non-executive Director of the Company:-

Mr. Yeung Chi Tat, aged 42, 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, the president of the Hong Kong headquarter of the International Financial Management Association and the vice-president of Hong Kong Wine Merchants' Chamber of Commerce. He is currently the financial controller and company secretary of Dynasty Fine Wines Group Limited (Stock Code: 828), an independent non-executive director of ANTA Sports Products Limited (Stock Code: 2020), Boer Power Holdings Limited (Stock Code: 1685), Billion Industrial Holdings Limited (Stock Code : 2299) and Sitoy Group Holdings Limited (Stock Code : 1023), all of which are listed on the Main Board of the Stock Exchange in Hong Kong. Mr. Yeung had previously worked at a major international accounting firm for over ten years. He possesses experience in auditing, corporate restructuring and corporate financial services. For the last three years, Mr. Yeung was an independent non-executive director of China Eco-Farming Limited (Stock Code: 8166) which is a company listed on the GEM Board of the Stock Exchange in Hong Kong. Save as disclosed above, Mr. Yeung did not hold other directorship in any public listed companies in the last three years and he does not hold any position in the Group.

Save as disclosed above, as at 31 January 2012, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

OTHER INFORMATION

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 Listing Rules throughout the six months ended 31 January 2012.

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 31 January 2012.

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 31 January 2012 has been reviewed by the Audit Committee.

By Order of the Board

Ta Yang Group Holdings Limited

Huang Sheng-Shun

Chairman

Hong Kong, 27 March 2012