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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)

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2010

FINAL RESULTS

The board of Directors (the "Board") of Ta Yang Group Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 July 2010, together with the audited comparative figures for the year ended 31 July 2009 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2010

	Notes	**2010** ***HK$'000***	2009 *HK$'000*
Turnover	*3*	**812,093**	620,251
Cost of sales		**(631,547)**	(519,193)
Gross profit		**180,546**	101,058
Other operating income	*3*	**17,474**	17,537
Selling and distribution expenses		**(28,086)**	(28,269)
Administrative expenses		**(94,525)**	(94,706)
Other expenses	*5*	**(5,068)**	(8,414)
Bad debts written off		**(4)**	(23,742)
Share of profit (loss) of an associate		**383**	(237)
Profit (loss) before taxation		**70,720**	(36,773)
Income tax expenses	*6*	**(3,454)**	(2,120)
Profit (loss) for the year attributable to owners of the Company	*7*	**67,266**	(38,893)
Earnings (loss) per share	*9*		
Basic		**HK8.51 cents**	HK(4.86) cents
Diluted		**HK8.50 cents**	HK(4.86) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2010

	2010	2009
	HK$'000	*HK'000*
Profit (loss) for the year	**67,266**	(38,893)
Other comprehensive income (expenses)		
Exchange differences arising on translation	**9,410**	(154)
Share of exchange reserve of an associate	**(120)**	(427)
Fair value gain on available-for-sale financial assets	**6,791**	7,380
Other comprehensive income for the year	**16,081**	6,799
Total comprehensive income (expense) for the year attributable to owners of the Company	**83,347**	(32,094)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**320,309**	303,717
Construction in progress		**1,916**	18,740
Prepaid lease payments		**57,106**	58,057
Available-for-sale financial assets		**44,892**	17,086
Held-to-maturity investment		**11,610**	11,610
Interest in an associate		**1,528**	1,652
Deferred tax assets		**–**	888
Deposits for acquisition of land use right		**5,171**	–
		442,532	411,750
Current assets			
Inventories		**165,127**	108,989
Trade and other receivables	*10*	**302,050**	205,331
Prepaid lease payments		**1,301**	1,298
Income tax recoverable		**–**	3,066
Held-for-trading investments	*11*	**47**	598
Derivative financial instruments	*13*	**2,938**	115
Deposits with bank		**–**	1,026
Bank balances and cash		**333,789**	458,000
		805,252	778,423
Current liabilities			
Trade and other payables	*12*	**118,909**	68,139
Income tax payable		**44,997**	50,083
		163,906	118,222
Net current assets		**641,346**	660,201
Total assets less current liabilities		**1,083,878**	1,071,951
Capital and reserves			
Share capital		**77,801**	80,000
Reserves		**1,002,449**	990,925
Total equity		**1,080,250**	1,070,925
Non-current liabilities			
Deferred income	*14*	**1,014**	1,026
Deferred tax liabilities		**2,614**	–
		3,628	1,026
		1,083,878	1,071,951

1. GENERAL

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

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

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

At 31 July 2010, the directors consider the ultimate holding company of the Company to be Bluebell Global Enterprises Limited which is incorporated in the British Virgin Islands ("BVI").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments to standards, and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 1 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

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 August 2009. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 August 2009.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

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

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segment.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
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[7]
HK(IFRIC)– Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)– Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Amendments that are effective for annual periods beginning on or after 1 January 2010
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 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 1 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 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 consolidated financial statements.

3. TURNOVER AND OTHER OPERATING INCOME

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

Revenues recognised during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**812,093**	620,251
Other operating income		
Interest income		
– Bank deposits	**4,562**	7,762
– Held-to-maturity investments	**363**	38
Total interest income	**4,925**	7,800
Compensation received from an insurance company	**–**	1,891
Investment income from derivative financial instruments	**619**	–
Increase in fair value of derivative financial instruments	**2,934**	–
Dividend income	**1,695**	–
Gain on disposal of held-for-trading investments	**–**	1,296
Gain on disposal of prepaid lease payments	**–**	1,025
Government grants		
– Amortisation of deferred income for the year *(note 14)*	**23**	23
– Grants related to expenses recognised as other operating income *(note)*	**1,853**	312
Reversal of impairment losses recognised in respect of trade receivables	**190**	43
Sundry income	**5,235**	5,147
	17,474	17,537
Total revenues	**829,567**	637,788

Note: For the year ended 31 July 2010, the amount represented unconditional grants from Dongguan Social Security Authority for subsidising the unemployment insurance contribution in the PRC. For the year ended 31 July 2009, the amount represented unconditional grants from the PRC government for encouraging the Group's technology development in the PRC.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group has adopted HKFRS 8 Operating Segments with effect from 1 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, Chief Executive Officer, for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, no business segments information had been presented. 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.

Segment revenues, results, assets and liabilities

The Group's revenues, results, assets and liabilities are primarily attributable to the manufacturing and sale of silicone rubber and related products. The directors of the Company consider that there is only one operating and reportable segment for the Group.

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2010	2009
	HK$'000	*HK$'000*
Keypads for consumer electronic devices	**355,942**	295,224
Keypads for computers and notebooks	**258,477**	217,443
Automotive peripheral products	**36,559**	27,547
Keypads for mobile phone	**122,705**	56,856
Others	**38,410**	23,181
	812,093	620,251

Geographical information

The Group's operation are principally located in the PRC and Hong Kong.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (excluding Hong Kong)	**426,713**	306,665	**374,205**	369,647
Hong Kong	**151,968**	116,686	**10,297**	10,867
Other Asian countries	**197,355**	129,661	**–**	–
The Americas	**25,076**	48,058	**–**	–
Europe	**10,981**	19,181	**1,528**	1,652
	812,093	620,251	**386,030**	382,166

Non-current assets excluded available-for-sale financial assets, held-to-maturity investment and deferred tax assets.

Information about major customers

Revenues from customers contributing over 10% of the total sales of the Group are derived from sales of silicone rubber and related products in both years and are as follows:

	2010	2009
	HK$'000	*HK$'000*
Customer A	**192,014**	177,580
Customer B *(Note)*	**97,971**	N/A
Customer C *(Note)*	**100,479**	N/A

Note: The corresponding revenue does not contribute over 10% of the total sales of the Group in the respective year.

5. OTHER EXPENSES

	2010	2009
	HK$'000	*HK$'000*
Exchange losses	**2,082**	3,773
Loss on disposal of property, plant and equipment	**466**	53
Loss on disposal of held-for-trading investments	**151**	–
Decrease in fair value of held-for-trading investments	**–**	24
Inventories lost in fire	**–**	998
Loss on derivative financial instruments	**2,369**	3,566
	5,068	8,414

6. INCOME TAX EXPENSES

	2010	2009
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– current year	**21**	211
PRC Enterprise Income Tax		
– current year	**10,284**	6,478
– overprovision in prior years *(note (i))*	**(438)**	(4,237)
	9,846	2,241
Macau Complementary Income Tax ("MCIT")		
– overprovision in prior years *(note (ii))*	**(9,917)**	–
Deferred taxation		
– current year	**3,504**	(332)
	3,454	2,120

Note: (i) Overprovision of PRC Enterprise Income Tax expenses credited to profit or loss during 2009 represents the tax effect on tax benefits available to the Group in respect of certain purchases of equipment produced in the PRC pertained for the year 2008 but approved in 2009 and the agreement of the tax authorities on deductibility of certain expenses.

(ii) Due to no formal tax assessment notice has been issued by the Macau tax authority and the expiry of five years time-barred period in accordance with the Macau Complementary Income Tax (Decree Law 21/78/M) Article 55, the management of the Company assessed that the overprovision for MCIT in prior years of approximately HK$9,917,000 is written back and credited to profit or loss during the year ended 31 July 2010.

Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profit for both years.

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

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

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 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 1 January 2005 to 31 December 2006 and is entitled to a 50% exemption of income tax from 1 January 2007 to 31 December 2009. From 1 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 1 January 2004 to 31 December 2005 and is entitled to a 50% exemption of income tax from 1 January 2006 to 31 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 1 January 2009 to 31 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 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.

The income tax expenses for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit (loss) before taxation	**70,720**	(36,773)
Tax expense at rates applicable to profits in the jurisdictions concerned	**26,560**	2,511
Tax effect of income not subject to tax	**(2,482)**	(307)
Tax effect of expenses not deductible for tax purposes	**1,574**	4,083
Tax effect of share of (profit) loss of an associate	**(63)**	39
Overprovision in prior years	**(10,355)**	(4,237)
Tax effect of tax losses not recognised	**120**	3,981
Effect of tax exemptions granted to PRC subsidiaries	**(5,475)**	(3,455)
Utilisation of previously unrecognised tax losses	**(6,425)**	–
Tax credit	**–**	(495)
Income tax expenses for the year	**3,454**	2,120

7. PROFIT (LOSS) FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,118**	874
Amortisation of prepaid lease payments	**1,298**	1,300
Costs of inventories sold *(note i)*	**635,052**	514,756
Allowance for inventories (included in cost of sales)	**390**	4,437
Reversal of allowance for inventories (included in cost of sales)	**(3,895)**	–
Share of taxation of an associate	**426**	163
Depreciation of property, plant and equipment	**41,415**	40,360
Directors' emoluments	**10,536**	7,365
Impairment losses recognised in respect of trade and other receivables *(note 10)*	**355**	127
Research and development costs *(note ii)*	**10,028**	10,080
Payments under operating leases in respect of land and buildings	**8,090**	8,677
Staff costs (excluding directors' emoluments)	**293,126**	225,110

Note i: Cost of inventories sold includes approximately HK$282,633,000 (2009: HK$208,343,000) relating to staff costs, depreciation expenses and operating lease charges which amount is also included in the respective total amounts disclosed separately above.

Note ii: During the year ended 31 July 2010, research and development costs included staff costs of approximately HK$5,643,000 (2009: HK$5,632,000) for the Group's employees engaged in research and development activities.

8. DIVIDENDS RECOGNISED AS DISTRIBUTION DURING THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
2009 final dividend declared and paid of HK$0.06 (2008: HK$0.06) per share	**48,000**	48,000

The directors of the Company recommend the payment of a final dividend of HK$0.06 per share for the year ended 31 July 2010. The proposed final dividend will be paid on or before 10 December 2010 to those shareholders whose names appear on the Company's register of members on 23 November 2010.

This proposed dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

9. EARNINGS (LOSS) PER SHARE

(a) Basic

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

	2010	2009
Profit (loss) for the year attributable to owners of the Company (HK$'000)	**67,266**	(38,893)
Weighted average number of ordinary shares in issue ('000)	**790,610**	800,000
Basic earnings (loss) per share (HK cents)	**8.51**	(4.86)

(b) Diluted

Diluted earnings (loss) 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.

	2010	2009
Profit (loss) for the year attributable to owners of the Company (HK$'000)	**67,266**	(38,893)
Weighted average number of ordinary shares in issue ('000)	**790,610**	800,000
Effect of dilutive potential ordinary shares ('000)	**1,183**	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	**791,793**	800,000
Diluted earnings (loss) per share (HK cents)	**8.50**	(4.86)

The basic and diluted loss per share are the same for the year ended 31 July 2009 as the exercise price of the Company's share options was higher than the average market price of the Company's shares.

10. TRADE AND OTHER RECEIVABLES

(a)

	2010	2009
	HK$'000	*HK$'000*
Trade receivables		
– from third parties	**277,682**	191,435
– from an associate	**1,868**	843
Less: Impairment losses recognised in respect of trade receivables from third parties	**(373)**	(406)
	279,177	191,872
Prepayments, deposits and other receivables	**23,017**	13,459
Less: Impairment losses recognised in respect of other receivables	**(144)**	–
	302,050	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, presented based on the invoice date at the reporting date is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 1 month or on demand	**122,850**	67,950
More than 1 month but less than 3 months	**113,904**	86,965
More than 3 months but less than 12 months	**41,630**	36,882
More than 12 months	**793**	75
	279,177	191,872

(b) The movement on impairment losses of trade receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
At 1 August	**406**	322
Exchange realignment	**3**	–
Impairment losses recognised	**213**	127
Impairment losses reversed	**(190)**	(43)
Amounts written off as uncollectible	**(59)**	–
At 31 July	**373**	406

Included in the impairment losses recognised are individually impaired trade receivables with an aggregate balance of approximately HK$373,000 (2009: HK$406,000) over which the Group does not hold any collateral. The individually impaired receivables mainly relate to customers that are in financial difficulty or of poor credit history.

(c) The movement on impairment losses of other receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
At 1 August	**–**	–
Exchange realignment	**2**	–
Impairment losses recognised	**142**	–
At 31 July	**144**	–

Included in the impairment losses recognised are individually impaired other receivables with an aggregate balance of approximately HK$144,000 (2009: nil) which are due to long outstanding. The Group does not hold any collateral over these balances.

(d) At 31 July 2010 and 2009, the analysis of trade receivables that were past due but not impaired are as follows:

			Past due but not impaired		
	Total	**Neither past due nor impaired**	**<90days**	**Over 90 days but less than 1 year**	**Over 1 year but less than 2 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 July 2010	279,177	263,664	13,903	1,479	131
31 July 2009	191,872	179,067	11,752	978	75

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track payment record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	2010	2009
	'000	*'000*
USD	**28,548**	19,058
EUR	**–**	472
NTD	**2,100**	3,011

11. HELD-FOR-TRADING INVESTMENTS

	2010	2009
	HK$'000	*HK$'000*
Equity securities at quoted market price		
– listed in Hong Kong	**–**	598
– listed outside Hong Kong	**47**	–
	47	598

12. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**65,576**	31,822
Other payables	**53,333**	36,317
	118,909	68,139

An aged analysis of trade payables is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 1 month or on demand	**26,083**	20,969
Due after 1 month but less than 3 months	**33,844**	8,477
Due after 3 months but within 12 months	**3,986**	1,887
Due after 12 months	**1,663**	489
	65,576	31,822

The average credit period on purchases of goods is 30 – 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in other payables are amounts in total of approximately HK$3,000,000 (2009: nil) representing accrued directors' emoluments.

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

	2010	2009
	'000	*'000*
USD	**4,381**	750
JPY	**41,006**	–
NTD	**4,317**	150

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	2010	2009
	HK$'000	*HK$'000*
Derivative financial assets		
Investment in warrant	**4**	115
Currency structured forward contracts	**2,934**	–
	2,938	115

In March 2010, the Group entered into a non-deliverable net settled RMB/USD structured forward contract (the "Contract") with a bank. The notional amount of the Contract is USD5,000,000 with 24 monthly settlement amounts commencing from April 2010. On each settlement day, if the exchange rate of USD to RMB falls with a stated range, a fixed amount of USD20,000 would be receivable from the bank. If the exchange rate of USD to RMB appreciates above the contracted rate at the settlement date, an amount would be payable by the Group. The amount payable by the Group would be a function of the settlement amount and the difference between the contracted rate and the exchange rate of USD to RMB at the settlement date. As at 31 July 2010, the fair value of the Contract was determined based on the valuation provided by an independent qualified valuer, BMI Appraisals Limited.

Included in derivative financial assets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2010	2009
	'000	*'000*
USD	**379**	–

14. DEFERRED INCOME

	2010	2009
	HK$'000	*HK$'000*
At 1 August	**1,026**	–
Exchange realignment	**11**	–
Granted during the year	**–**	1,049
Credited to consolidated income statement	**(23)**	(23)
At 31 July	**1,014**	1,026

During the year ended 31 July 2009, 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 for the acquisition of prepaid lease payments. The amount will be recognised as other operating income over the unexpired lease term of prepaid lease payments. During the year, deferred income of approximately HK$23,000 (2009: HK$23,000) has been recognised in the consolidated income statement.

15. CAPITAL COMMITMENTS

	2010	2009
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	**7,482**	5,034
– Acquisition of land use right	**1,081**	–
– Acquisition of available-for-sale financial assets *(note)*	**–**	6,676
	8,563	11,710

Note: At 31 July 2009, the Group had committed to acquire unlisted equity securities outside Hong Kong.

16. COMMITMENTS UNDER OPERATING LEASES

The Group as lessee

The Group leases a number of properties under operating leases for its factories, offices and staff quarters. The leases were negotiated for terms ranging from one to five years, with the options to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010	2009
	HK$'000	*HK$'000*
Land and buildings:		
Within one year	**6,713**	7,083
In the second to fifth year inclusive	**9,291**	10,922
	16,004	18,005

17. EVENTS AFTER THE REPORTING PERIOD

On 24 September 2010, the Company announced the proposed issue of Taiwan Depository Receipt (the "TDR") and the proposed listing of the TDR on Taiwan Stock Exchange. Detailed terms of the TDR, including the structure of the issue and offer size are still subject to finalisation. Details of the proposed issue of TDR are set out in the announcement dated 24 September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The aftershocks of the financial tsunami and the outburst of the Greek debt crisis in 2010 led to a disastrous knock-on effect on the Eurozone economy and weakened the global economy. Despite the joint effort of worldwide governments to provide liquidity, the badly shaken global consumer confidence had not been restored to its former level. It is understandable that traditional products such as desktop computers and automotive peripheral products got a bigger hit.

However, market demand for innovative portable devices offering significant value, namely 3G smartphones, laptops and sub-notebooks (netbooks), remained strong. As a result, huge challenges and opportunities were brought to the industry at the same time.

During the year, the Group was able to capture the opportunity of the surging innovative portable devices demand, which in turn drove the sales of keypads. As such, the Group recorded a remarkable growth in turnover during the year.

Business Review

Company's Overall Performance

Amid the aftershock of financial turmoil and Greek debt crisis, the global market and operating environment were exceptionally challenging during the year, the Group, however, enjoyed a dramatic growth in turnover that reached a record high for the Group. Turnover for the financial year ended 31 July 2010 increased by approximately 31% as compared to last year. The primary source of income of the Group still derived from sales of consumer electronic devices, but its percentage to total turnover decreased from 48% to 44%. Thanks to recent surge in demand for portable devices, the sales of keypads for mobile phones recorded outstanding performance and increased by 116% which is our main driving force for growth. Therefore, its proportion to total turnover increased from 9% to 15%.

Under the current global economic slowdown, customers are becoming less willing to accept increase in selling price. However, after continuous negotiations with our customers, we were able to transfer a certain portion of cost increments to them. Moreover, the Company's efforts to expand its customer base had borne fruit, solidifying ties with new sizable customers. Despite the portable devices with touch-screen panel become more and more popular, the current adverse impact is much less than expected. Many of those portable devices are still equipped with keypads, or keypads have become their peripherals. This brought new opportunities to the industry.

Although operation costs in the PRC remained high, we succeeded in improving our gross profit margin during the year through greater economies of scales, effective cost control and productivity enhancement.

The expansion in production of keypads for laptops and netbooks at Huzhou plant started to contribute to the Group. With the increase in sales order, the utilization rate improved steadily. By implementing prudent management strategies, operating costs such as manufacturing overheads and cost of materials were under control.

In addition, the defect rate for our production decreased during the year, which further improved our performance. The decrease in defect rate was mainly due to our reorganisation of production process which led to a smoother and more efficient production flow. All these efforts brought about a tremendous improvement in our business that benefited the overall profit margins.

During the year, the increase in the Group's gross profit margin was constrained due to the increase in production costs as a result of the rise in wages and raw material costs. In response to the demand for salary raise from workers, the Group increased the wages in 2010. Due to the imbalance between supply and demand in the PRC labour market, especially in Guangdong province, it was expected the wage level will keep rising in the near future. The Group had commenced the project to move a certain portion of the production to the western part of the PRC where production costs will be lower.

During the year, the newly launched brand "SIPALS" managed to maintain steady growth by providing a wide range of new lifestyle products with environmental friendly features and cultural concepts. During the year, apart from the Taiwan market, the new brand expanded into the PRC market and continued to gain consumer supports. Although the revenue from SIPALS was still insignificant during the year, we believe these products will contribute profit in future. To sustain its 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.

Consumers are expecting more sophisticated and integrated products and services, and hence we will strengthen our research and development capabilities, so as to introduce the most attractive and innovative products to customers and differentiate us from our competitors.

Outlook

Over the past year, the Group has gained invaluable experience in a stressful business environment and laid solid foundation in adversity. While keeping a watchful eye on the development of the debts crisis in the Euro economic zone and performance of the European market in the near future, the management remains cautiously optimistic about the prospects of the Group's business.

Looking towards the future, the Group will focus on several major areas. It will further enhance operational efficiency by continuing with the cost control measures and improvement on productivity. In addition, the Group will put increasing resources in research and development, such as planning to set up a research centre to enhance product quality, develop application ability of raw materials and increase product variety. This proactive strategy will enable the Group to build up closer relationships with both existing customers and potential new customers. It will also continue to diversify our revenue mix through consolidating existing businesses, enriching product offerings, broadening its customer base and exploring new business opportunities.

The continuous increase in production cost in the PRC and resumption of appreciation of RMB will threaten the Group's overall performance. Apart from the enhancement of operational efficiency, the Group has started the plan to move certain portion of the production to the location with lower cost in western part of PRC or even South East Asia.

We believed that these forward-looking efforts will strength the leading position of the Group and lay a solid foundation for future development.

FINANCIAL REVIEW

Turnover

Turnover represents gross revenue generated from the sales of our products, net of sales tax and other similar taxes. Our turnover is affected by the volume of total products sold and the product mix because our product lines have different selling prices.

The consolidated turnover for the year ended 31 July 2010 was increased by 30.9% to HK$812.1 million (2009: HK$620.3 million) while our profit attributable to equity shareholders was HK$67.3 million (2008: loss of HK$38.9 million).

Basic earnings per share of the Company was HK8.51 cents per share based on the weighted average number of 790,610,000 shares in issue during the year (2009: loss per share of HK4.86 cents based on weighted average number of 800,000,000 shares).

Keypads for consumer electronic devices

Turnover for the sales of keypads for consumer electronics devices increased by approximately 20.6% to HK$355.9 million in 2010 from HK$295.2 million in 2009.

Due to the gradual recovery of global economy and the potential of increased spending by the consumer, the demand for consumer electronics devices is increased dramatically. Apart from the increase in sales orders from existing customers, the customer base has been broadened by obtaining some sizable new customers. This also led the turnover to increase accordingly.

Keypads for mobile phone

Turnover for the sales of mobile phone keypads increased by approximately 115.8% to HK$122.7 million in 2010 from HK$56.9 million in 2009. During the year, the demand for the innovative mobile phone such as 3G smartphone was still in a rising trend. The Group has received tremendous orders for the production of keypads which would still be equipped with those smartphones even though they are using touch-screen panels. Accordingly, it led to a remarkable growth in turnover for the year.

Keypads for computers and notebooks

Turnover for the sales of keypads for computers and notebooks increased by approximately 18.9% to HK$258.5 million in 2010 from HK$217.4 million in 2009.

Same as innovative mobile phones, the market demand for notebooks and netbooks computers were continuing to climb. Their lightweight portability and increasing user-friendly pricing has won consumers' hearts. Although the recent tablet computers became more and more popular, it did not bring threat to the Group. On the contrary, new opportunity comes as it created a new demand for peripherals for them such as removable keyboards. It led the Group to be benefited from this rapid changing market.

Automotive peripheral products

Turnover for the sales of automotive peripheral products increased by approximately 32.7% to HK$36.6 million in 2010 from HK$27.5 million in 2009. With the effect from worldwide government's economic stimulus measures, global consumer confidence had been gradually recovered and so as the demand for the automotives especially for the US market. As a result, sales order for automotive peripheral products also increased accordingly.

Cost of Sales

Cost structure

The overall cost of sales increased by approximately 21.6% from HK$519.2 million in 2009 to HK$631.5 million in 2010 which was in line with turnover. Although operation environment to the industry in PRC is still tough, the rate of increase in cost of sales is lower than that of turnover due to the effective cost control measure and greater effect of economies of scales.

Gross profit

The gross profit of the Group for the year 2010 was HK$180.5 million, which represented an increase of approximately 78.7% from that of HK$101.1 million for the year 2009. Apart from boom in turnover, the increase of gross profit was also due to the production cost in PRC was succeeded to maintain at a very stable level.

The expansion in Huzhou plant for the production of keypads of laptops and netbooks started to contribute to the Group. With the increase in sales order, the utilization rate improved steadily. This is also attributable to the implementation of prudent management strategies in controlling operating costs such as manufacturing overheads and cost of materials.

Thanks to the dedication of our sales staff, notwithstanding the customers' strong inertia in accepting the Group's product selling price adjustments, we were still able to shift a certain portion of the cost increment to the customers. As a result, certain pressure on the continuous rise in wages and prices of raw materials was relieved.

Other Operating income

Other operating income decreased by approximately 0.4% to HK$17.4 million in 2010 from HK$17.5 million in 2009, primarily due to the decrease in interest income from bank deposits.

Selling and Distribution expenses

Selling and distribution expenses decreased by approximately 0.6% to HK$28.1 million in 2010 from HK$28.3 million in 2009. When counted as a percentage of the turnover, the total amount was 3.5% (2009: 4.6%). The slightly decrease was attributable to the implementation of effective cost control measures despite of the significantly increase in turnover.

Administrative expenses

Administrative expenses decreased by approximately 0.2% to HK$94.5 million in 2010 from HK$94.7 million in 2009. Although the operation cost in PRC remained very high, we were able to maintain the administrative costs on a stable level after the adoption of various tighter cost control measures on daily operation.

Bad debts written off

With gradual recovery of global economy, the bad debt expenses return to normal level during the year.

Profit (loss) for the year

Profit for the year ended 31 July 2010 was HK$67.3 million while the loss for the year ended 31 July 2009 was HK$38.9 million. The net profit margin of our Group increased to 8.3% for the year ended 31 July 2010 (2009: net loss margin of 6.3%).

DIVIDEND POLICY

Our Directors expect that dividends will be paid as interim and/or final dividends. We currently intend to pay annual cash dividends of not less than 30% of our Group's audited consolidated profits after taxation to our shareholders for the applicable year. However, the determination to pay such dividends will be made at the discretion of our Board and will be based upon our operating results, cash flows, financial positions, capital requirements and other relevant circumstances that the Board deems relevant. The payment of dividends may be limited by legal restrictions and by agreements that we may enter into in the future. Our Directors are of the views that our dividend policy will not affect the sufficiency of our working capital in the coming years.

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

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

In respect of the US dollar, the management regards that the foreign exchange risk for Hong Kong dollar to US dollar is not material because (i) Hong Kong dollar remains pegged to the US dollar and (ii) most of the Group's purchases are denominated in US dollars, which are to be settled by sales receipts in US dollars.

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 monitors foreign exchange exposure for RMB and consider hedging significant exposure should the need arise.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's source of fund was cash generated from net proceeds of the international offering and operating activities. The financial ratios are as follows:

	As at 31 July 2010 *HK$'000*	As at 31 July 2009 *HK$'000*
Cash and cash equivalents	**333,789**	458,000
Net cash outflow	**(126,982)**	(29,275)
Current ratio	**4.9**	6.6
Quick ratio	**3.9**	5.7

With our strong financial background upon Listing on the Stock Exchange, we expect we will have sufficient cash to cover future capital expenditure requirements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group had no material acquisition or disposal of any subsidiaries and associated companies for the year ended 31 July 2010.

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 July 2010 are as follows:

Particular	**Planned amount** *HK$ million*	**Utilised amount** *HK$ million*
Expansion of production facilities for silicone rubber based products	468	(208)
Upgrade and expansion of upstream production facilities	56	–
Strengthening research and development capabilities	39	(26)
Implementation of resources planning system	22	(1)
General working capital	50	(50)
Total	635	285

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

CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

Capital commitments contracted by the Group but not yet provided for in the financial statements as at 31 July 2010 were approximately HK$8.6 million, which was mainly related to the expansion of production capacity in Dongguan and Huzhou in the PRC. Such capital commitments will be financed by the net proceeds from the international offering.

As at 31 July 2010, the Group had no material contingent liabilities and the Group's assets were free from any charge.

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 our 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 July 2010, the Group has 9,076 permanent and temporary employees (2009: 8,123). The total salaries and related costs for the year ended 31 July 2010 amounted to approximately HK$293.1 million (2009: HK$225.1 million).

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 July 2010, a total of 6,660,000 share options were still outstanding under the Pre-IPO Share Option Scheme, of which 4,830,000 share options are held by employees of the Group. The Company also adopted a Post-IPO Share Option Scheme on 16 May 2007. During the year, a total of 10,950,000 shares were granted to the eligible grantee. As at 31 July 2010, a total of 10,584,000 share options were still outstanding under the Post-IPO Share Options, of which 6,984,000 share options are held by the employees of the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 November 2010 to 25 November 2010, both days inclusive, during which period no transfer of shares will be effected. The record date for final dividend is at the close of business on 23 November 2010.

In order to qualify for the final dividend and to attend the annual general meeting of the Company to be held on 25 November, 2010, the shareholders' of the Company should ensure that all transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queens' Road East, Hong Kong, not later than 4:30 p.m. on 22 November 2010.

FINAL DIVIDEND

The directors of the Company are pleased to recommend the payment of a final dividend of HK6 cent (2009: HK6 cents) per share for the year ended 31 July 2010, totaling HK$46.6 million (2009: HK$48 million) which is expected to be paid on or before 10 December 2010 to its shareholders per its register of members at the close of business on 23 November 2010 subject to the final approval in the annual general meeting to be held on 25 November 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 July, 2010, the Company repurchased a total of 23,096,000 ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$30,426,000. Out of 23,096,000 shares repurchased, a total of 1,082,000 shares has not yet been cancelled by the Company. The nominal value of the cancelled shares was transferred to the capital redemption reserve and the aggregate consideration was charged to unappropriated profits. Details of the shares repurchased are as follows:–

Month of repurchases	Total number of shares repurchased	Purchase price per share Highest	Purchase price per share Lowest	Aggregate consideration
	'000	*HK$*	*HK$*	*HK$'000*
January	10,000	1.39	1.20	13,415
February	4,560	1.39	1.19	6,004
March	2,294	1.44	1.35	3,188
April	1,668	1.40	1.31	2,257
May	3,264	1.40	1.07	4,113
June	160	1.02	1.00	161
July	1,150	1.16	1.02	1,288
	23,096			30,426

The repurchase were made by 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.

Saved as disclose above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

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 (the "Listing Rules") during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions, by Director of the Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for directors' securities transactions (the "Model Code"). All the Directors have confirmed their compliance with the required standards set out in the Model Code during the year.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual report and half-yearly reports to provide advice and comments thereon to the Board. The audit committee comprises of Mr. Yeung Chi Tat, Mr. Hsieh Yu and Professor Jou Yow-Jen, all of whom are independent non-executive Directors of the Company.

The Audit Committee has reviewed the Group's annual results for the year ended 31 July 2010 in conjunction with the Company's auditors.

PUBLICATION ON ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

All the financial and other related information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange and on the website of the Company (www.tayang.com) in due course.

By Order of the Board
Huang Sheng-Shun
Chairman

Hong Kong, 18 October 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, Mr. Huang Te-Wei and one non-executive Director Mr. Kirk Yang and three independent non-executive directors namely, Mr. Hsieh Yu, Professor Jou Yow-Jen and Mr. Yeung Chi Tat.

The figures in respect of the preliminary announcement of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 July 2010 have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.