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 2012

FINAL RESULTS

The Board of Directors (the "Board") of Ta Yang Group Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 July 2012, together with the audited comparative figures for the year ended 31 July 2011 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 JULY 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Turnover	*3*	**624,525**	787,348
Cost of sales		**(588,088)**	(637,618)
Gross profit		**36,437**	149,730
Other operating income	*3*	**36,126**	26,479
Selling and distribution expenses		**(27,357)**	(26,638)
Administrative expenses		**(105,538)**	(104,751)
Other expenses	*5*	**(15,558)**	(5,156)
Gain on deemed disposal of subsidiaries		**—**	2,249
Share of results of jointly controlled entities		**(11,538)**	(838)
Share of result of an associate		**186**	(85)
Finance costs	*6*	**(657)**	—
(Loss) profit before tax		**(87,899)**	40,990
Income tax credit	*7*	**9,809**	1,654
(Loss) profit for the year attributable to owners of the Company	*8*	**(78,090)**	42,644
(Loss) earnings per share	*10*		
Basic		**(HK10.03 cents)**	HK5.48 cents
Diluted		**(HK10.03 cents)**	HK5.48 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2012

	2012	2011
	HK$'000	*HK$'000*
(Loss) profit for the year	**(78,090)**	42,644
Other comprehensive income (expenses)		
Exchange differences arising on translating foreign operations		
Exchange differences arising during the year	**10,910**	39,390
Reclassification adjustments relating to deemed disposal of subsidiaries during the year	**—**	(386)
	10,910	39,004
Available-for-sale financial assets		
Net (loss) gain arising on revaluation of available-for-sale financial assets during the year	**(13,727)**	22,968
Reclassification adjustments for loss (gain) included in the consolidated income statement		
— gain on disposal	**(6,513)**	(6,550)
— impairment loss	**3,856**	913
	(16,384)	17,331
Share of other comprehensive (expenses) income of an associate and jointly controlled entities		
Share of exchange reserve of an associate	**(287)**	184
Share of exchange reserve of jointly controlled entities	**(503)**	933
	(790)	1,117
Other comprehensive (expenses) income for the year, net of tax	**(6,264)**	57,452
Total comprehensive (expenses) income for the year, net of tax, attributable to owners of the Company	**(84,354)**	100,096

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 JULY 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Non-current assets			
Property, plant and equipment		**290,626**	312,675
Construction in progress		**2,423**	749
Prepaid lease payments		**58,985**	59,924
Investment property		**31,195**	26,510
Available-for-sale financial assets		**65,524**	74,509
Held-to-maturity investments		**2,442**	—
Interests in jointly controlled entities		**5,672**	16,741
Interest in an associate		**1,341**	1,442
Loan receivable from a jointly controlled entity		**7,801**	7,801
Deposits for acquisition of land use rights		**18,209**	6,811
		484,218	507,162
Current assets			
Inventories		**166,156**	180,181
Trade and other receivables	*11*	**265,330**	286,960
Entrusted loan receivable		**30,500**	—
Prepaid lease payments		**1,370**	1,378
Amounts due from jointly controlled entities		**11,853**	12,991
Income tax recoverable		**10**	16
Held-to-maturity investments		**43,035**	23,660
Held-for-trading investments		**5,851**	986
Derivative financial instruments		**2,229**	4,172
Short-term bank deposits		**90,870**	—
Bank balances and cash		**78,280**	262,248
		695,484	772,592
Assets classified as held for sale		**—**	2,772
		695,484	775,364
Current liabilities			
Unsecured bank borrowing		**31,734**	—
Trade and other payables	*12*	**106,966**	100,507
Income tax payable		**29,347**	40,517
		168,047	141,024
Net current assets		**527,437**	634,340
Total assets less current liabilities		**1,011,655**	1,141,502
Capital and reserves			
Share capital		**77,854**	77,854
Reserves		**930,035**	1,060,299
Total equity		**1,007,889**	1,138,153
Non-current liabilities			
Deferred income		**1,028**	1,040
Deferred tax liabilities		**2,738**	2,309
		3,766	3,349
		1,011,655	1,141,502

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

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

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

At 31 July 2012, the directors of the Company consider the ultimate holding company of the Company to be Bluebell Global Enterprises Limited which is incorporated in the British Virgin Islands (the "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 and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

Except as disclosed below, the application of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclose set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS	Annual Improvements 2009–2011 Cycle[3]
Amendments to HKFRS 1	First-time Adoption of HKFRSs — Government Loans[3]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosures of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities Transition Guidance[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[1]
HKAS 19 (as revised in 2011)	Employee Benefits[3]
HKAS 27 (as revised in 2011)	Separate Financial Statements[3]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

[1] Effective for annual periods beginning on or after 1 January 2012
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2014
[5] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

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

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

- 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

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

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

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

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

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

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

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 August 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors of the Company have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets

Under the amendments to HKAS 12, investment property that is measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The Group measures its investment property using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property and concluded that the Group's investment property, which is located in the PRC, are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, and that the presumption set out in the amendments to HKAS 12 is rebutted.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 August 2013.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND OTHER OPERATING INCOME

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

Revenues recognised during the year are as follows:

	2012	2011
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**624,525**	787,348
Other operating income		
Interest income		
— Bank deposits	**4,673**	4,440
— Held-to-maturity investments	**277**	180
— Entrusted loan receivable	**1,836**	—
— Loan receivable from a jointly controlled entity	**347**	55
Total interest income	**7,133**	4,675
Agency income from trading of biodiesel	**7,428**	—
Increase in fair value of investment property	**4,355**	1,879
Investment income from derivative financial instruments	**2,125**	364
Gross rental income *(Note a)*	**1,146**	592
Penalty income	**438**	427
Fair value gain on derivative financial instruments	**—**	1,127
Dividend income	**2,848**	509
Gain on disposal of available-for-sale financial assets	**4,134**	11,750
Gain on disposal of held-for-trading investments	**1,589**	112
Gain on disposal of derivative financial instruments	**—**	205
Government grants		
— Amortisation of deferred income for the year	**24**	24
— Grants related to expenses recognised as other operating income *(Note b)*	**1,121**	1,592
Reversal of impairment losses recognised in respect of trade receivables	**—**	119
Sundry income	**3,785**	3,104
	36,126	26,479
Total revenues	**660,651**	813,827

Notes:

(a) An analysis of the Group's net rental income is as follows:

	2012	2011
	HK$'000	*HK$'000*
Gross rental income	**1,146**	592
Less: Outgoings (included in administrative expenses)	**(195)**	(105)
Net rental income	**951**	487

(b) For the years ended 31 July 2012 and 2011, the amount represented unconditional grants from Huzhou Municipal People's Government for subsidising the operation of high technology enterprise in the PRC.

4. SEGMENT INFORMATION

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

Revenue from major products

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

	2012	2011
	HK$'000	*HK$'000*
Keypads for consumer electronic devices	**266,897**	327,609
Keypads for computers and notebooks	**204,383**	240,553
Lifestyle products	**59,234**	74,935
Keypads for mobile phones	**20,753**	58,835
Automotive peripheral products	**27,283**	32,270
Others products	**45,975**	53,146
	624,525	787,348

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (excluding Hong Kong)	**373,969**	452,769	**373,415**	396,954
Hong Kong	**112,381**	145,040	**10,285**	16,604
Other Asian countries	**108,793**	154,703	**23,410**	9,852
America	**18,613**	24,684	**—**	—
Europe	**10,769**	10,152	**1,341**	1,442
	624,525	787,348	**408,451**	424,852

Non-current assets excluded available-for-sale financial assets, held-to-maturity investments and loan receivable from a jointly controlled entity.

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:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**132,616**	155,351
Customer B	**85,738**	101,538

5. OTHER EXPENSES

	2012	2011
	HK$'000	*HK$'000*
Exchange losses	**5,558**	3,665
Impairment loss recognised in respect of available-for-sale financial assets	**4,123**	1,235
Loss on disposal of property, plant and equipment	**76**	150
Fair value loss on held-for-trading investments	**1,846**	22
Loss on disposal of derivative financial instruments	**631**	—
Impairment loss recognised in respect of property, plant and equipment	**—**	84
Impairment loss recognised in respect of interest in jointly controlled entities	**1,800**	—
Fair value loss on derivative financial instruments	**1,524**	—
	15,558	5,156

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on unsecured bank borrowing wholly repayable within five year	**657**	—

7. INCOME TAX CREDIT

	2012	2011
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**—**	17
PRC Enterprise Income Tax	**143**	7,901
Taiwan Profit-Seeking-Enterprise Income Tax ("Taiwan Income Tax")	**161**	—
	304	7,918
Overprovision in prior years		
Macau Complementary Income Tax ("MCIT") *(Note)*	**(10,524)**	(9,267)
Deferred taxation		
Current year	**411**	(305)
	(9,809)	(1,654)

Note: 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 MCIT (Decree Law 21/78/M) Article 55, the management of the Company assessed that the overprovision for MCIT in prior years of approximately HK$10,524,000 (2011: HK$9,267,000) is written back and credited to profit or loss during the year ended 31 July 2012.

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.

No provision for Indonesia Income Tax for the year ended 31 July 2012 has been made as the subsidiary operating in Indonesia did not generate any assessable profits in Indonesia.

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

Taiwan Income Tax was calculated at 17% of the estimated assessable profits for year ended 31 July 2012. No provision for Taiwan Income Tax for the year ended 31 July 2011 has been made as the Group did not generate any assessable profits in Taiwan.

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:

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

- In September 2008, Huzhou Ta Yang is recognised as an approved technology enterprise and is eligible to a preferential tax rate of 15% from 1 January 2009 to 31 December 2011. From 1 January 2012 onwards, provision for PRC Enterprise Income Tax for Huzhou Ta Yang is calculated at 25% of its estimated assessable profits.

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

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

	2012 ***HK$'000***	2011 *HK$'000*
(Loss) profit before tax	**(87,899)**	40,990
Tax expense at rates applicable to profits in the jurisdictions concerned	**(16,757)**	7,034
Tax effect of income not subject to tax	**(988)**	(1,160)
Tax effect of expenses not deductible for tax purposes	**1,592**	1,721
Tax effect of share of result of an associate	**(31)**	14
Tax effect of share of result of jointly controlled entities	**1,578**	88
Overprovision in prior years	**(10,524)**	(9,267)
Tax effect of tax losses not recognised	**15,321**	1,576
Effect of tax exemptions granted to PRC subsidiaries	**—**	(1,660)
Income tax credit for the year	**(9,809)**	(1,654)

8. (LOSS) PROFIT FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,277**	1,180
Amortisation of prepaid lease payments	**1,371**	1,393
Costs of inventories sold *(Note a)*	**587,652**	637,390
Allowance for inventories (included in cost of sales)	**436**	228
Share of taxation of an associate	**43**	—
Depreciation of property, plant and equipment	**43,493**	44,515
Directors' emoluments	**5,688**	8,402
Impairment loss recognised in respect of trade and other receivables	**171**	508
Impairment loss recognised in respect of interest in jointly controlled entities	**1,800**	—
Research and development costs *(Note b)*	**4,745**	6,941
Payments under operating leases in respect of land and buildings	**7,715**	8,597
Share-based payment expenses	**802**	3,264
Staff costs (excluding directors' emoluments)	**305,226**	320,023

Notes:

(a) Cost of inventories sold included approximately HK$287,199,000 (2011: HK$302,903,000) relating to staff costs, depreciation expenses and operating lease charges which amount is also included in the respective total amounts disclosed separately above.

(b) During the year ended 31 July 2012, research and development costs included staff costs of approximately HK$2,088,000 (2011: HK$2,561,000) for the Group's employees engaged in research and development activities, which are also included in staff costs.

9. DIVIDENDS RECOGNISED AS DISTRIBUTION DURING THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
2011 final dividend declared and paid of HK$0.06 (2010: HK$0.06) per share	**46,712**	46,707

The final dividend of HK$0.03 in respect of the year ended 31 July 2012 (2011: HK$0.06) per share has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming Annual General Meeting.

10. (LOSS) EARNINGS PER SHARE

(a) Basic

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

	2012	2011
(Loss) profit for the year attributable to owners of the Company (HK$'000)	**(78,090)**	42,644
Weighted average number of ordinary shares in issue ('000)	**778,541**	777,863
Basic (loss) earnings per share (HK cents)	**(10.03)**	5.48

(b) Diluted

Diluted (loss) earnings per share is calculated by 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.

	2012	2011
(Loss) profit for the year attributable to owners of the Company (HK$'000)	**(78,090)**	42,644
Weighted average number of ordinary shares in issue ('000)	**778,541**	777,863
Effect of dilutive potential ordinary shares ('000)	**—**	421
Weighted average number of ordinary shares for diluted earnings per share ('000)	**778,541**	778,284
Diluted (loss) earnings per share (HK cents)	**(10.03)**	5.48

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options for the year ended 31 July 2012 as the exercise price of those options is higher than the average market price for shares.

11. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade and bills receivables		
— from third parties	**227,295**	250,144
— from an associate	**1,859**	2,130
Less: Impairment losses recognised in respect of trade and bills receivables from third parties	**(951)**	(778)
	228,203	251,496
Prepayments, deposits and other receivables	**37,127**	35,464
	265,330	286,960

The Group did not hold any collateral over these balances.

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 and bills receivables, net of impairment losses recognised, presented based on the invoice date at the reporting date is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 month or on demand	**111,880**	137,959
More than 1 month but less than 3 months	**80,702**	81,063
More than 3 months but less than 12 months	**35,529**	31,767
More than 12 months	**92**	707
	228,203	251,496

12. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade and bills payables	**51,930**	48,164
Other payables	**55,036**	52,343
	106,966	100,507

An aged analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 month or on demand	**21,162**	16,773
More than 1 month but less than 3 months	**26,623**	27,836
More than 3 months but less than 12 months	**2,779**	1,745
More than 12 months	**1,366**	1,810
	51,930	48,164

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

With the overwhelming European sovereign debt crisis, many EU countries fall into the official definition of recession. At the same time, the U.S. economy remained sluggish. The already well-battered Chinese export sector continued to sink deeper as a result. Despite the U.S. government has provided further liquidity to the market by the release of QE3, its effectiveness to stimulate the economy started to show signs of wariness. That is, the consumer confidence and spending remained weak.

In addition, the immense popularity achieved by tablet PCs and 3G smartphones has slowed down the demand for conventional notebooks, computers and mobile phones. As a result, it brought huge challenges to the consumer electronic device market.

All these exerted tremendous pressure on the business environment of the Group, and the Group has recorded a decrease in turnover during the year accordingly.

BUSINESS REVIEW

Company's Overall Performance

The export sector of China with dwindling orders and shrinking margins had never regained its vigour since the broke out of financial tsunami. This caused the operating environment for manufacturing industries remained tough. During the year, the turnover for the financial year ended 31 July 2012 decreased by 21% as compared to that of last year. The primary income source of the Group still derived from sales of consumer electronic devices and computers.

Portable devices with touch-screen panel such as smartphones and tablet computers have started to dominate the market. As they are smaller in size and can provide more functions to users, more and more people especially the youngsters will select them to replace the old ones. Inevitably, this trend has adversely affected the demand for traditional products with keypads and hence the Group's turnover.

To overcome the adversities of such situation, the Group has strategically explored the market of non keypad products. With the nature of more environmental friendly and fancy design, daily living products made of silicone rubber become more and more popular. During the year, the Group has succeeded to expand the customer base in this market. Although the turnover in this segment is negligible to the Group at the moment, it is believed it will become the new driving force of the Group.

Although prudent management strategies in controlling operating and production costs, including the relocation of production plants to Guangxi Province where the labour costs are lower, have been implemented, the gross profit margin was still significant deteriorated by the continuous increase in costs of material and labour in the PRC. The PRC government continued to increase the statutory minimum wages which has boosted the total labour costs. In addition, with the efforts of governments of countries around the world to provide liquidity, a overheating economy, higher inflation rates and escalating raw material prices are resulted eventually. With the decrease in sales orders, the utilization rate of the plant and machineries falls dramatically. Amid the challenging operating environment, the Group experienced a significant decrease in gross profit.

During the year, the owned brand "SIPALS" was able to maintain steady growth by providing a wide range of new lifestyle products with environmental friendly features and cultural concepts. To sustain the growth of such business, the Group will continue to maintain high-margin products and focus on marketing these products to broaden its customer base and explore business opportunities.

OUTLOOK

Looking forward to the future, although the U.S. government has released QE3 to provide liquidity to the market and the European Union has been taking measures to solve the sovereign debt crisis among its members, the market condition is expected to be volatile and challenging in the coming year. The management will remain cautious of the Group's business outlook.

As the use of silicone rubber is becoming more and more common in daily life, the Group will continue to put more efforts on research and development to improve product quality, develop application ability of raw material and broaden its product mix. This proactive strategy will enable the Group to convert to a silicone rubber producer from a keypad producer, which can have a broader mix in customer portfolio.

At the same time, the Group will also continue to diversify the revenue mix through strengthening existing businesses, enriching product offerings, broadening its customer base and exploring new business opportunities, which in return can provide a more stable income stream and more sustainable growth in turnover.

The continuous increase in production costs in the PRC and the appreciation of RMB have eroded most of the Group's profit. With a view to improve the performance, the Group continues to take extra measures on cost control and enhancement of operational efficiency. During the year, the Group has started to relocate certain production procedures to Indonesia where the production costs are much lower. It is expected a reduction of costs will be achieved upon the completion of relocation process and training programmes for local labours.

We believe that these forward-looking efforts will strength the leading position of the Group and pave the 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 total volume of products sold and the product mix because our product lines have different selling prices.

The consolidated turnover for the year ended 31 July 2012 was decreased by 20.7% to HK$624.5 million (2011: HK$787.3 million) while our loss attributable to equity shareholders was HK$78.1 million (2011: profit of HK$42.6 million).

Basic loss per share of the Company was HK10.03 cents based on the weighted average number of 778,541,000 shares in issue during the year (2011: basic earnings per share was HK5.48 cents based on the weighted average number of 777,863,000 shares).

Keypads for consumer electronic devices

Turnover for the sales of keypads for consumer electronics devices decreased by approximately 18.5% to HK$266.9 million in 2012 from HK$327.6 million in 2011.

The global economy remained very volatile and the Europe sovereign debt crisis persisted or even deteriorated during the year. Although governments of countries around the world continued to take measures to stimulate the economy, consumers' sentiment has not been improved, especially that of traditional electronic devices. This led the turnover to decrease accordingly.

Keypads for mobile phone

Turnover for the sales of mobile phone keypads decreased by approximately 64.7% to HK$20.8 million in 2012 from HK$58.8 million in 2011.

During the year, smartphones with touch-screen panels have received mainstream attention from consumers in the market, so the demand for conventional mobile phones with keypads gradually decreased. This decreased the turnover in this segment significantly.

Keypads for computers and notebooks

Turnover for the sales of keypads for computers and notebooks decreased by approximately 15.0% to HK$204.4 million in 2012 from HK$240.6 million in 2011.

The immense popularity achieved by tablet computers has continued to deprive of the demand for traditional notebooks and netbooks. Therefore, the Group has recorded a decline in turnover under the rapid changing market.

Automotive peripheral products

Turnover for the sales of automotive peripheral products decreased by approximately 15.5% to HK$27.3 million in 2012 from HK$32.3 million in 2011. With the weak consumers' confidence due to the global economy slow down especially in the U.S. and Europe, the demand for such durable products as automotives decreased. As a result, sales order for automotive peripheral products also decreased accordingly.

Lifestyle products

Turnover for the sales of lifestyle products decreased by 21.0% to HK$59.2 million in 2012 from HK$74.9 million in 2011. Although the turnover dropped during the year, the Group has been able to expand the customer base in this segment. The Group is confident that the sales of lifestyle products will be the driving force in the coming future.

Cost of Sales

Cost structure

The overall cost of sales decreased by approximately 7.8% from HK$637.6 million in 2011 to HK$588.1 million in 2012.

Similar to other China based manufacturers, the Group continued to face the rapidly increasing production costs that were induced by soaring labour wages and rising material costs. As a result, the decrease in sales costs is much less than that of turnover.

Gross profit

The gross profit of the Group for 2012 was HK$36.4 million, which represented a decrease of approximately 75.7% from that of HK$149.7 million for 2011. By the contraction of turnover together with the boost in production costs, the gross profit decreased under the current extremely challenging environment.

Moreover, the drop in utilization rate of plants and machineries increased the average unit cost and hence reduced the profit margins.

Other operating income

Other operating income increased by approximately 36.4% to HK$36.1 million in 2012 from HK$26.5 million in 2011, mainly due to the increase in fair value of investment property and increase in interest income during the year.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 2.7% to HK$27.4 million in 2012 from HK$26.6 million in 2011. The total amount of selling and distribution expenses represented 4.4% (2011: 3.4%) of turnover. The slight increase was due to the inflation in the PRC.

Administrative expenses

Administrative expenses increased by approximately 1.0% to HK$105.5 million in 2012 from HK$104.8 million in 2011. The rise is mainly because of the continuous increase in operation costs in the PRC.

(Loss) profit for the year

Loss for the year ended 31 July 2012 was HK$78.1 million, as compared to profit of HK$42.6 million for the year ended 31 July 2011. The net profit margin of our Group decreased from 5.4% for the year ended 31 July 2011 to the net loss margin of 12.5% for the year ended 31 July 2012.

DIVIDEND POLICY

Our Directors expect that dividends will be paid in the form of 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 view 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 and the PRC.

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 US dollars, the management regards that the foreign exchange risk for Hong Kong dollars to US dollars is not material because: (i) Hong Kong dollars remain pegged to US dollars; 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 RMB, as the Group's production plants are located in the PRC, most of our labour costs, manufacturing overheads, selling and administrative expenses are denominated in RMB. Therefore, the appreciation of RMB will adversely affect the Group's profitability. During the year, the Group has entered into some RMB/USD structured forward contracts to partly hedge the risk exposure. The Group will continue to closely monitor its foreign exchange exposure for RMB and consider hedging significant exposure should further need arises.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's source of fund was cash generated from net proceeds of the international offering and operating activities.

	As at 31 July 2012 *HK$'000*	As at 31 July 2011 *HK$'000*
Cash and cash equivalents	**78,280**	262,248
Net cash outflow	**(185,320)**	(80,154)
Current ratio	**4.1**	5.5
Quick ratio	**3.2**	4.2

With the strong financial background upon our 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 subsidiary and associated company for the year ended 31 July 2012.

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 as at 31 July 2012 is as follow:

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

The remaining net proceeds have been deposited on a short-term basis with 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 2012 were approximately HK$7.1 million, which was mainly related to the acquisition of land use right in Indonesia and plant and machineries for the expansion of the Group's production capacity. Such capital commitments will be financed by the net proceeds from the international offering.

As at 31 July 2012, the Group had no material contingent liability 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 staff to attend continuous professional training in order to update their skills and knowledge.

We offer competitive remuneration packages, 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 2012, the Group has 7,251 (2011: 7,424) permanent and temporary employees. The total salaries and related costs for the year ended 31 July 2012 amounted to approximately HK$305.2 million (2011: HK$320.0 million).

The Group adopted a Pre-IPO Share Option Scheme on 16 May 2007 for the purpose of recognising our employees' contribution before the Listing. As at 31 July 2012, 6,100,000 share options were still outstanding under the Pre-IPO Share Option Scheme, of which 4,270,000 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 July 2012, a total of 12,810,000 share options were still outstanding under the Post IPO Share Option Scheme, of which 8,681,000 share options are held by employees of the Group.

CLOSURE OF REGISTER OF MEMBERS

In order to determine members who are entitled to attend the Annual General Meeting of the Company to be held on Tuesday, 4 December 2012, the register of members of the Company will be closed from Friday, 30 November 2012 to Tuesday, 4 December 2012, both days inclusive, during which period no transfer to shares can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 29 November 2012.

In order to qualify for the approved final dividend, the register of members of the Company will be closed from Tuesday, 11 December 2012 to Wednesday, 12 December 2012 (both days inclusive). All transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 10 December 2012.

FINAL DIVIDEND

The directors of the Company are pleased to recommend the payment of a final dividend of HK3 cents (2011: HK6 cents) per share for the year ended 31 July 2012, totaling HK$23.4 million (2011: HK$46.7 million) which is expected to be paid on or before 28 December 2012 to its shareholders per its register of members at the close of business on 10 December 2012 subject to the final approval in the Annual General Meeting to be held on 4 December 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 July 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and the revised code, namely Corporate Governance Code (the "New Code"), became effective on 1 April 2012. The Company has complied with all the applicable code provisions of the Former Code from 1 August 2011 to 31 March 2012. The Company has also complied with all the code provisions of the New Code from 1 April 2012 to 31 July 2012, except the new code provision C.1.2 which requires the Company to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

During the period from 1 April 2012 to 31 July 2012, the management of the Company did not provide monthly updates to all members of the Board as required by new code provision C.1.2, as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all directors (including non-executive Directors and independent non-executive Directors) quarterly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail during the regular board meetings of the Company.

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

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 2012 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, 30 October 2012

As at the date hereof, the Board consists of 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.

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 2012 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.