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Ta Yang Group Holdings Limited

大 洋 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1991)

INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 JANUARY 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 31 JANUARY 2013

		Six months ended 31 January	
		2013	2012
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Notes			
Turnover	4	308,796	293,828
Cost of sales		(286,375)	(254,463)
Gross profit		22,421	39,365
Other operating income		24,104	15,965
Selling and distribution expenses		(17,602)	(11,455)
Administrative expenses		(58,055)	(55,755)
Other expenses		(5,348)	(4,166)
Share of result of an associate		(64)	113
Share of results of jointly controlled entities		(3,518)	(768)
Finance costs	6	(417)	(161)
Loss before taxation		(38,479)	(16,862)
Income tax expense	7	(363)	(222)
Loss for the period attributable to owners of the Company	8	(38,842)	(17,084)
Loss per share	9		
Basic and diluted		(HK4.99 cents)	(HK2.19 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 JANUARY 2013

	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(38,842)	(17,084)
Other comprehensive (expenses) income		
Item that may be subsequently reclassified to profit or loss:		
Available-for-sale financial assets		
Net loss arising on revaluation of available-for-sale financial assets during the period	(4,902)	(14,173)
Reclassification adjustments for (gain) loss included in the condensed consolidated statement of profit or loss		
– gain on disposal	(2,607)	(6,659)
– impairment loss	1,502	–
	(6,007)	(20,832)
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translating foreign operations	4,548	10,498
Share of other comprehensive (expenses) income of an associate and jointly controlled entities		
Share of exchange reserve of an associate	(80)	(202)
Share of exchange reserve of jointly controlled entities	–	12
	(80)	(190)
Other comprehensive expenses for the period, net of tax	(1,539)	(10,524)
Total comprehensive expenses for the period, net of tax, attributable to owners of the Company	(40,381)	(27,608)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2013

	<i>Notes</i>	31/1/2013 HK\$'000 (Unaudited)	31/7/2012 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	278,354	290,626
Construction in progress	12	918	2,423
Prepaid lease payments		58,572	58,985
Investment property		31,451	31,195
Available-for-sale financial assets		50,481	65,524
Held-to-maturity investments		2,462	2,442
Interests in jointly controlled entities		2,154	5,672
Interest in an associate		1,357	1,341
Loan receivable from a jointly controlled entity		7,801	7,801
Deposits paid	13	17,770	18,209
		451,320	484,218
Current assets			
Inventories		152,070	166,156
Trade and other receivables	14	245,564	265,330
Entrusted loan receivables		–	30,500
Prepaid lease payments		1,370	1,370
Amounts due from jointly controlled entities		10,157	11,853
Income tax recoverable		10	10
Held-to-maturity investments		43,388	43,035
Held-for-trading investments		9,801	5,851
Derivative financial instruments		1,456	2,229
Short-term bank deposits with original maturity more than three months		69,240	90,870
Bank balances and cash		116,754	78,280
		649,810	695,484
Current liabilities			
Unsecured bank borrowing	15	31,734	31,734
Trade and other payables	16	88,848	106,966
Income tax payable		29,820	29,347
		150,402	168,047
Net current assets		499,408	527,437
Total assets less current liabilities		950,728	1,011,655

		31/1/2013 HK\$'000 (Unaudited)	31/7/2012 HK\$'000 (Audited)
	<i>Note</i>		
Capital and reserves			
Share capital	17	77,854	77,854
Reserves		866,298	930,035
Total equity		944,152	1,007,889
Non-current liabilities			
Deferred income		3,639	1,028
Deferred tax liabilities		2,937	2,738
		6,576	3,766
		950,728	1,011,655

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 JANUARY 2013

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 (“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.

At 31 January 2013, the directors of the Company consider the ultimate holding company of the Company to be Bluebell Global Enterprises Limited which is incorporated in the British Virgin Islands (“BVI”).

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 January 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 July 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

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

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’ and an ‘income statement’ is renamed as a ‘statement of profit or loss’. 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 items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 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 the chief operating decision maker, chief executive officer, for the purpose of resources allocation and performance assessment. The directors of the Company consider that there is only one operating and reportable segment for the Group. Accordingly, no reportable segment information is presented.

6. FINANCE COSTS

	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowing wholly repayable within one year	417	161

7. INCOME TAX EXPENSE

	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprise Income Tax	171	114
Deferred taxation		
– Current period	192	108
	363	222

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

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

No provision for Indonesia Income Tax for the six months ended 31 January 2013 and 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 (Macau Commercial Offshore) Limited was incorporated as a commercial offshore entity in Macau and is exempted from Macau Complementary Income 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 Tai Yang Rubber Plastic Industrial Company Limited (“Dongguan Tai Yang”) is a foreign investment enterprise and is entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate.
- The first profit-making year of Dongguan Tai Yang is 2008. Accordingly, Dongguan Tai Yang is exempted from PRC Enterprise Income Tax from 1 January 2008 to 31 December 2009 and is entitled to a 50% exemption of income tax from 1 January 2010 to 31 December 2012. From 1 January 2013 onwards, provision for PRC Enterprise Income Tax for Dongguan Tai Yang is calculated at 25% of its estimated assessable profits.
- In September 2008, Huzhou Ta Yang Electronic Technology Company Limited (“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 2013.

8. LOSS FOR THE PERIOD

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

	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Allowance for inventories (included in cost of sales)	611	315
Amortisation of prepaid lease payments	685	685
Cost of inventories recognised as expenses	285,764	254,148
Share of taxation of an associate	31	24
Depreciation of property, plant and equipment	20,936	22,956
Exchange loss, net	3,010	4,017
Interest income	(2,412)	(3,652)
Dividend income	(2,683)	(2,757)
Government grants		
– Amortisation of deferred income	(346)	(12)
– Grants related to expenses recognised as other operating income	(35)	(1,297)
Loss on derivative financial instruments	773	75
Gain on held-for-trading investments	(1,747)	(377)
Loss on disposal of property, plant and equipment	63	75
Gain on disposal of available-for-sale financial assets	(3,249)	(4,206)

9. LOSS PER SHARE

Basic and diluted

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

	Six months ended 31 January	
	2013	2012
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(38,842)	(17,084)
Weighted average number of ordinary shares in issue ('000)	778,541	778,541
Basic and diluted loss per share (HK cents)	(4.99)	(2.19)

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

10. DIVIDENDS

	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
2012 final dividend of HK\$0.03 per share (2011: final dividend of HK\$0.06 per share)	23,356	46,712

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 January 2013 and 2012.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 January 2013, the Group acquired items of property, plant and equipment with a cost of approximately HK\$4,251,000 (six months ended 31 January 2012: approximately HK\$19,992,000) for the expansion of production facilities. Items of property, plant and equipment with a carrying amount of approximately HK\$510,000 were disposed of during the six months ended 31 January 2013 (six months ended 31 January 2012: approximately HK\$509,000), with approximately HK\$63,000 loss on disposal (six months ended 31 January 2012: HK\$75,000).

12. CONSTRUCTION IN PROGRESS

During the six months ended 31 January 2013, the Group acquired items of construction in progress with a cost of approximately HK\$1,331,000 (six months ended 31 January 2012: approximately HK\$2,542,000). Items of construction in progress with a carrying amount of approximately HK\$2,844,000 were transferred to property, plant and equipment during the six months ended 31 January 2013 (six months ended 31 January 2012: approximately HK\$2,117,000).

13. DEPOSITS PAID

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

	31/1/2013	31/7/2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Land use right in Indonesia	17,770	18,209

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:

	31/1/2013 HK\$'000 (Unaudited)	31/7/2012 HK\$'000 (Audited)
Within 1 month or on demand	106,058	111,880
More than 1 month but less than 3 months	76,797	80,702
More than 3 months but less than 12 months	31,493	35,529
More than 12 months	–	92
	214,348	228,203

As at 31 January 2013, included in trade receivables is an amount of approximately HK\$1,491,000 (31 July 2012: approximately HK\$1,859,000) due from an associate.

15. UNSECURED BANK BORROWING

During the six months ended 31 January 2013, the Group did not obtain any new bank loan (31 July 2012: HK\$31,734,000). During the six months ended 31 January 2013 and year ended 31 July 2012, the loan carries variable interest rate at 3% per annum over Hong Kong Inter-bank Offered Rate/London Inter-bank Offered Rate or the Lender's Cost of Funds, whichever is higher and is repayable on demand. The effective interest rate on the borrowing is 2.8% per annum.

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.

	31/1/2013 HK\$'000 (Unaudited)	31/7/2012 HK\$'000 (Audited)
Due within 1 month or on demand	19,906	21,162
Due after 1 month but less than 3 months	17,508	26,623
Due after 3 months but less than 12 months	2,753	2,779
Due after 12 months	1,400	1,366
	41,567	51,930

17. SHARE CAPITAL

Authorised and issued share capital

	Number of shares '000	Amount HK\$'000
Ordinary share of HK\$0.1 each		
Authorised:		
At 1 August 2011, 31 January 2012, 31 July 2012 and 31 January 2013	<u>20,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
At 1 August 2011, 31 January 2012, 31 July 2012 and 31 January 2013	<u>778,541</u>	<u>77,854</u>

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	
	2013	2012
Number of share options		
Outstanding at 1 August	18,910,000	19,370,000
Forfeited during the period	(218,000)	(82,000)
Outstanding at 31 January	<u>18,692,000</u>	<u>19,288,000</u>

No share option was granted during the six months ended 31 January 2013 and 2012.

The Group recognised total expenses of approximately HK\$646,000 for the six months ended 31 January 2012 (2013: nil), 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 elsewhere in the condensed consolidated interim financial information, the Group entered into the following material transactions with related parties:

Name of company	Nature of transactions	Six months ended 31 January	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
SiTY Silcum & Ta Yang International GmbH ("SiTY") (Note i)	Sales of rubber keypads	2,003	2,670
	Receipt of fixture charges	355	74
Formosan Union Chemical Corp. ("Formosan") (Note ii)	Receipt of bonus shares of 276,768 shares (2012: 181,063 shares) (included in available-for-sale financial assets)	1,300	920
	Dividend income	478	290
Huzhou Ri Jun Electronic Technology Company Limited ("Huzhou Ri Jun") (Note iii)	Rental income	477	573
	Sales of rubber keypads	50	–
	Sub-contracting income	212	–
United Performance (Note iv)	Deposit paid for acquisition of equity interest	–	2,144
Ta Yang Agricode Sdn Bhd ("Ta Yang Agricode") (Note iii)	Interest income	201	148

Notes:

- (i) SiTY is an associate company of the Group.
- (ii) Formosan is a company listed on Taiwan Stock Exchange and Mr. Huang Sheng-Shun is the common director of the Company and Formosan.
- (iii) Huzhou Ri Jun and Ta Yang Agricode are jointly controlled entities of the Group.
- (iv) Mr. Huang Sheng-Shun is the common director of the Company and United Performance.

(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	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	3,344	3,332
Post-employment benefits	76	50
Share-based payments	–	169
	3,420	3,551

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

	31/1/2013	31/7/2012
	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	4,879	1,569
– Land use right in Indonesia	4,775	5,528
	9,654	7,097

21. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to 31 January 2013, the Group entered into sales and purchase agreements with an independent third party to dispose certain land in the PRC. Details of which are set out in the Company's announcement dated 7 February 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With no solution in sight for the European debt crisis and the sluggish economic recovery in United States, the global economy was full of pessimism and there were no signs of recovery for the consumer electronic products. At the same time, the recent popularity of those portable devices with touch-screen panels has immensely slowed down the demand for conventional notebooks, computers and mobile phones. As a result, some of the major customers were experiencing difficulties and have inevitably affected the Group's performance. The Group was operating under adverse business environment during the period.

Meanwhile, although prudent management strategies in controlling operating and production costs have been implemented, the production and overhead costs still continued to increase due to inflation, increases in labour costs in the PRC and the appreciation of RMB. During the period, despite of the efforts to soliciting new customers' businesses and streamlining the operations, it was obvious that our total capacity was still over the demand level. This further caused the gross profit margin to drop significantly.

OUTLOOK

Looking forward, challenging economic conditions around the world may continue to cast uncertainties in the business environment. The management will remain cautious of the Group's business outlook. The Group will continue to take actions on resources optimisation and operation cost control in 2013, as well as diversifying the products mix and enhancing the Group's value-added offerings for both existing and new customers to broadening the customer base.

To overcome the continuous increase in production costs in the PRC, during the period, the Group was still in process of relocating the production procedures to Indonesia where the production costs are much lower. It is believed that a reduction of costs will be achieved after the completion of relocation and full operation.

We believed these prudent and proactive approaches will reinforce our top-tier position at all times in the economic cycle.

FINANCIAL REVIEW

Turnover

During the period, the Group has achieved a revenue of HK\$308.8 million, representing an increase of 5.1% compared with the corresponding period in 2012. The major contributors of the revenue were still from keypads for consumer electronic devices, computers and notebooks which accounted for approximately 70% of total turnover. However, due to the economic uncertainties and weak demand on traditional electronic devices, their turnovers were decreased. Meanwhile, with effort on diversification of products mix, such decrease was fully compensated by the increase in sales orders from lifestyle products. With the recent popularity of use of silicone material for lifestyle products, it is believed it will become the new driving force of the Group.

Gross profit

The gross profit was HK\$22.4 million, a decrease of HK\$17.0 million or 43.0% as compared with the corresponding period in 2012. The overall profit margin for the period decreased from 13.4% to 7.3%. The decrease in profit margin was due to the increase in appreciation of RMB and production costs in the PRC that were induced by soaring labour wages and inflation. In addition, the drop in utilisation rate of plant and machineries also cause the average unit cost to increase and hence shrink the profit margins.

Other operating income

Other operating income increased by HK\$8.1 million or 51.0% to HK\$24.1 million as compared with the corresponding period in 2012. The increase was mainly due to the gain on disposal of available-for-sale investments.

Selling and distribution expenses

Selling and distribution expenses increased by 53.7% to HK\$17.6 million as compared with the corresponding period in 2012. The increase was in line with the increase in turnover which was multiplied by increased operation cost in the PRC and appreciation of RMB. When counted as a percentage of the Group's turnover, the total amount was 5.7%, 1.8% increased as compared with the corresponding period in 2012.

Administrative expenses

Administrative expenses increased from HK\$55.8 million to HK\$58.1 million as compared with the corresponding period in 2012. When counted as a percentage of the Group's turnover, the total amount of administrative expenses was 18.8%, 0.2% decreased compared with the corresponding period in 2012. The slight decrease was a result of the effective cost control which was setoff by the inflation in expenses and appreciation of RMB.

Loss for the period

Loss for the period increased from HK\$17.1 million to HK\$38.8 million as compared with the corresponding period in 2012.

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 2013 HK\$'000	As at 31 July 2012 HK\$'000
Cash and cash equivalents	116,754	78,280
Net current assets	499,408	527,437
Current Ratio	4.3	4.1
Quick Ratio	3.3	3.2

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 2013 are as follows:

Particular	Planned amount <i>HK\$ million</i>	Utilised amount <i>HK\$ million</i>
Expansion of production facilities for silicone rubber based products	468	(288)
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	(378)

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 2013, the Group employed more than 5,100 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 2013, 6,010,000 share options were still outstanding under the Pre-IPO Share Option Scheme, of which 4,180,000 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 2013, 7,158,000 share options were still outstanding under Post-IPO Share Option Scheme granted on 24 December 2009, of which 4,607,000 options are held by employees of the Group.

As at 31 January 2013, 5,524,000 share options were still outstanding under Post-IPO Share Option Scheme granted on 11 January 2011, of which 3,946,000 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 2013 (31 January 2012: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 31 January 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

UPDATED DIRECTOR'S INFORMATION

On 15 November 2012, Mr. Kirk Yang re-designated from non-executive director to independent non-executive director and appointed as members of Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Below sets out the updated information regarding personal information of Mr. Kirk Yang.

Mr. Kirk Yang, aged 45, is an independent non-executive director of the Company. He holds Bachelor (with distinction) and Master of Science degrees in Electrical Engineering from Purdue University and Master of Business Administration (Finance, Accounting and Marketing concentrations) from University of Chicago.

Mr. Yang is currently a Managing Director and Head of Asia Ex-Japan Technology Hardware and Components Equity Research at Barclays Capital Asia Limited where he was awarded the No.1 analyst by Asiamoney in 2012, and No. 2 in 2011. Before that, Mr. Yang held the same position at Nomura International (Hong Kong) Limited. Prior to that, Mr. Yang served as chief financial officer in a leading private China IT software company and our company. Mr. Yang was also a managing director and head of Asia Technology Research of Citi Investment Research of Citigroup Global Markets Asia Limited based in Hong Kong ("Citi") where he was awarded the No. 1 analyst by Institutional Investors, Financial Times and Greenwich in

2004, 2006 and 2007 respectively in recognition of his accomplishment in investment equity research industry and ranked top 3 during most of his career. Before joining Citi, Mr. Yang served as the director and head of Asia Technology Hardware Research at Credit Suisse. Mr. Yang has more than ten years of experience in investment banking equity research industry, including worked at Goldman Sachs and BNP Paribas respectively. Mr. Yang also has more than nine years of experience in management consulting, sales/marketing and engineering operation in various corporations such as A.T. Kearney, Accenture, HP/EDS, Emerson Electric, IBM, and AT&T. Save as disclosed above, Mr. Yang did not hold directorships in any public companies listed in Hong Kong or overseas in the last three years and he did not hold any position in the Group since 1 February 2009.

Save as disclosed above, as at 31 January 2013, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 3.51B(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 31 January 2013, except the code provision C.1.2 which requires the management of the Company to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties.

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

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding Director's securities transactions. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 31 January 2013.

AUDIT COMMITTEE

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

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

The Company's unaudited condensed consolidated interim financial information for the six months ended 31 January 2013 has been reviewed by the Audit Committee.

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

Hong Kong, 25 March 2013

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, Mr. Wong Tak Leung and one non-executive director namely Mr. Wu Ih Chen and four independent non-executive directors namely, Professor Jou Yow-Jen, Mr. Yeung Chi Tat, Mr. Hsieh Yu and Mr. Kirk Yang.