# 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 2013

### 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 2013, together with the audited comparative figures for the year ended 31 July 2012 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS
*FOR THE YEAR ENDED 31 JULY 2013*

| | *Notes* | **2013** *HK$'000* | 2012 *HK$'000* |
|---|---|---|---|
| Turnover | *3* | **551,326** | 624,525 |
| Cost of sales | | **(543,210)** | (588,088) |
| Gross profit | | **8,116** | 36,437 |
| Other operating income | *3* | **48,625** | 36,126 |
| Selling and distribution expenses | | **(31,758)** | (27,357) |
| Administrative expenses | | **(110,204)** | (105,538) |
| Other expenses | *5* | **(48,692)** | (15,558) |
| Share of results of jointly controlled entities | | **(5,161)** | (11,538) |
| Share of result of an associate | | **37** | 186 |
| Finance costs | *6* | **(672)** | (657) |
| Loss before tax | | **(139,709)** | (87,899) |
| Income tax credit | *7* | **7,790** | 9,809 |
| Loss for the year | | **(131,919)** | (78,090) |
| Loss for the year attributable to: | | | |
| Owners of the Company | *8* | **(131,616)** | (78,090) |
| Non-controlling interests | | **(303)** | – |
| | | **(131,919)** | (78,090) |
| Loss per share | | | |
| Basic and diluted (HK cents) | *10* | **(16.90)** | (10.03) |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 JULY 2013*

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Loss for the year | **(131,919)** | (78,090) |
| Other comprehensive income (expenses) | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translating foreign operations | **19,856** | 10,910 |
| Available-for-sale financial assets | | |
| Net loss arising on revaluation of available-for-sale financial assets for the year | **(10,108)** | (13,727) |
| Reclassification adjustments for loss (gain) included in the consolidated statement of profit or loss | | |
| — gain on disposal | **(1,258)** | (6,513) |
| — impairment loss | **710** | 3,856 |
| | **(10,656)** | (16,384) |
| Share of other comprehensive income (expenses) of an associate and jointly controlled entities | | |
| Share of exchange difference of an associate | **300** | (287) |
| Share of exchange difference of jointly controlled entities | **139** | (503) |
| | **439** | (790) |
| Other comprehensive income (expenses) for the year | **9,639** | (6,264) |
| Total comprehensive expenses for the year, net of income tax | **(122,280)** | (84,354) |
| Total comprehensive expenses for the year, net of income tax, attributable to | | |
| Owners of the Company | **(122,094)** | (84,354) |
| Non-controlling interests | **(186)** | – |
| | **(122,280)** | (84,354) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*AS AT 31 JULY 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **264,638** | 290,626 |
| Construction in progress | | **693** | 2,423 |
| Prepaid lease payments | | **13,213** | 58,985 |
| Investment property | | **32,382** | 31,195 |
| Available-for-sale financial assets | | **32,084** | 65,524 |
| Held-to-maturity investments | | **–** | 2,442 |
| Interests in jointly controlled entities | | **–** | 5,672 |
| Interest in an associate | | **1,678** | 1,341 |
| Loan receivable from a jointly controlled entity | | **–** | 7,801 |
| Deposits for acquisition of land use rights | | **17,551** | 18,209 |
| | | **362,239** | 484,218 |
| Current assets | | | |
| Inventories | | **153,074** | 166,156 |
| Trade and other receivables | *11* | **213,254** | 265,330 |
| Entrusted loan receivable | | **–** | 30,500 |
| Prepaid lease payments | | **361** | 1,370 |
| Loan receivable from a jointly controlled entity | | **7,801** | – |
| Amounts due from jointly controlled entities | | **5,428** | 11,853 |
| Income tax recoverable | | **80** | 10 |
| Held-to-maturity investments | | **10,100** | 43,035 |
| Held-for-trading investments | | **14,250** | 5,851 |
| Derivative financial instruments | | **1,204** | 2,229 |
| Financial asset designated at fair value through profit or loss | | **36,997** | – |
| Short-term bank deposits | | **102,690** | 90,870 |
| Bank balances and cash | | **104,910** | 78,280 |
| | | **650,149** | 695,484 |
| Assets classified as held for sale | | **21** | – |
| | | **650,170** | 695,484 |
| Current liabilities | | | |
| Unsecured bank borrowing | | **20,124** | 31,734 |
| Trade and other payables | *12* | **95,524** | 106,966 |
| Income tax payable | | **22,244** | 29,347 |
| | | **137,892** | 168,047 |
| Net current assets | | **512,278** | 527,437 |
| Total assets less current liabilities | | **874,517** | 1,011,655 |
| Capital and reserves | | | |
| Share capital | | **77,854** | 77,854 |
| Reserves | | **785,074** | 930,035 |
| Equity attributable to owners of the Company | | **862,928** | 1,007,889 |
| Non-controlling interests | | **4,860** | – |
| Total equity | | **867,788** | 1,007,889 |
| Non-current liabilities | | | |
| Deferred income | | **4,061** | 1,028 |
| Deferred tax liabilities | | **2,668** | 2,738 |
| | | **6,729** | 3,766 |
| | | **874,517** | 1,011,655 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 JULY 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 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$"). Other than those subsidiaries established in the People's Republic of China ("PRC"), Macau and Indonesia whose functional currencies are Renminbi ("RMB"), Macau Pataca ("MOP") and Indonesian Rupiah ("IDR") respectively, the functional currency of the Company and its subsidiaries is HK$.

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 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 (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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

**Amendments to HKAS 1 — Presentation of Items of Other Comprehensive Income**

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.

**Amendments to HKAS 12 — Deferred Tax: Recovery of Underlying Assets**

The Group has applied for the first time the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

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 located in the PRC is 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. Accordingly, there will be no effect on changes in accounting policies on deferred tax liabilities on changes in fair value of investment property located in the PRC.

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

**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 HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle[1] |
| Amendments to HKFRS 1 | First-time Adoption of HKFRSs — Government Loans[1] |
| Amendments to HKFRS 7 | Disclosures — Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKFRS 7 and HKFRS 9 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 10 | Consolidated Financial Statements[1] |
| HKFRS 11 | Joint Arrangements[1] |
| HKFRS 12 | Disclosure of Interests in Other Entities[1] |
| HKFRS 13 | Fair Value Measurement[1] |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[2] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[2] |
| Amendments to HKAS 39 | Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting[2] |
| HKAS 19 (as revised in 2011) | Employee Benefits[1] |
| HKAS 27 (as revised in 2011) | Separate Financial Statements[1] |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[1] |
| HK (International Financial Reporting Interpretation Committee) ("IFRIC")–Interpretation ("Int") 20 | Stripping Costs in the Production Phase of a Surface Mine[1] |
| HK(IFRIC)–Int 21 | Levies[2] |

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.

*Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012*

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 1 Presentation of Financial Statements, the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

*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 offset of financial assets and financial liabilities 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 amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 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 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

*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:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)–Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)–Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. 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 consolidation.

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Group's interests in jointly controlled entities are joint arrangements under which each investor has joint control and the rights to the net assets of the arrangements and they are not joint operations. The investments are accounted for using the equity method and therefore, the first time adoption of HKFRS 11 for the financial year ending 31 July 2014 is not expected to have any financial impact on the Group.

Except disclosed in above, 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 on 1 August 2013. The application of HKFRS 10 may have a significant impact on the Group's accounting for its interest in an associate. 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.

*Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities*

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

*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 ending 31 July 2014 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.

Other than disclosed above, 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 in the normal course of business to customers, net of discounts and sales related tax.

Turnover and other operating income recognised for the year are as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Turnover | | |
| Sale of goods | **551,326** | 624,525 |
| Other operating income | | |
| Interest income | | |
| — Bank deposits | **3,432** | 4,673 |
| — Held-to-maturity investments | **630** | 277 |
| — Entrusted loan receivable | **210** | 1,836 |
| — Loan receivable from a jointly controlled entity | **199** | 347 |
| Total interest income | **4,471** | 7,133 |
| Agency income from trading of biodiesel | **9,499** | 7,428 |
| Gain on disposal of prepaid lease payments | **10,858** | – |
| Increase in fair value of investment property | **160** | 4,355 |
| Investment income from derivative financial instruments | **3,255** | 2,125 |
| Gross rental income *(Note a)* | **1,049** | 1,146 |
| Penalty income | **222** | 438 |
| Dividend income | **2,838** | 2,848 |
| Gain on disposal of available-for-sale financial assets | **7,826** | 4,134 |
| Gain on disposal of held-for-trading investments | **2,532** | 1,589 |
| Government grants | | |
| — Amortisation of deferred income for the year | **25** | 24 |
| — Grants related to expenses recognised as other operating income *(Note b)* | **1,635** | 1,121 |
| Sundry income | **4,255** | 3,785 |
| | **48,625** | 36,126 |
| Total turnover and other operating income | **599,951** | 660,651 |

*Notes:*

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gross rental income | **1,049** | 1,146 |
| Less: Outgoings incurred for investment property that generated rental income during the year (included in administrative expenses) | **(171)** | (195) |
| Net rental income | **878** | 951 |

(b) For the years ended 31 July 2013 and 2012, the amount represented unconditional grants from government for subsidising the operations of high technology enterprises in the PRC.

## 4. SEGMENT INFORMATION

The Group's turnover, results, assets and liabilities are primarily attributable to the manufacturing and sale of silicone rubber and related products, based on information reported to the 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.

**Turnover from major products**

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Keypads for consumer electronic devices | **213,101** | 266,897 |
| Keypads for computers and notebooks | **169,774** | 204,383 |
| Lifestyle products | **55,808** | 59,234 |
| Keypads for mobile phones | **35,379** | 20,753 |
| Automotive peripheral products | **35,692** | 27,283 |
| Others products | **41,572** | 45,975 |
| | **551,326** | 624,525 |

**Geographical information**

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

Information about the Group's turnover 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:

| | **Turnover from external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| The PRC (excluding Hong Kong) | **327,781** | 373,969 | **297,231** | 373,415 |
| Hong Kong | **97,985** | 112,381 | **8,953** | 10,285 |
| Other Asian countries | **99,340** | 108,793 | **22,293** | 23,410 |
| America | **19,161** | 18,613 | **–** | – |
| Europe | **7,059** | 10,769 | **1,678** | 1,341 |
| | **551,326** | 624,525 | **330,155** | 408,451 |

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**

Turnover 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:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **100,036** | 132,616 |
| Customer B | **71,992** | 85,738 |

## 5. OTHER EXPENSES

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Exchange losses | **4,649** | 5,558 |
| Impairment loss recognised in respect of available-for-sale financial assets | **12,320** | 4,123 |
| Loss on disposal of property, plant and equipment | **1,700** | 76 |
| Fair value loss on held-for-trading investments | **1,947** | 1,846 |
| Loss on disposal of derivative financial instruments | **–** | 631 |
| Impairment loss recognised in respect of property, plant and equipment | **19,940** | – |
| Impairment loss recognised in respect of prepaid lease payments | **2,010** | – |
| Impairment loss recognised in respect of interests in jointly controlled entities | **629** | 1,800 |
| Impairment loss recognised in respect of amount due from a jointly controlled entity | **3,669** | – |
| Fair value loss on financial asset designated at fair value through profit or loss | **803** | – |
| Fair value loss on derivative financial instruments | **1,025** | 1,524 |
| | **48,692** | 15,558 |

## 6. FINANCE COSTS

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on unsecured bank borrowing wholly repayable within five years | **672** | 657 |

## 7. INCOME TAX CREDIT

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| Hong Kong Profits Tax | **–** | – |
| PRC Enterprise Income Tax | **1,617** | 143 |
| Taiwan Profit-Seeking-Enterprise Income Tax ("Taiwan Income Tax") | **–** | 161 |
| | **1,617** | 304 |
| Under (Over) provision in prior years | | |
| PRC | **32** | – |
| Hong Kong | **43** | – |
| Macau Complementary Income Tax ("MCIT") *(Note)* | **(9,342)** | (10,524) |
| | **(9,267)** | (10,524) |
| Deferred taxation | | |
| Current year | **(140)** | 411 |
| | **(7,790)** | (9,809) |

*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$9,342,000 (2012: HK$10,524,000) is written back and credited to the consolidated statement of profit or loss during the year ended 31 July 2013.

Hong Kong Profits Tax has not been provided for in the consolidated financial statements as the Group did not derive any assessable profits for the years ended 31 July 2013 and 2012.

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 years ended 31 July 2013 and 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 exempted 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 2013 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 rates.

- 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 2013.

- 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.

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before tax | **(139,709)** | (87,899) |
| Tax credit at rates applicable to loss in the jurisdictions concerned | **(18,731)** | (16,757) |
| Tax effect of income not subject to tax | **(4,991)** | (988) |
| Tax effect of expenses not deductible for tax purposes | **9,361** | 1,592 |
| Tax effect of share of result of an associate | **(6)** | (31) |
| Tax effect of share of result of jointly controlled entities | **296** | 1,578 |
| Utilisation of tax losses previously not recognised | **(12)** | – |
| Overprovision in prior years | **(9,267)** | (10,524) |
| Tax effect of tax losses not recognised | **15,560** | 15,321 |
| Income tax credit for the year | **(7,790)** | (9,809) |

## 8. LOSS FOR THE YEAR

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year has been arrived at after charging: | | |
| Auditor's remuneration | **1,329** | 1,277 |
| Amortisation of prepaid lease payments | **868** | 1,371 |
| Costs of inventories sold *(Note)* | **535,779** | 587,652 |
| Allowance for inventories (included in cost of sales) | **7,431** | 436 |
| Share of taxation of an associate | **18** | 43 |
| Depreciation of property, plant and equipment | **40,049** | 43,493 |
| Directors' emoluments | **5,074** | 5,688 |
| Impairment loss recognised in respect of trade and other receivables | **1,158** | 171 |
| Research and development costs | **5,049** | 4,745 |
| Payments under operating leases in respect of land and buildings | **7,577** | 7,715 |
| Equity-settled share-based payment expenses | **–** | 802 |
| Staff costs (excluding directors' emoluments) | **291,935** | 305,226 |

*Note:* Cost of inventories sold included approximately HK$267,940,000 (2012: HK$287,199,000) relating to staff costs, depreciation expenses and operating lease charges which amounts are also included in the respective total amounts disclosed separately above.

## 9. DIVIDENDS RECOGNISED AS DISTRIBUTION DURING THE YEAR

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividend recognised as distribution during the year: | | |
| 2012 final dividend declared and paid of HK$0.03 (2011: HK$0.06) per share | **23,356** | 46,712 |

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 July 2013 (2012: final dividend of HK$0.03 per share in respect of the year ended 31 July 2012).

## 10. LOSS PER SHARE

### (a) Basic

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 both years.

| | **2013** | 2012 |
|---|---|---|
| Loss for the year attributable to owners of the Company (HK$'000) | **(131,616)** | (78,090) |
| Weighted average number of ordinary shares in issue ('000) | **778,541** | 778,541 |
| Loss per share (HK cents) | **(16.90)** | (10.03) |

### (b) Diluted

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options for the years ended 31 July 2013 and 2012 as the exercise prices of those options are higher than the average market price for shares.

## 11. TRADE AND OTHER RECEIVABLES

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade and bills receivables | | |
| — from third parties | **184,750** | 227,295 |
| — from an associate | **2,761** | 1,859 |
| Less: Allowance for doubtful debts recognised in respect of trade and bills receivables from third parties | **(1,913)** | (951) |
| | **185,598** | 228,203 |
| Prepayments, deposits and other receivables | **27,656** | 37,127 |
| | **213,254** | 265,330 |

The Group did not hold any collateral over these balances.

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

An aged analysis of trade and bills receivables, net of allowance for doubtful debts presented based on the invoice date at the reporting date is as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month or on demand | **92,205** | 111,880 |
| More than 1 month but less than 3 months | **64,570** | 80,702 |
| More than 3 months but less than 12 months | **28,823** | 35,529 |
| More than 12 months | **–** | 92 |
| | **185,598** | 228,203 |

## 12. TRADE AND OTHER PAYABLES

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade and bills payables | **36,339** | 51,930 |
| Other payables | **59,185** | 55,036 |
| | **95,524** | 106,966 |

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month or on demand | **20,097** | 21,162 |
| More than 1 month but less than 3 months | **13,048** | 26,623 |
| More than 3 months but less than 12 months | **1,491** | 2,779 |
| More than 12 months | **1,703** | 1,366 |
| | **36,339** | 51,930 |

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

During the financial year, worldwide conditions were kept continuously under pressure from sovereign debt crisis in Europe, fiscal cliff in the U.S. and monetary tightening in the PRC. Although there has been temporary relief from the debt crisis and Japan's Quantitative Easing Policy has been launched, the global economy continued to remain uncertain. As a result, the consumer confidence and spending still were weak. They turned more conscious on expenditure to upgrade or replace their electronic products. They are only willing to spend on those innovative products. Hence, the immense popularity achieved by tablet PC and 3G smartphones has slowed down the demand for the conventional notebooks, computers and mobile phones. As a result, it brought huge challenges to the consumer electronic device market.

All these caused tremendous pressure to the business environment of the Group, so the Group has recorded a decrease in turnover during the year.

## BUSINESS REVIEW

### Company's Overall Performance

During the year, the operating environment for manufacturing industries remained tough and the market share of individual player in electronic devices was reshuffled. The market became even more competitive leading to lower demand from some of the Group's major customers. The turnover for the financial year ended 31 July 2013, decreased by 11.7% as compared to last year. The primary source of income of the Group still derived from sales of consumer electronic devices and computers, but its percentage to total turnover decreased from 42.7% to 38.7% and 32.7% to 30.8% respectively.

The portable devices with touch-screen panel such as smartphones and tablet computers have continued to dominate the market while the traditional ones accelerate to be phased out. 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, the 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. However, the demand for such products is still not so significant at the moment. With the increase of awareness in silicone products, it is believed it will have obvious contribution to the Group.

Although, the Group has been continuously controlling manufacturing overhead and general expenses, the operating cost kept rising with the appreciating Renminbi and increasing Consumer Price Index ("CPI"). At the same time, due to the labour shortage in the coastal areas of the PRC, the labour cost was still lifted during the year. In addition, with the efforts of worldwide government to provide liquidity, this eventually led to overheating, higher inflation rate and escalating raw material prices. With the decrease in sales orders, the utilization rate of the plant and machineries fall dramatically. Amid the challenging operating environment, it led the Group to have significant decrease in gross profit.

## OUTLOOK

Looking forward to the future, the global economy is yet to be fully recover, there were concerns of the US Federal Reserve's plan to reduce the quantitative easing stimulus and signs of a slowdown in the PRC's economy. Moreover, industry forecasts predict that global shipments of both smartphones and tablets computers will continue to increase in 2013 and onwards. It is expected the market condition will remain volatile and challenging in the coming year. The management will remain cautious of the business outlook.

As the use of silicone rubber are becoming more and more common in daily life, it is believed that this emerging markets will show strong growth momentum and provide an exciting business opportunity to the Group. Design innovativeness and responsive quality production capability have become increasingly important criterion for customers' selection of their suppliers. Therefore, the Group will continue to put more efforts on research and development to explore the product quality, develop application ability of raw material and product variety. This proactive strategy will enable the Group to change to be silicone rubber producers from keypad producers which can have a broader mix in customer portfolio.

The continuous increase in production cost in PRC and appreciation of RMB have eroded most of the Group's profit. With the view to improve the performance, the Group will continue its tight cost controls and improvements in operating efficiency and productivity.

We believed that these forward-looking efforts will strength the leading position of the Group and paving the foundation in the future.

## FINANCIAL REVIEW

### Turnover

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

The consolidated turnover for the year ended 31 July 2013 was decreased by 11.7% to HK$551.3 million (2012: HK$624.5 million) while our loss attributable to equity shareholders was HK$131.6 million (2012: HK$78.1 million).

Basic loss per share of the Company was HK16.9 cents per share based on the weighted average number of 778,541,000 shares in issue during the year (2012: HK10.03 cents).

*Keypads for consumer electronic devices*

Turnover for the sales of keypads for consumer electronics devices decreased by approximately 20.2% to HK$213.1 million in 2013 from HK$266.9 million in 2012.

The global economy was still very volatile and Europe sovereign debt crisis persisted together with the concerns on the US Federal Reserve's plan to reduce the quantitative easing stimulus and signs of slowdown in the PRC's economy. The sluggish consumer spending in the major markets of the Group was well reflected by the disappointing performance of the customers during the year. They become more conservative on the inventory level for the avoidance of obsolescence. This led the turnover to decrease accordingly.

*Mobile phone products*

Turnover for the sales of mobile phone keypads increased by approximately 70.5% to HK$35.4 million in 2013 from HK$20.8 million in 2012. The Smartphones with touch-screen panels has received mainstream attention in the market from consumers, so the demand for the conventional mobile phones with keypads was gradually phased out. However, during the year, the Group has explored the market and began to produce those mobile phone peripheral products with silicon rubber. This caused the turnover in this segment to increase significantly.

*Keypads for computers and notebooks*

Turnover for the sales of keypads for computers and notebooks decreased by approximately 16.9% to HK$169.8 million in 2013 from HK$204.4 million in 2012. The immense popularity achieved by tablet computers has continued to deprive of the demand for traditional notebooks and netbooks. Statistic has shown that global shipment for traditional computers continued to be weak for the year. Therefore, the Group has recorded a decline in turnover under this rapid changing market.

*Automotive peripheral products*

Turnover for the sales of automotive peripheral products increased by approximately 30.8% to HK$35.7 million in 2013 from HK$27.3 million in 2012. Thanks to the quantitative easing stimulus in U.S. the demand for those durable products such as automotives was increased. In addition, the Group has succeeded to explore into the PRC market. This led the sales orders for automotive peripheral products increased accordingly.

*Lifestyle products*

Turnover for sales of lifestyle products decreased by 5.8% to HK$55.8 million in 2013 from HK$59.2 million in 2012. Although the turnover has slightly decreased during the year, the Group is able to expand the customer base in this segment. The Group will continue to put more effort to explore the market to capture the immense popularity of silicone made products and 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 7.6% from HK$588.1 million in 2012 to HK$543.2 million in 2013. It was still very challenging for those export oriented manufacturing companies based in the PRC during the year. The manufacturing overhead continued to rise with appreciating RMB and increasing CPI. In addition, due to labour shortage in coastal areas of the PRC, the labour cost was lifted during the year. As a result, the rate of decrease in cost of sales is much lower than that of turnover.

*Gross profit*

The gross profit of the Group for the year 2013 was HK$8.1 million, which represented a decrease of approximately 77.7% from that of HK$36.4 million for the year 2012. By the contraction of turnover together with the boost in the production costs, gross profit was decreased under the current extremely challenging environment.

Moreover, the drop in utilisation rate for the plant and machineries caused the average unit cost to increase and hence shrinking the profit margins.

*Other operating income*

Other operating income increased by approximately 34.6% to HK$48.6 million in 2013 from HK$36.1 million in 2012, primarily due to gain on disposal of land in Huizhou and the increase in gain on disposal of available-for-sale investments during the year.

*Selling and distribution expenses*

Selling and distribution expenses increased by approximately 16.1% to HK$31.8 million in 2013 from HK$27.4 million in 2012. When counted as a percentage of the turnover, the total amount was 5.8% (2012: 4.4%). The increase was due to inflation and increase in labour cost in the PRC.

*Administrative expenses*

Administrative expenses increased by approximately 4.4% to HK$110.2 million in 2013 from HK$105.5 million in 2012. The rise is mainly because of the continuous increase in operation cost in PRC.

*Loss for the year*

Loss for the year ended 31 July 2013 was HK$131.9 million (2012: HK$78.1 million). The net loss margin of our Group increased from 12.5% for the year ended 31 July 2012 to 23.9% for the year ended 31 July 2013.

## DIVIDEND POLICY

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

## FINANCIAL MANAGEMENT AND TREASURY POLICY

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

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

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

In respect of the RMB, as the Group's production plants are located in the PRC, most of our labour costs, manufacturing overheads, selling and administrative expenses were denominated in RMB. Therefore, the appreciation of RMB will adversely affect the Group's profitability.

During the year, the Group has entered into some RMB/US dollar structured forward contracts to partly hedge the risk exposure. The Group will continue to closely monitors foreign exchange exposure for RMB and consider hedging significant exposure should the need arise.

## LIQUIDITY AND FINANCIAL RESOURCES

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

| | **As at 31 July 2013** *HK$'000* | As at 31 July 2012 *HK$'000* |
|---|---|---|
| Cash and cash equivalents | **104,910** | 78,280 |
| Net cash inflow (outflow) | **25,747** | (185,320) |
| Current ratio | **4.7** | 4.1 |
| Quick ratio | **3.6** | 3.1 |

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

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group had no material acquisition or disposal of any subsidiaries and associated companies for the year ended 31 July 2013.

## USE OF PROCEEDS

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

The usage of net proceeds until 31 July 2013 are as follows:

| **Particular** | **Planned amount** *HK$ million* | **Utilised amount** *HK$ million* |
|---|---|---|
| Expansion of production facilities for silicone rubber based products | 468 | (309) |
| 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 | (399) |

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

## CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at 31 July 2013 were approximately HK$8.3 million, which was mainly related to the acquisition of land use right in Indonesia and the expansion of production capacity in Dongguan in the PRC. Such capital commitments will be financed by the net proceeds from the international offering.

As at 31 July 2013, the Group had no material contingent liabilities and the Group's assets were free from any charge.

## HUMAN RESOURCES AND REMUNERATION POLICIES

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

We offer competitive remuneration package, including quality staff quarters, trainings, medical, insurance coverage and retirement benefits, to all employees in Hong Kong and in the PRC. As at 31 July 2013, the Group has 5,436 permanent and temporary employees (2012: 7,251). The total salaries and related costs for the year ended 31 July 2013 amounted to approximately HK$291.9 million (2012: HK$305.2 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 2013, 5,970,000 share options were still outstanding under the Pre-IPO Share Option Scheme, of which 4,140,000 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 2013, a total of 12,370,000 share options were still outstanding under the Post IPO Share Option Scheme, of which 8,241,000 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 Thursday, 12 December 2013, the register of members of the Company will be closed from Tuesday, 10 December 2013 to Thursday, 12 December 2013, 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 Branch Share Registrar in Hong Kong, Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 9 December 2013.

## FINAL DIVIDEND

The directors of the Company do not recommend the payment of final dividend for the year ended 31 July 2013 (31 July 2012: HK3 cents per share).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 July 2013, 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 Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 July 2013, except the following deviations:

1. 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 year, the management of the Company did not provide monthly updates to all members of the Board as required by 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.

2. A.6.7 which requires Independent Non-executive directors and other non-executive directors should, among others, attend general meetings.

   During the year, Mr. Kirk Yang, Mr. Hsieh Yu and Professor Jou Yow-Jen, being Independent Non-executive Directors, did not attend the annual general meeting of the Company held on 4 December 2012 due to their overseas business engagement.

## 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 (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 the Group's annual results for the year ended 31 July 2013 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, 24 October 2013

*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, one non-executive Director, namely Mr. Wu Ih Chen and four independent non-executive Directors, namely Professor Jou Yow-Jen, Mr. Hsieh Yu, Mr. Yeung Chi Tat and Mr. Kirk Yang. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 July 2013 as set out in the Preliminary Announcement 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.*