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 31 JANUARY 2011

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 31 January 2011, together with the unaudited comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 31 January	
	Notes	**2011** ***HK$'000*** **(Unaudited)**	2010 *HK$'000* (Unaudited)
Turnover	*4*	**406,917**	397,661
Cost of sales		**(320,490)**	(295,710)
Gross profit		**86,427**	101,951
Other operating income		**9,559**	7,787
Selling and distribution expenses		**(13,026)**	(12,259)
Administrative expenses		**(54,407)**	(46,697)
Other net expenses		**(5,856)**	(1,847)
Share of results of an associate		**24**	291
Profit before taxation		**22,721**	49,226
Income tax expense	*6*	**(1,224)**	(3,903)
Profit for the period attributable to owners of the Company	*7*	**21,497**	45,323
Earnings per share	*8*		
Basic		**HK2.77cents**	HK5.67cents
Diluted		**HK2.76cents**	HK5.66cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 JANUARY 2011

	Six months ended 31 January	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**21,497**	45,323
Other comprehensive income		
Exchange differences on translation of foreign operations	**19,159**	–
Share of exchange reserve of an associate	**58**	162
Fair value gain on available-for-sale investments	**24,626**	4,623
Other comprehensive income for the period	**43,843**	4,785
Total comprehensive income for the period attributable to owners of the Company	**65,340**	50,108

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2011

	Notes	31/1/2011 HK$'000 (Unaudited)	31/7/2010 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**333,279**	320,309
Construction in progress	11	**2,990**	1,916
Prepaid lease payments	12	**62,960**	57,106
Available-for-sale investments		**85,160**	44,892
Held-to-maturity investment		**11,610**	11,610
Interest in an associate		**1,424**	1,528
Deposits paid	13	**16,858**	5,171
		514,281	442,532
Current assets			
Inventories		**173,218**	165,127
Trade and other receivables	14	**260,162**	302,050
Prepaid lease payments	12	**1,416**	1,301
Income tax recoverable		**211**	–
Held-for-trading investments		**244**	47
Derivative financial instrument		**19**	2,938
Short-term bank deposits with original maturity more than three months		**90,816**	–
Bank balances and cash		**185,999**	333,789
		712,085	805,252
Assets classified as held for sale	15	**16,424**	–
		728,509	805,252

	Notes	**31/1/2011**	31/7/2010
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	*16*	**92,341**	118,909
Income tax payable		**44,295**	44,997
		136,636	163,906
Liabilities associated with assets classified as held for sale	*15*	**5,433**	–
		142,069	163,906
Net current assets		**586,440**	641,346
Total assets less current liabilities		**1,100,721**	1,083,878
Capital and reserves			
Share capital	*17*	**77,854**	77,801
Reserves		**1,019,277**	1,002,449
Total equity		**1,097,131**	1,080,250
Non-current liabilities			
Deferred income		**1,026**	1,014
Deferred tax liabilities		**2,564**	2,614
		3,590	3,628
		1,100,721	1,083,878

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 JANUARY 2011

1. GENERAL

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

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

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

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 manufacturing and sale of silicone rubber related products.

On 29 December 2010, the Company announced the application to the Taiwan Stock Exchange and the Taiwan Central Bank for the offering and listing of Taiwan Depository Receipt (the "TDR") on the Taiwan Stock Exchange. The issue of the TDR is subject to approval by the Taiwan Securities and Futures Bureau, application for which will be made after the grant of approvals by the Taiwan Stock Exchange and the Taiwan Central Bank. The Company will also apply to the Stock Exchange for the listing of, and permission to deal in, the new shares on the Stock Exchange. The directors of the Company have not yet finalised whether and when the TDR issue will be launched. Details of the application for the proposed offering and listing of the TDR are set out in the announcement dated 29 December 2010.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 July 2010, 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 issued in 2009 in relation to the amendments that are effective for annual periods beginning on or after 1 January 2010
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 in relation to the amendments that are effective for annual periods beginning on or after 1 July 2010
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HK – Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Amendment to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 August 2010 based on information that existed at the inception of the leases. The application of amendment to HKAS 17 had no material effect on the condensed consolidated interim financial information.

The application of the other new and revised HKFRSs had no material effect on the condensed consolidated interim financial information of the Group for the current or prior accounting periods.

Standards or interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[5]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (Revised)	Related Party Disclosures[2]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]

[1] Amendments that are effective for annual periods beginning on or after 1 January 2011
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2013

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

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

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.

4. TURNOVER

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

5. SEGMENT INFORMATION

The Group's revenues, results and assets are primarily attributable to the manufacturing and sale of silicone rubber related products, of which information is regularly reviewed by the chief operating decision maker, chief executive officer, for the purposes of resources allocation and performance assessment. The directors of the Company consider that there is only one operating and reportable segment for the Group. Accordingly, no reportable segment information is presented.

6. INCOME TAX EXPENSE

	Six months ended 31 January	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprise Income Tax	**1,274**	2,837
Deferred taxation		
– Current period	**(50)**	1,066
	1,224	3,903

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

Pursuant to the rules and regulations of the Cayman Islands and 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 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") 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 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.

– In September 2008, Huzhou Ta Yang Electronic Technology Company Limited is recognised as an approved technology enterprise and is eligible to a preferential tax rate of 15% from 1 January 2009 to 31 December 2010.

7. PROFIT FOR THE PERIOD

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

	Six months ended 31 January	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Allowance for inventories (included in cost of sales)	**238**	–
Amortisation of prepaid lease payments	**708**	643
Cost of inventories recognised as expenses	**320,252**	295,710
Depreciation of property, plant and equipment	**22,535**	20,263
Impairment losses recognised (reversal) in respect of trade receivables	**260**	(2)
Bad debt written-off	**122**	–
Exchange loss (gain)	**3,367**	(2,751)
Interest income	**(1,284)**	(2,495)
Government grants		
– Amortisation of deferred income	**(12)**	(12)
– Grants related to expenses recognised as other operating income	**(996)**	(154)
Loss from derivative financial instruments	**2,640**	1,611
Loss on disposal of property, plant and equipment	**–**	91
Gain on disposal of available-for-sale investments	**(4,805)**	–
Gain on disposal of held-for-trading investments	**–**	(32)

8. 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 31 January	
	2011	2010
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**21,497**	45,323
Weighted average number of ordinary shares in issue ('000)	**777,197**	800,000
Basic earnings per share (HK$ per share)	**2.77cents**	5.67cents

(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 31 January	
	2011	2010
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**21,497**	45,323
Weighted average number of ordinary shares in issue ('000)	**777,197**	800,000
Effect of dilutive potential ordinary shares ('000)	**1,580**	512
Weighted average number of ordinary shares for diluted earnings per share ('000)	**778,777**	800,512
Diluted earnings per share (HK$ per share)	**2.76cents**	5.66cents

9. DIVIDENDS

	Six months ended 31 January	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
2010 final dividend of HK$0.06 per share (2009: final dividend of HK$0.06 per share)	**46,707**	48,000

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 January 2011 and 2010.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 January 2011, the Group acquired items of property, plant and equipment with a cost of approximately HK$17,463,000 (six months ended 31 January 2010: approximately HK$18,011,000) for the expansion of production facilities. Items of property, plant and equipment with a carrying amount of approximately HK$724,000 were disposed of during the six months ended 31 January 2011 (six months ended 31 January 2010: approximately HK$1,328,000), with no gain or loss on disposal (six months ended 31 January 2010: loss on disposal of approximately HK$91,000).

11. CONSTRUCTION IN PROGRESS

During the six months ended 31 January 2011, the Group acquired items of construction in progress with a cost of approximately HK$22,851,000 (six months ended 31 January 2010: approximately HK$1,597,000). Items of construction in progress with a carrying amount of approximately HK$21,802,000 were transferred to property, plant and equipment during the six months ended 31 January 2011 (six months ended 31 January 2010: approximately HK$19,618,000).

12. PREPAID LEASE PAYMENTS

During the six months ended 31 January 2011, the Group spent approximately HK$5,881,000 (six months ended 31 January 2010: nil) for the acquisition of prepaid lease payments on land use rights.

13. DEPOSITS PAID

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

	31/1/2011	31/7/2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Equity interest in a private company in Malaysia *(Note)*	**10,047**	–
Land use rights	**–**	5,171
Land in Indonesia	**6,811**	–
	16,858	5,171

Note: During the period, the Group has entered into an agreement to subscribe for 5,010,000 additional shares in Ta Yang Agricode Sdn. Bhd., a company incorporated in Malaysia at cash consideration of Ringgit Malaysia 5,010,000 (equivalent to approximately HK$12,601,000). After the subscription, the Group will hold 50.1% equity interests in the company.

14. TRADE AND OTHER RECEIVABLES

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

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

	31/1/2011	31/7/2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month or on demand	**110,088**	122,850
More than 1 month but less than 3 months	**99,279**	113,904
More than 3 months but less than 12 months	**29,746**	41,630
More than 12 months	**–**	793
	239,113	279,177

As at 31 January 2011, included in trade receivables is an amount of approximately HK$1,553,000 (31 July 2010: approximately HK$1,868,000) due from an associate.

15. ASSETS CLASSIFIED AS HELD FOR SALE

During the period, the Group entered into an agreement with Sunviewtec Inc., an independent third party to subscribe for new shares in a subsidiary of the Group, Ocean Genius Group Limited ("Ocean Genius"). After the subscription, the Group and Sunviewtec Inc. will each hold 50% equity interests in Ocean Genius and its subsidiary and Ocean Genius will be jointly controlled by the Group and Sunviewtec Inc.. The subscription constitutes a deemed disposal. As at 31 January 2011, the transaction has not yet been completed.

The assets and liabilities attributable to the subsidiaries that are expected and deemed to be sold within twelve months have been classified as assets held for sale and are separately presented in the condensed consolidated statement of financial position (see below).

Major classes of assets and liabilities of the subsidiaries as at 31 January 2011 are as follows:

	31/1/2011
	HK$'000
	(Unaudited)
Property, plant and equipment	**10,507**
Construction in progress	**35**
Inventories	**1,666**
Trade and other receivables	**935**
Bank balances and cash	**3,281**
Total assets classified as held for sale	**16,424**
Trade and other payables	**5,433**
Total liabilities associated with assets classified as held for sale	**5,433**

16. TRADE AND OTHER PAYABLES

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

	31/1/2011	31/7/2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Due within 1 month or on demand	**26,677**	26,083
Due after 1 month but less than 3 months	**27,679**	33,844
Due after 3 months but within 12 months	**400**	3,986
Due after 12 months	**1,688**	1,663
	56,444	65,576

17. SHARE CAPITAL

(a) Authorised and issued share capital

	Number of shares *(in thousands)*	Amount *HK$'000*
Ordinary share of HK$0.1 each		
Authorised:		
At 1 August 2009, 31 January 2010, 31 July 2010 and 31 January 2011	20,000,000	2,000,000
Issued and fully paid:		
At 1 August 2009 and 31 January 2010	800,000	80,000
Share repurchased and cancelled	(22,014)	(2,201)
Exercise of share options	20	2
At 31 July 2010	778,006	77,801
Share repurchased and cancelled	(2,186)	(219)
Exercise of share options	2,721	272
At 31 January 2011	778,541	77,854

(b) Repurchase of own shares

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

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

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

(ii) The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law (2007 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK$111,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$1,253,000 was charged to share premium.

18. SHARE OPTION SCHEMES

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

	Six months ended 31 January	
Number of share options	**2011**	2010
Outstanding at 1 August	**17,244,000**	7,085,000
Grant during the period	**5,994,000**	10,950,000
Exercised during the period	**(2,721,000)**	–
Lapsed during the period	**(548,000)**	(30,000)
Outstanding at 31 January	**19,969,000**	18,005,000

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

Lot 1: From 11 July 2011 to 10 January 2021
Lot 2: From 11 January 2012 to 10 January 2021

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

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

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

Expected volatility was determined based on historical volatility of the share prices of the Company. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

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

The Group recognised total expenses of approximately HK$1,331,000 for the six months ended 31 January 2011 (six months ended 31 January 2010: HK$1,455,000) 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 31 January	
		2011	2010
		HK$'000	*HK$'000*
Name of company	**Nature of transactions**	**(Unaudited)**	(Unaudited)
SiTY Silcum & Ta Yang International GmbH ("SiTY") *(Note i)*	Sales of rubber keypads	**2,227**	4,556
	Receipt of fixture charges	**3**	3
Formosan Union Chemical Corp. ("Formosan") *(Note ii)*	Acquisition of 2,586,618 shares of Formosan (included in available-for-sale investments)	**8,666**	–

Notes:

(i) SiTY is an associate company of the Group.

(ii) Formosan is a company listed on Taiwan Stock Exchange and Mr. Huang Sheng-Shun is the common director of the Company and Formosan.

(b) Compensation of key management personnel

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

	Six months ended 31 January	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**3,771**	3,371
Post-employment benefits	**51**	60
Share-based payments	**457**	506
	4,279	3,937

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

	31/1/2011	31/7/2010
	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	**7,839**	7,482
– Land use right	**–**	1,081
– Land in Indonesia	**17,957**	–
– Equity interest in a private company in Malaysia	**2,554**	–
	28,350	8,563

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Being one of the leading silicone rubber input device manufacturers in the world, the Group recorded continuous stable growth in turnover for the period. The recovery in global economies had led to a steady increase in demand for 4C products (consumer electronic devices, mobile phones, computers and notebooks and automobiles). The continuous integration of 4C products brought about challenging market conditions to the Group and weakened the demand for traditional consumer electronic products because consumers continued to shift their preferences to innovative products. The Group has captured this opportunity by producing high quality products with advanced technological features to meet the needs of customers.

At the same time, the tough operating environment in the People's Republic of China ("PRC") during the period presented difficulties for manufacturers. Raw material prices continued to rise rapidly. Production cost and overhead cost increased due to the inflation in China and the appreciation of Reminbi ("RMB") as well as increases in labour cost resulting from labour shortages and the rise of statutory minimum wage in China. These cost increments were only partially offset by increased business volume, the Group's continuation of stringent cost control and improvement in operational efficiency.

The owned-brand "SIPALS" which was established for producing fancy daily living products with silicone rubber also recorded an improvement in its operation. The Group will continue to develop this brand by offering more innovative products and exploring the new markets.

Outlook

Looking into the future, the aftershocks of Eurozone debt crisis and the disorder and instability in North Africa will keep the global economic recovery remains sluggish. The overall market sentiment may thereby become conservative and volatile from time to time. However, it is our belief that the innovative 4C products market will be flourishing continuously and the management is still cautiously optimistic about prospects of the business.

The Group will aim to improve the overall profitability by reaffirming its commitment to the research and development of new products and the optimization of its products portfolio. In order to expand the market share and enjoy the economies of scale, the Group has plan for horizontal integration by acquiring appropriate competitors. Meanwhile, the Group will continue to diversify our product mix and explore new business opportunities.

In addition, the Group has started to relocate certain production facilities to Guangxi province where the production cost, especially the wages, is relatively lower than that of eastern China.

With the view to raise funds for the Group's future business development and broaden our shareholders base with an additional fund-raising platform the Group has made an application to Taiwan Stock Exchange and Taiwan Central Bank for the offering and listing of The Taiwan Depositary Receipts. The application is still in the progress at the moment.

We believe that those effort can maintain the Group's position as the market leader and set a solid foundation for our future development.

Financial Review

Turnover

The global economy remained stable which led to the demand for the electronic products increase steady. The turnover for the period was HK$406.9 million which represents an increase of HK9.3 million compared with the corresponding period in 2010. The rapid changing environment for the innovative electronic products such as smart phones and netbooks continued to cause the sales to increase for the period. To sustain the growth, the Group also explore the market of silicone rubber products other than keypads products so as to broaden the products mix.

For the sales of our owned-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.

Gross Profit

The gross profit was HK$86.4 million, a decrease of HK$15.5 million or 15.2% as compared with the corresponding period in 2010. The overall profit margin for the period decreased from 25.6% to 21.2%. The decrease in profit margin was due to the continuous rise in labour cost and appreciation of RMB which was difficult to shift all the increasing costs to the customers in the current circumstances.

Other operating income

Other operating income increased by HK$1.8 million or 22.8% to HK$9.6 million as compared with the corresponding period in 2010. The increase was mainly due to the gain on disposal of available-for-sale investments which was partly set off by the continuous decrease in the interest income from bank deposits.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 6.3% to HK$0.8 million as compared with the corresponding period in 2010. The slight increase was a result of the inflation in expenses and appreciation of RMB. When counted as a percentage of the Group's turnover, the total amount was 3.2%, 0.1% increased as compared with the corresponding period in 2010.

Administrative expenses

Administrative expenses increased from HK$46.7 million to HK$54.4 million as compared with the corresponding period in 2010. When counted as a percentage of the Group's turnover, the total amount of administrative expenses was 13.4%, 1.6% increased compared with the corresponding period in 2010. The increase was a result of the inflation in expenses and appreciation of RMB.

Profit for the period

Profit for the period was HK$21.5 million, representing a decrease of HK$23.8 million or 52.6% as compared with the corresponding period in 2010.

Liquidity and financial resources

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

	As at 31 January, 2011	As at 31 July, 2010
	HK$'000	*HK$'000*
Cash and cash equivalents	**185,999**	333,789
Net current assets	**586,440**	641,346
Current Ratio	**5.1**	4.9
Quick Ratio	**3.9**	3.9

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 31 January 2011 are as follows:

Particular	Planned amount *HK$ million*	Utilised amount *HK$ million*
Expansion of production facilities for silicone rubber based products	468	(248)
Upgrade and expansion of upstream production facilities	56	–
Strengthening research and development capabilities	39	(27)
Implementation of resources planning system	22	(1)
General working capital	50	(50)
Total	635	(326)

HUMAN RESOURCES AND REMUNERATION POLICIES

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

We offer competitive remuneration package, including quality staff quarters, trainings, medical, insurance coverage and retirement benefits, to all employees in Hong Kong and in the PRC. As at 31 January 2011, the Group employed more than 6,665 employees.

The Group adopted a Pre-IPO Share Option Scheme on 16 May 2007 for the purpose of recognition of employees' contribution before the Listing. As at 31 January 2011, 6,335,000 share options were still outstanding under the Pre-IPO Share Option Scheme, of which 4,505,000 options are held by employees of the Group.

The Company also adopted a Post-IPO Share Option Scheme on 16 May 2007. As at 31 January 2011, 7,640,000 share options were still outstanding under Post-IPO Share Option Scheme granted on 24 May 2010, of which 5,089,000 options are held by employees of the Group.

As at 31 January 2011, 5,994,000 share options were still outstanding under Post-IPO Share Option Scheme granted on 11 January 2011, of which 4,370,000 options are held by employees of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 31 January 2011 (31 January 2010: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 31 January 2011, the Company had repurchased a total of 2,186,000 shares of HK$0.10 each of the Company on the Stock Exchange at an aggregate HK$2,583,000, all the shares repurchased had been cancelled during the Relevant Period. Details of the repurchases are set out below:

Period	Number of shares repurchases	Purchase price per share Highest	Lowest	Aggregate purchase price
12-31 July 2010	1,082,000	HK$1.16	HK$1.10	HK$1,219,000
3-17 August 2010	1,104,000	HK$1.29	HK$1.19	HK$1,364,000

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 31 January 2011.

UPDATED DIRECTOR'S INFORMATION

Below sets out the changes and updated information regarding certain Directors of the Company:

1. Mr. Huang Te-Wei was re-designated as the Chief Executive Officer of the Company on 1 February 2011.

2. Mr. Wu Ih Chen retired on 1 February 2011 and was re-designated as a Non-executive Director and a consultant of the Company on 1 February 2011.

3. Mr. Lin Hung-Ming was appointed as a member of Compliance Committee of the Company on 1 February 2011.

4. On 1 February 2011, Mr. Kirk Yang and the Company signed a Deed of waiver whereas Mr. Yang agreed to forgo to receive the Director's fee from the Company commencing on 1 February 2011.

Save as disclosed above, as at 31 January 2011, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 January 2011.

Despite the removal of the requirement for a qualified account in the Main Board Listing Rules effective 1 January 2011, 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 31 January 2011.

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 consolidated financial statements for the six months ended 31 January 2011 has been reviewed by the Audit Committee.

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

Hong Kong, 24 March 2011

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