



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)



Tayang

Interim Report 2013/14

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Huang Sheng-Shun (Chairman)
Huang Te-Wei (Chief Executive Officer)
Lin Hung-Ming (resigned with effect from
31 March 2014)
Wong Tak Leung

Non-Executive Director

Wu Ih Chen

Independent Non-Executive Directors

Hsieh Yu
Jou Yow-Jen
Yeung Chi Tat
Kirk Yang

COMMITTEES

Audit Committee

Yeung Chi Tat*
Hsieh Yu
Jou Yow-Jen
Kirk Yang

Remuneration Committee

Yeung Chi Tat*
Hsieh Yu
Jou Yow-Jen
Kirk Yang

Nomination Committee

Yeung Chi Tat*
Hsieh Yu
Jou Yow-Jen
Kirk Yang

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 (resigned with effect from
31 March 2014)
Chan Oi Fat
Li Yung-Ming (appointed with effect from
31 March 2014)

* Committee Chairman

CORPORATE INFORMATION

Company Secretary	Chan Oi Fat
Financial Controller	Chan Oi Fat
Auditors	SHINEWING (HK) CPA Limited
Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman, KY1-1110 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Union Registrars Limited 18/F, Fook Lee Commercial Centre Town Place, 33 Lockhart Road Wanchai Hong Kong
Registered Office	Cricket Square Hutchins Drive P. O. Box 2681 GT Grand Cayman KY1-1111 Cayman Islands
Principal Place of Business in Hong Kong	Flat 28, 23rd Floor, Metro Centre II 21 Lam Hing Street Kowloon Bay, Kowloon Hong Kong
Stock Code	1991
Company Website	http://www.tayang.com

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 January 2014

	Notes	Six months ended 31 January	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	4	261,426	308,796
Cost of sales		(259,641)	(286,375)
Gross profit		1,785	22,421
Other operating income		19,149	24,104
Selling and distribution expenses		(14,855)	(17,602)
Administrative expenses		(63,186)	(58,055)
Other expenses		(3,804)	(5,348)
Share of result of an associate		384	(64)
Share of results of jointly controlled entities		(23)	(3,518)
Finance costs	6	(215)	(417)
Loss before tax		(60,765)	(38,479)
Income tax credit (expense)	7	1,274	(363)
Loss for the period	8	(59,491)	(38,842)
Loss for the period attributable to:			
Owners of the Company		(58,247)	(38,842)
Non-controlling interests		(1,244)	–
		(59,491)	(38,842)
Loss per share	9		
Basic and diluted		(HK7.48 cents)	(HK4.99 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 January 2014

	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(59,491)	(38,842)
Other comprehensive (expenses) income		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Net loss arising on revaluation of available-for-sale financial assets during the period	(1,975)	(4,902)
Reclassification adjustments for (gain) loss included in the condensed consolidated statement of profit or loss		
— gain on disposal	(203)	(2,607)
— impairment loss	672	1,502
	(1,506)	(6,007)
Exchange differences arising on translating foreign operations	(2,347)	4,548
Share of other comprehensive income (expenses) of an associate and a jointly controlled entity		
Share of exchange difference of an associate	96	(80)
Share of exchange difference of a jointly controlled entity	23	—
	119	(80)
Other comprehensive expenses for the period, net of tax	(3,734)	(1,539)
Total comprehensive expenses for the period, net of tax	(63,225)	(40,381)
Total comprehensive expenses for the period, net of tax, attributable to:		
Owners of the Company	(62,066)	(40,381)
Non-controlling interests	(1,159)	—
	(63,225)	(40,381)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2014

	Notes	31/1/2014 HK\$'000 (Unaudited)	31/7/2013 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	250,282	264,638
Construction in progress	12	815	693
Prepaid lease payments		13,135	13,213
Investment property		32,639	32,382
Available-for-sale financial assets		27,333	32,084
Interest in an associate		2,158	1,678
Deposits paid	13	14,260	17,551
Intangible assets	14	7,427	–
Amount due from a jointly controlled entity		3,160	–
		351,209	362,239
Current assets			
Inventories		96,484	153,074
Trade and other receivables	15	196,118	213,254
Prepaid lease payments		361	361
Loan receivable from a jointly controlled entity		–	7,801
Amounts due from jointly controlled entities		7,674	5,428
Income tax recoverable		125	80
Held-to-maturity investments		7,624	10,100
Held-for-trading investments		16,660	14,250
Derivative financial instruments		704	1,204
Financial asset designated at fair value through profit or loss		37,291	36,997
Short-term bank deposits with original maturities of more than three months		125,144	102,690
Bank balances and cash		118,578	104,910
		606,763	650,149
Assets classified as held for sale		21	21
		606,784	650,170
Current liabilities			
Unsecured bank borrowings	16	45,666	20,124
Trade and other payables	17	72,478	95,524
Income tax payable		22,335	22,244
		140,479	137,892
Net current assets		466,305	512,278
Total assets less current liabilities		817,514	874,517

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2014

	Notes	31/1/2014 HK\$'000 (Unaudited)	31/7/2013 HK\$'000 (Audited)
Capital and reserves			
Share capital	18	77,854	77,854
Reserves		723,487	785,074
Equity attributable to owners of the Company		801,341	862,928
Non-controlling interests		10,782	4,860
Total equity		812,123	867,788
Non-current liabilities			
Deferred income		4,067	4,061
Deferred tax liabilities		1,324	2,668
		5,391	6,729
		817,514	874,517

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2014

	Attributable to owners of the Company												
	Share capital	Share premium	Other reserve	Share options reserve	Retained profits/ losses	Exchange reserve	Investments revaluation reserve	Capital redemption reserve	Statutory surplus reserve	Legal reserve	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000 (Note 1)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000	HK\$'000	HK\$'000
At 1 August 2012 (audited)	77,854	633,786	-	14,104	85,307	145,840	15,118	2,420	33,411	49	1,007,889	-	1,007,889
Loss for the period	-	-	-	-	(38,842)	-	-	-	-	-	(38,842)	-	(38,842)
Other comprehensive income (expenses) for the period	-	-	-	-	-	4,468	(6,007)	-	-	-	(1,539)	-	(1,539)
Total comprehensive (expenses) income for the period	-	-	-	-	(38,842)	4,468	(6,007)	-	-	-	(40,381)	-	(40,381)
Transfer to reserve for value of share options forfeited	-	-	-	(220)	220	-	-	-	-	-	-	-	-
Dividend declared and paid during the period	-	-	-	-	(23,356)	-	-	-	-	-	(23,356)	-	(23,356)
At 31 January 2013 (unaudited)	77,854	633,786	-	13,884	23,329	150,308	9,111	2,420	33,411	49	944,152	-	944,152
Loss for the period	-	-	-	-	(92,774)	-	-	-	-	-	(92,774)	(303)	(93,077)
Other comprehensive income (expenses) for the period	-	-	-	-	-	15,710	(4,649)	-	-	-	11,061	117	11,178
Total comprehensive (expenses) income for the period	-	-	-	-	(92,774)	15,710	(4,649)	-	-	-	(81,713)	(186)	(81,899)
Transfer to reserve for value of share options forfeited	-	-	-	(246)	246	-	-	-	-	-	-	-	-
Capital contribution by non-controlling interests	-	-	489	-	-	-	-	-	-	-	489	5,046	5,535
At 31 July 2013 (audited)	77,854	633,786	489	13,638	(69,199)	166,018	4,462	2,420	33,411	49	862,928	4,860	867,788
Loss for the period	-	-	-	-	(58,247)	-	-	-	-	-	(58,247)	(1,244)	(59,491)
Other comprehensive (expenses) income for the period	-	-	-	-	-	(2,313)	(1,506)	-	-	-	(3,819)	85	(3,734)
Total comprehensive expenses for the period	-	-	-	-	(58,247)	(2,313)	(1,506)	-	-	-	(62,066)	(1,159)	(63,225)
Transfer to reserve for value of share options forfeited	-	-	-	(117)	117	-	-	-	-	-	-	-	-
Capital contribution by non-controlling interests	-	-	479	-	-	-	-	-	-	-	479	7,081	7,560
At 31 January 2014 (unaudited)	77,854	633,786	968	13,521	(127,329)	163,705	2,956	2,420	33,411	49	801,341	10,782	812,123

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2014

Notes:

1. Other reserve

Other reserve represents the difference between the capital contribution received from a non-controlling interest of a subsidiary and the increase in its share of net asset value of that subsidiary.

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 2014

	Six months ended 31 January	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash generated from (used in) operating activities	934	(4,289)
Net cash (used in) generated from investing activities	(12,902)	62,979
Net cash generated from (used in) financing activities	27,301	(20,811)
Net increase in cash and cash equivalents	15,333	37,879
Cash and cash equivalents at 1 August	104,910	78,280
Effect of foreign exchange rate changes	(1,665)	595
Cash and cash equivalents at 31 January, represented by bank balances and cash	118,578	116,754

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2014

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 and Indonesia whose functional currencies are Renminbi and Indonesian Rupiah respectively, the functional currency of the Company and its subsidiaries is 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 and related products.

At 31 January 2014, 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 statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2014

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 January 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 July 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 1	First-time Adoption of HKFRSs — Government Loans
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (IFRIC*) — Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements.

4. TURNOVER

Turnover represents fair value of the consideration received or receivable and for goods sold to customers in the normal course of business, net of discounts and sales related tax.

5. SEGMENT INFORMATION

The Group's turnover, 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 2014

6. FINANCE COSTS

	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on unsecured bank borrowings wholly repayable within one year	215	417

7. INCOME TAX CREDIT (EXPENSE)

	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
— PRC Enterprise Income Tax	(39)	(171)
— Taiwan Profit-Seeking Enterprise Income Tax ("Taiwan Income Tax")	(42)	—
Deferred taxation		
— Current period	1,355	(192)
	1,274	(363)

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information as there were no estimated assessable profits 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.

No provision for Indonesia Income Tax for the six months ended 31 January 2014 and 2013 has been made as the subsidiary operating in Indonesia did not generate any assessable profits in Indonesia.

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

Taiwan Income Tax was calculated at 17% of the estimated assessable profits for the six months ended 31 January 2014. No provision for Taiwan Income Tax for the six months ended 31 January 2013 has been made as the Group did not generate any assessable profits in Taiwan.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2014

7. INCOME TAX CREDIT (EXPENSE) (CONTINUED)

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:

- Dongguan Tai Yang Rubber Plastic Industrial Company Limited ("Dongguan Tai Yang") is a foreign investment enterprise and is 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 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. From 1 January 2013 onwards, provision for PRC Enterprise Income Tax for Dongguan Tai Yang is calculated at 25% of its estimated assessable profits.
- In September 2008, Huzhou Ta Yang Electronic Technology Company Limited is recognised as an approved technology enterprise and is eligible to a preferential tax rate of 15% upto 14 October 2014.

8. LOSS FOR THE PERIOD

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

	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Allowance for inventories (included in cost of sales)	2,716	611
Amortisation of prepaid lease payments	184	685
Amortisation of intangible assets	192	—
Cost of inventories recognised as expenses	256,925	285,764
Share of taxation of an associate	42	31
Depreciation of property, plant and equipment	20,948	20,936
Exchange loss, net	2,308	3,010
Interest income	(2,685)	(2,412)
Dividend income	(1,544)	(2,683)
Government grants		
— Amortisation of deferred income	(25)	(346)
— Grants related to expenses recognised as other operating income	(1,974)	(35)
Loss on derivative financial instruments	500	773
Gain on held-for-trading investments	(1,261)	(1,747)
Loss on disposal of property, plant and equipment	322	63
Gain on disposal of available-for-sale financial assets	(2,889)	(3,249)
Impairment loss recognised in respect of trade receivables	156	739

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2014

9. LOSS PER SHARE BASIC AND DILUTED

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

	Six months ended 31 January	
	2014 (Unaudited)	2013 (Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(58,247)	(38,842)
Weighted average number of ordinary shares in issue ('000)	778,541	778,541
Basic and diluted loss per share (HK cents)	(7.48)	(4.99)

Both basic and diluted loss per share are the same as the effect of exercise of the Company's outstanding share options was anti-dilutive.

10. DIVIDENDS

	Six months ended 31 January	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
2013 final dividend of nil per share (2012: final dividend of HK\$0.03 per share)	–	23,356

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 January 2014 and 2013.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 January 2014, the Group acquired items of property, plant and equipment with a cost of approximately HK\$6,223,000 (six months ended 31 January 2013: approximately HK\$4,251,000) for the expansion of production facilities. Items of property, plant and equipment with a carrying amount of approximately HK\$507,000 were disposed of during the six months ended 31 January 2014 (six months ended 31 January 2013: approximately HK\$510,000), with approximately HK\$322,000 loss on disposal (six months ended 31 January 2013: HK\$63,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2014

12. CONSTRUCTION IN PROGRESS

During the six months ended 31 January 2014, the Group acquired items of construction in progress with a cost of approximately HK\$128,000 (six months ended 31 January 2013: approximately HK\$1,331,000). Items of construction in progress with a carrying amount of approximately HK\$13,000 were transferred to property, plant and equipment during the six months ended 31 January 2014 (six months ended 31 January 2013: approximately HK\$2,844,000).

13. DEPOSITS PAID

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

	31/1/2014 HK\$'000 (Unaudited)	31/7/2013 HK\$'000 (Audited)
Land use right in Indonesia	14,260	17,551

14. INTANGIBLE ASSETS

During the six months ended 31 January 2014, the non-controlling interests contributed items of patents with a cost of approximately HK\$7,560,000 (six months ended 31 January 2013: nil).

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:

	31/1/2014 HK\$'000 (Unaudited)	31/7/2013 HK\$'000 (Audited)
Within 1 month or on demand	71,317	92,205
More than 1 month but less than 3 months	72,153	64,570
More than 3 months but less than 12 months	30,545	28,823
	174,015	185,598

As at 31 January 2014, included in trade receivables is an amount of approximately HK\$1,783,000 (31 July 2013: approximately HK\$2,761,000) due from an associate.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2014

16. UNSECURED BANK BORROWINGS

During the six months ended 31 January 2014, the Group obtained a new bank loan of HK\$25,542,000 (31 July 2013: nil). During the six months ended 31 January 2014 and year ended 31 July 2013, the loans carried variable interest rate at 1.75% to 3.00% per annum over Hong Kong Inter-bank Offered Rate/London Inter-bank Offered Rate or the Lender's Cost of Funds, whichever is higher and are repayable on demand. The effective interest rate on the borrowings is 2.03% (six months ended 31 January 2013: 2.8%) per annum.

17. 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.

	31/1/2014 HK\$'000 (Unaudited)	31/7/2013 HK\$'000 (Audited)
Due within 1 month or on demand	13,360	20,097
Due after 1 month but less than 3 months	13,392	13,048
Due after 3 months but less than 12 months	1,713	1,491
Due after 12 months	2,225	1,703
	30,690	36,339

18. SHARE CAPITAL AUTHORISED AND ISSUED SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 August 2012, 31 January 2013, 31 July 2013 and 31 January 2014	20,000,000	2,000,000
Issued and fully paid:		
At 1 August 2012, 31 January 2013, 31 July 2013 and 31 January 2014	778,541	77,854

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2014

19. 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	
	2014	2013
Outstanding at 1 August	18,340,000	18,910,000
Forfeited during the period	(346,000)	(218,000)
Outstanding at 31 January	17,994,000	18,692,000

No share option was granted during the six months ended 31 January 2014 and 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2014

20. 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	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
SiTY Silcum & Ta Yang International GmbH ("SiTY") (Note i)	Sales of rubber keypads	3,294	2,003
	Receipt of fixture charges	–	355
Formosan Union Chemical Corp. ("Formosan") (Note ii)	Receipt of bonus shares of nil (2013: 276,768 shares) (included in available-for-sale financial assets)	–	1,300
	Dividend income	197	478
Huzhou Ri Jun Electronic Technology Company Limited ("Huzhou Ri Jun") (Note iii)	Rental income	–	477
	Sales of rubber keypads	–	50
	Sub-contracting income	65	212
Ta Yang Agricode Sdn Bhd ("Ta Yang Agricode") (Note iii)	Interest income	–	201

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) Huzhou Ri Jun and Ta Yang Agricode are jointly controlled entities of the Group. Ta Yang Agricode was transferred to assets classified as held for sale of the Group on 30 April 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 January 2014

20. 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 is as follows:

	Six months ended 31 January	
	2014	2013
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Short-term benefits	3,032	3,344
Post-employment benefits	69	76
	3,101	3,420

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.

21. CAPITAL COMMITMENTS

	31/1/2014	31/7/2013
	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	2,120	3,563
— Land use right in Indonesia	4,775	4,775
	6,895	8,338

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global economy was relatively stable in the second half of 2013, but the overall consumer market was still far from satisfactory after the European debt crisis. The recovery process is believed to take a long time with some of the countries still facing severe economical challenges. At the same time, the portable devices with touch-screen panels has received the mainstream attention in the markets from consumers, so the demand for conventional mobile phones and computers was gradually phased out. As a result, it brought a huge challenge to the consumer electronic device market and some of the major customers were experiencing difficulties and have inevitably affected the Group's performance. The Group was operating under adverse business environment during the period.

The operating environment for the manufacturing in the PRC remains challenging with increase in wages, inflation and appreciation of RMB. It caused the operating cost to continue increase. During the period, despite of the efforts to soliciting new customers' businesses and streamlining the operations, it was obvious that our total capacity was still over the demand level. In addition, the Group is still in the process of restructuring, some additional non-recurring costs were incurred in order to improve operation efficiency. This further caused the gross profit margin to drop significantly.

OUTLOOK

The fluctuating global economic environment will impact on the consumer electronics industry in the near future. The management will remain cautious of the Group's business outlook. The Group will continue to take actions on resources optimisation and operation cost control in 2014. The Group has set new strategies for the coming years for the management team to execute. Firstly, it will continue to expand the customer base with focus on credibility and scalability. Secondly, it plans to increase dramatically the share of lifestyle products on the Group's turnover by the end of 2015. The last but not the least is to continue on with the cost initiatives. It is particularly important under the current unstable economical situation and the increasing operating cost pressure in the PRC.

We believed these prudent and proactive approaches will do our utmost for the greatest benefits of our shareholders and employees.

FINANCIAL REVIEW

TURNOVER

During the period, the Group has recorded a revenue of HK\$261.4 million, representing a decrease of 15.3% compared with the corresponding period in 2013. The major contributors of the revenue were still from keypads for consumer electronic devices, computers and notebooks which accounted for approximately 59% of total turnover. However, due to weak demand on traditional electronic devices, their turnovers were decreased. Meanwhile, with effort on diversification of products mix, the increase in sales orders from mobile phone peripheral products and lifestyle products can partly offset the decrease in consumer electronic devices and computers segments. With the recent popularity of the use of silicone material on wide range of products, the Group will endeavor to explore the market.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT

The gross profit was HK\$1.8 million, a decrease of HK\$20.6 million or 92.0% as compared with the corresponding period in 2013. The overall profit margin for the period decreased from 7.3% to 0.7%. The decrease in profit margin was due to the continuous appreciation of RMB and increase in production cost in the PRC that were induced by soaring labour wages and inflation. In addition, the drop in utilisation rate of plant and machineries also cause the average unit cost to increase and hence shrink the profit margins.

OTHER OPERATING INCOME

Other operating income decreased by HK\$5.0 million or 20.6% to HK\$19.1 million as compared with the corresponding period in 2013. The decrease was mainly due to the decrease in gain on disposal of available-for-sale investments and dividend income.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by 15.6% to HK\$14.9 million as compared with the corresponding period in 2013. The decrease was in line with the decrease in turnover. When counted as a percentage of the Group's turnover, the total amount of selling and distribution expenses was 5.7%, which was the same as compared with the corresponding period in 2013.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from HK\$58.1 million to HK\$63.2 million as compared with the corresponding period in 2013. When counted as a percentage of the Group's turnover, the total amount of administrative expenses was 24.2%, 5.4% increased compared with the corresponding period in 2013. The increase was a result of the inflation in expenses and appreciation of RMB.

LOSS FOR THE PERIOD

Loss for the period increased from HK\$38.8 million to HK\$59.5 million as compared with the corresponding period in 2013.

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 2014 HK\$'000	As at 31 July 2013 HK\$'000
Cash and cash equivalents	118,578	104,910
Net current assets	466,305	512,278
Current ratio	4.3	4.7
Quick ratio	3.6	3.6

MANAGEMENT DISCUSSION AND ANALYSIS

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 as short-term deposits with authorised 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 mainly 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 2014 are as follows:

Particular	Planned amount HK\$ million	Utilised amount HK\$ million
Expansion of production facilities for silicone rubber based products	468	(315)
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	(405)

MANAGEMENT DISCUSSION AND ANALYSIS

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 2014, the Group employed more than 3,500 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 2014, 5,970,000 share options were still outstanding under the Pre-IPO Share Option Scheme, of which 4,140,000 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 2014, 6,792,000 share options were still outstanding under Post-IPO Share Option Scheme granted on 24 December 2009, of which 4,241,000 options are held by employees of the Group.

As at 31 January 2014, 5,232,000 share options were still outstanding under Post-IPO Share Option Scheme granted on 11 January 2011, of which 3,654,000 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 2014 (31 January 2013: Nil).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 January 2014, 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 & 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	0.89%	
Wu Ih Chen	Beneficial Owner	2,100,000	1,160,000	3,260,000	0.42%	
Kirk Yang	Beneficial Owner	–	100,000	100,000	0.013%	
Hsieh Yu	Beneficial Owner	–	146,000	146,000	0.02%	
Jou Yow-Jen	Beneficial Owner	–	46,000	46,000	0.006%	
Yeung Chi Tat	Beneficial Owner	–	146,000	146,000	0.02%	

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 2014 is 778,541,000 shares.

OTHER INFORMATION

Directors' Rights to Acquire Shares

Name of Director	Date of Grant	Exercise Period (subject to vesting period)	Number of Shares subject to outstanding options as at 1.8.2013	Granted during the period	Exercise price per share HK\$	Exercise during the period	Number of Shares subject to outstanding options as at 31.1.2014	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)	Number of Shares subject to outstanding options		Exercise price per share HK\$	Exercise during the period	Number of Shares subject to outstanding options		Approximate percentage of the Company's issued capital
			as at 1.8.2013	Granted during the period			as at 31.1.2014		
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 Schemes" 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 IN THE COMPANY".

Save as disclosed above, as at 31 January 2014, 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 2014, so far as is known to the Directors, the following persons 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 provisions 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 the 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	7.40%	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	414,480,000	790,000	415,270,000	53.34%	9
Wu Pei Min	Corporate interests/ Beneficial interests	51,264,000 150,000	– –	51,414,000	6.60%	6
Wu Chung-chieh, Jack	Corporate interests	51,264,000	–	51,264,000	6.58%	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 SCHEMES" 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) 51,264,000 shares out of 51,414,000 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 the SFO.
- (7) 51,264,000 shares 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 the SFO.
- (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 SCHEMES" 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 2014, the issued capital of the Company is 778,541,000 shares.

Save as disclosed above, as at 31 January 2014, 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.

OTHER INFORMATION

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 the Post-IPO Share Option Scheme under which the Board may, at its discretion, offer any employee of the Group (including Executive Directors of the Company) options 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 disclosed movements in the share options during the period:

Category or name of grantees	Option Type	Options to subscribe for shares of the Company				Balance as at 31.1.2014	Exercise period (subject to vesting period)	Exercise price per share HK\$
		Balance as at 1.8.2013	Granted during the period	Lapsed during the period	Exercised during the period			
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

Category or name of grantees	Option Type	Options to subscribe for shares of the Company				Balance as at 31.1.2014	Exercise period (subject to vesting period)	Exercise price per share HK\$
		Balance as at 1.8.2013	Granted during the period	Lapsed during the period	Exercised during the period			
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	4,140,000	-	-	-	4,140,000	08.06.2008 – 15.05.2017	2.20
	Share Option Scheme II-A	4,451,000	-	(210,000)	-	4,241,000	24.06.2010 – 23.12.2019	0.96
	Share Option Scheme II-B	3,790,000	-	(136,000) ⁴	-	3,654,000	11.07.2011 – 10.01.2021	1.05
Total for Employees		12,381,000	-	(346,000)	-	12,035,000		
All Categories								
All Categories	Share Option Scheme I	5,970,000	-	-	-	5,970,000	08.06.2008 – 15.05.2017	2.20
	Share Option Scheme II-A	7,002,000	-	(210,000) ⁴	-	6,792,000	24.06.2010 – 23.12.2019	0.96
	Share Option Scheme II-B	5,368,000	-	(136,000) ⁴	-	5,232,000	11.07.2011 – 10.01.2021	1.05
Total		18,340,000	-	(346,000)	-	17,994,000		

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 was 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 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 31 January 2014, except the code provision C.1.2 which requires the management of the Company to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties.

During the review period, the management of the Company did not provide monthly updates to all members of the Board as required by the code provision C.1.2, as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all directors (including non-executive Director and independent non-executive Directors) quarterly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail during the regular board meetings of the Company.

In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

OTHER INFORMATION

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct regarding Director’s securities transactions. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 31 January 2014.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. Yeung Chi Tat (chairman), Mr. Hsieh Yu, Professor Jou Yow-Jen and Mr. Kirk Yang, 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 2014 has been reviewed by the Audit Committee.

By Order of the Board

Ta Yang Group Holdings Limited

Huang Sheng-Shun

Chairman

Hong Kong, 26 March 2014