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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31ST JANUARY 2010

INTERIM RESULTS

The Board of Directors (the "Board") of Ta Yang Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31st January 2010, together with the unaudited comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31ST JANUARY 2010

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY 2010

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31ST JANUARY 2010

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

1. GENERAL

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

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

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

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

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

2. BASIS OF PREPARATION

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

3. PRIOR PERIOD ADJUSTMENT

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

For the six months ended 31st January 2009:

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

4. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

1 Amendments that are effective for annual periods beginning on or after 1st January 2010.
2 Effective for annual periods beginning on or after 1st January 2010.
3 Effective for annual periods beginning on or after 1st February 2010.
4 Effective for annual periods beginning on or after 1st July 2010.
5 Effective for annual periods beginning on or after 1st January 2011.
6 Effective for annual periods beginning on or after 1st January 2013.

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

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

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

5. TURNOVER

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

6. SEGMENT INFORMATION

Application of HKFRS 8 Operating Segments

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

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

7. INCOME TAX EXPENSE

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

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

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

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

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

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

- Dongguan Tay Yang Rubber Plastic Industrial Company Limited ("Dongguan Tay Yang"), Huzhou Ta Yang Electronic Technology Company Limited ("Huzhou Ta Yang") and Dongguan Tai Yang Rubber Plastic Industrial Company Limited ("Dongguan Tai Yang") are foreign investment enterprises and are entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate.

- The first profit-making year of Dongguan Tay Yang is 2005. Accordingly, Dongguan Tay Yang is exempted from PRC income tax from 1st January 2005 to 31st December 2006 and is entitled to a 50% exemption of income tax from 1st January 2007 to 31st December 2009. From 1st January 2010 onwards, provision for PRC Enterprise Income Tax for Dongguan Tay Yang is calculated at 25% of its estimated assessable profits.

- The first profit-making year of Huzhou Ta Yang is 2004. Accordingly, Huzhou Ta Yang is exempted from PRC income tax from 1st January 2004 to 31st December 2005 and is entitled to a 50% exemption of income tax from 1st January 2006 to 31st December 2008. In September 2008, Huzhou Ta Yang is recognised as an approved technology enterprise and is eligible to a preferential tax rate of 15% from 1st January 2009 to 31st December 2010.

- The first profit-making year of Dongguan Tai Yang is 2008. Accordingly, Dongguan Tai Yang is exempted from PRC Enterprise Income Tax from 1st January 2008 to 31st December 2009 and is entitled to a 50% exemption of income tax from 1st January 2010 to 31st December 2012.

8. PROFIT FOR THE PERIOD

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

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

9. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

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

10. DIVIDENDS

	Six months ended 31st January	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
2009 final dividend of HK$0.06 per share (2008: final dividend of HK$0.06 per share)	**48,000**	48,000

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31st January 2010 and 2009.

11. PROPERTY, PLANT AND EQUIPMENT

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

12. CONSTRUCTION IN PROGRESS

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

13. HELD-TO-MATURITY INVESTMENT

Held-to-maturity investment comprises:

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

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

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

14. TRADE AND OTHER RECEIVABLES

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

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

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

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

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

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

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

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

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

16. TRADE AND OTHER PAYABLES

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

An aged analysis of the trade payables is as follows:

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

17. SHARE CAPITAL

(a) Authorised and issued share capital

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

(b) Repurchase of own shares

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

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

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

18. SHARE OPTION SCHEME

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

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

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

Lot 1: From 24th June 2010 to 23rd December 2019
Lot 2: From 24th December 2010 to 23rd December 2019

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

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

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

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

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

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

19. RELATED PARTY TRANSACTIONS

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

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

Note: SiTY is an associate company of the Group.

(b) Compensation of key management personnel

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

	Six months ended 31st January	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**3,371**	6,226
Post-employment benefits	**60**	98
Share-based payments	**506**	468
	3,937	6,792

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

20. CAPITAL COMMITMENTS

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

21. EVENT AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

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

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

Outlook

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

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

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

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

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

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

Financial Review

Turnover

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

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

Gross Profit

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

Other operating income

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

Selling and distribution expenses

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

Administrative expenses

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

Profit for the period

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

Liquidity and financial resources

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

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

Financial management and treasury policy

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

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

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

USE OF PROCEEDS

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

The usage of net proceeds until 31st January 2010 are as follows:

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

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

HUMAN RESOURCES AND REMUNERATION POLICIES

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

We offer competitive remuneration package, including quality staff quarters, trainings, medical, insurance coverage and retirement benefits, to all employees in Hong Kong and in the PRC. As at 31st January 2010 the Group employed more than 7,673 employees.

The Group adopted a Pre-IPO Share Option Scheme on 16th May 2007 for the purpose of recognition of employees' contribution before the Listing. As at 31st January 2010, 7,055,000 share options were still outstanding under the Pre-IPO Share Option Scheme, of which 5,225,000 options are held by employees of the Group. A total of 30,000 options was lapsed during the period.

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

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

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

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31st January 2010.

Despite the removal of the requirement for a qualified accountant in the Main Board Listing Rules effective on 1st January 2010, the Group continues to maintain a qualified accountant to oversee its financial reporting and other accounting-related issues in accordance with the relevant laws, rules and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for Directors' securities transactions (the "Model Code"). Having made specific enquiry, all the Directors confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 31st January 2010.

AUDIT COMMITTEE

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

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

The Company's unaudited condensed consolidated interim financial information for the six months ended 31st January 2010 has been reviewed by the Audit Committee and Messrs. SHINEWING (HK) CPA Limited, the auditors of the Company.

By Order of the Board
Ta Yang Group Holdings Limited
Huang Sheng-Shun
Chairman

Hong Kong, 20th April 2010

As at the date hereof, the Board of the Company has five executive directors, namely Mr. Huang Sheng-Shun, Mr. Wu Ih Chen, Mr. Lin Hung-Ming, Mr. Wong Tak Leung and Mr. Huang Te-Wei, one non-executive director namely Mr. Kirk Yang and three independent non-executive directors namely, Mr. Hsieh Yu, Professor Jou Yow-Jen and Mr. Yeung Chi Tat.