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 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 31 JANUARY 2016

	Notes	**Six months ended 31 January** **2016** ***HK$'000*** **(Unaudited)**	2015 *HK$'000* (Unaudited)
Turnover	*4*	**222,123**	231,567
Cost of sales		**(179,199)**	(203,904)
Gross profit		**42,924**	27,663
Other operating income		**11,767**	6,143
Selling and distribution expenses		**(14,334)**	(16,206)
Administrative expenses		**(38,033)**	(47,664)
Other expenses		**(39,607)**	(23,260)
Share of results of associates		**–**	(472)
Share of results of joint ventures		**–**	629
Finance costs	*6*	**(322)**	(374)
Loss before tax		**(37,605)**	(53,541)
Income tax credit	*7*	**846**	253
Loss for the period	*8*	**(36,759)**	(53,288)
Loss for the period attributable to:			
Owners of the Company		**(36,759)**	(52,971)
Non-controlling interests		**–**	(317)
		(36,759)	(53,288)
Loss per share	*9*		
Basic		**(HK 4.71 cents)**	(HK 6.80 cents)
Diluted		**(HK 4.71 cents)**	(HK 6.80 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 JANUARY 2016

	Six months ended 31 January	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(36,759)**	(53,288)
Other comprehensive income (expenses)		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of properties	**9,325**	–
Gain on revaluation of prepaid lease payments	**8,290**	–
	17,615	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations	**(13,378)**	3,620
Release of exchange reserves upon deregistration/disposal of subsidiaries	**(2,791)**	–
	(16,169)	3,620
Available-for-sale financial assets		
Net loss arising on revaluation of available-for-sale financial assets for the period	**(189)**	(3,872)
Reclassification adjustments for impairment loss included in the condensed consolidated statement of profit or loss	**870**	1,686
	681	(2,186)
Share of other comprehensive expenses of associates and joint ventures		
Share of exchange difference of associates	**–**	(244)
Share of exchange difference of joint ventures	**–**	(629)
	–	(873)
Other comprehensive income for the period, net of tax	**2,127**	561
Total comprehensive expenses for the period, net of tax	**(34,632)**	(52,727)
Total comprehensive expenses for the period, net of tax, attributable to:		
Owners of the Company	**(34,632)**	(52,420)
Non-controlling interests	**–**	(307)
	(34,632)	(52,727)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2016

	Notes	**31/1/2016** *HK$'000* **(Unaudited)**	31/7/2015 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*11*	**72,812**	100,085
Intangible assets		**–**	–
Prepaid lease payments		**7,402**	10,840
Investment properties		**91,499**	54,647
Available-for-sale financial assets		**19,407**	19,596
Interests in joint ventures		**–**	–
Interests in associates		**–**	–
Deposits for acquisition of land use rights	*12*	**12,066**	13,163
		203,186	198,331
Current assets			
Inventories		**52,044**	62,172
Trade and other receivables	*13*	**139,577**	150,930
Prepaid lease payments		**246**	321
Amount due from an associate		**65**	–
Income tax recoverable		**513**	–
Held-to-maturity investments	*14*	**41,691**	43,442
Held-for-trading investments		**6,787**	9,120
Short-term bank deposits		**–**	86,298
Bank balances and cash		**173,249**	103,556
		414,172	455,839
Current liabilities			
Trade and other payables	*15*	**86,826**	97,612
Derivative financial instruments		**21,106**	17,017
Amount due to a joint venture		**–**	202
Income tax payable		**21,185**	22,376
Secured bank borrowings	*16*	**33,282**	33,282
		162,399	170,489
Net current assets		**251,773**	285,350
Total assets less current liabilities		**454,959**	483,681

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2016

	Note	**31/1/2016** *HK$'000* **(Unaudited)**	31/7/2015 *HK$'000* (Audited)
Capital and reserves			
Share capital	*17*	**78,012**	77,892
Reserves		**364,213**	397,769
Total equity		**442,225**	475,661
Non-current liabilities			
Deferred income		**3,763**	3,946
Deferred tax liabilities		**8,971**	4,074
		12,734	8,020
		454,959	483,681

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 JANUARY 2016

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note 1)	Share options reserve HK$'000	Accumulated losses HK$'000	Exchange reserve HK$'000	Investments revaluation reserve HK$'000	Properties revaluation reserve HK$'000	Capital redemption reserve HK$'000 (Note 2)	Statutory surplus reserve HK$'000 (Note 3)	Legal reserve HK$'000 (Note 4)	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 August 2014 (audited)	77,854	633,786	14	11,692	(283,816)	150,780	2,717	–	2,420	33,411	49	628,907	1,519	630,426
Loss for the period	–	–	–	–	(52,971)	–	–	–	–	–	–	(52,971)	(317)	(53,288)
Other comprehensive income (expenses) for the period	–	–	–	–	–	2,737	(2,186)	–	–	–	–	551	10	561
Total comprehensive (expenses) income for the period	–	–	–	–	(52,971)	2,737	(2,186)	–	–	–	–	(52,420)	(307)	(52,727)
Forfeiture of share options	–	–	–	(1,440)	1,440	–	–	–	–	–	–	–	–	–
Capital contribution	–	–	(63)	–	–	–	–	–	–	–	–	(63)	63	–
At 31 January 2015 (unaudited)	77,854	633,786	(49)	10,252	(335,347)	153,517	531	–	2,420	33,411	49	576,424	1,275	577,699
Loss for the period	–	–	–	–	(103,364)	–	–	–	–	–	–	(103,364)	(2,730)	(106,094)
Other comprehensive (expenses) income for the period	–	–	–	–	–	(3,938)	242	9,249	–	–	–	5,553	9	5,562
Total comprehensive (expenses) income for the period	–	–	–	–	(103,364)	(3,938)	242	9,249	–	–	–	(97,811)	(2,721)	(100,532)
Exercise of share options	38	468	–	(127)	–	–	–	–	–	–	–	379	–	379
Forfeiture of share options	–	–	–	(835)	835	–	–	–	–	–	–	–	–	–
Capital contribution	–	–	(3,331)	–	–	–	–	–	–	–	–	(3,331)	1,446	(1,885)
At 31July 2015 (audited)	77,892	634,254	(3,380)	9,290	(437,876)	149,579	773	9,249	2,420	33,411	49	475,661	–	475,661
Loss for the period	–	–	–	–	(36,759)	–	–	–	–	–	–	(36,759)	–	(36,759)
Other comprehensive (expenses) income for the period	–	–	–	–	–	(16,169)	681	17,615	–	–	–	2,127	–	2,127
Total comprehensive (expenses) income for the period	–	–	–	–	(36,759)	(16,169)	681	17,615	–	–	–	(34,632)	–	(34,632)
Exercise of share options	120	1,488	–	(412)	–	–	–	–	–	–	–	1,196	–	1,196
Forfeiture of share options	–	–	–	(340)	340	–	–	–	–	–	–	–	–	–
At 31 January 2016 (unaudited)	78,012	635,742	(3,380)	8,538	(474,295)	133,410	1,454	26,864	2,420	33,411	49	442,225	–	442,225

Notes:

1. Other reserve

   Other reserve represents the difference between the capital contribution received from (paid to) a non-controlling interest of a subsidiary and the increase (decrease) in its shares of net asset value of that subsidiary.

2. Capital redemption reserve

   Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

3. Statutory surplus reserve

   As stipulated by regulations in the People's Republic of China (the "PRC"), the Company's subsidiaries established and operated in the PRC are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to equity owners.

4. Legal reserve

   In accordance with the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to appropriate 25% of its net profit to the legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 JANUARY 2016

	Six months ended 31 January	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from (used in) operating activities	**1,322**	(24,166)
Net cash generated from (used in) investing activities	**68,081**	(30,258)
Net cash generated from (used in) financing activities	**964**	(12,637)
Net increase (decrease) in cash and cash equivalents	**70,367**	(67,061)
Cash and cash equivalents at 1 August	**103,556**	200,111
Effect of foreign exchange rate changes	**(674)**	1,232
Cash and cash equivalents at 31 January, represented bank balances and cash	**173,249**	134,282

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 JANUARY 2016

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$"). Other than those subsidiaries established in the PRC, Macau and Indonesia whose functional currencies are Renminbi, Macau Pataca and Indonesian Ruplah respectively, the functional currency of the Company and its subsidiaries is HK$.

As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the 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 and related products.

At 31 January 2016, the directors of the Company consider the ultimate holding company of the Company to be Sunny Stars Investments Limited which is incorporated in the British Virgin Islands (the "BVI").

2. BASIS OF PREPARATION

The condensed consolidated statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants 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 and investment properties, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 January 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 July 2015.

No standards or interpretations are effective for the first time for this interim period adopted by the Group.

4. TURNOVER

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

5. SEGMENT INFORMATION

The Group's turnover, 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 of the Company, 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	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on secured bank borrowings wholly repayable within one year	**322**	374

7. INCOME TAX CREDIT

	Six months ended 31 January	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
— PRC Enterprise Income Tax	**–**	(85)
Deferred taxation		
— Current period	**846**	338
	846	253

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information as the Group did not derive any assessable profits for both periods.

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

No provision for Indonesia Income Tax for the six months ended 31 January 2016 and 2015 has been made as the subsidiary operating in Indonesia did not generate any assessable profits in Indonesia.

Ta Yang Group (Macao Commercial Offshore) Limited is incorporated as a commercial offshore entity in Macau and is exempted from Macau Complementary Income Tax.

No provision for Taiwan Profit-Seeking Enterprise Income Tax for the six months ended 31 January 2016 and 2015 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.

8. LOSS FOR THE PERIOD

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

	Six months ended 31 January	
	2016	2015
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Allowance for inventories (included in cost of sales)	**768**	–
Reversal of allowance for inventories (included in cost of sales)	**(5,264)**	(7,195)
Amortisation of intangible assets	**–**	178
Amortisation of prepaid lease payments	**124**	181
Cost of inventories recognised as expenses	**183,695**	211,099
Depreciation of property, plant and equipment	**2,369**	9,168
Dividend income	**(851)**	(747)
Exchange loss, net	**1,885**	1,403
Fair value loss on derivative financial instruments	**4,089**	9,711
Fair value loss on held-for-trading investments	**2,207**	1,665
Fair value loss on investment properties	**1,383**	–
Gain on deregistration of subsidiaries	**(2,850)**	–
Gain on disposal of subsidiaries	**(1,534)**	–
Gain on financial assets designated at fair value through profit or loss	**–**	(40)
Gain on held-for-trading investments	**(52)**	(320)
Government grants		
— Amortisation of deferred income	**(24)**	(25)
— Grants related to expenses recognised as other operating income	**(90)**	–
Gross rental income	**(2,840)**	(875)
Less: Outgoings incurred for investment properties that generated rental income during the period (included in administrative expenses)	**77**	79
Net rental income	**(2,763)**	(796)
Impairment loss recognised in respect of trade receivables	**441**	–
Reversal of impairment loss recognised in respect of trade receivables	**–**	(820)
Interest income	**(2,438)**	(2,710)
Investment loss from derivative financial instruments	**15,665**	764
Loss on disposal of available-for-sale financial assets	**–**	125
Loss on disposal of property, plant and equipment	**13,508**	7,506
Research and development costs	**2,194**	2,191
Share of taxation of an associate	**–**	(1)

9. LOSS PER SHARE

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 periods.

	Six months ended 31 January	
	2016	2015
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company *(HK$'000)*	**(36,759)**	(52,971)
Weighted average number of ordinary shares in issue *('000)*	**780,074**	778,541
Loss per share *(HK cents)*	**(4.71)**	(6.80)

Diluted

	Six months ended 31 January	
	2016	2015
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company *(HK$'000)*	**(36,759)**	(52,971)
Weighted average number of ordinary shares in issue *('000)*	**780,074**	778,541
Effect of dilutive potential ordinary shares derived from exercising of share options *(Note)*	**188**	–
	780,262	778,541
Loss per share *(HK cents)*	**(4.71)**	(6.80)

Note: For the six months ended 31 January 2015, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares.

10. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 January 2016 and 2015.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 January 2016, the Group acquired items of property, plant and equipment with a cost of approximately HK$7,894,000 (unaudited) (six months ended 31 January 2015: approximately HK$3,271,000 (unaudited)) for the expansion of production facilities. Items of property, plant and equipment with a carrying amount of approximately HK$15,328,000 (unaudited) were disposed of during the six months ended 31 January 2016 (six months ended 31 January 2015: approximately HK$9,549,000 (unaudited)), with approximately HK$13,508,000 (unaudited) loss on disposal (six months ended 31 January 2015: HK$7,506,000 (unaudited)). Besides, certain properties with a carrying amount of approximately HK$14,254,000 were reclassified as investment properties upon the commencement of the leases.

12. DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS

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

	31/1/2016	31/7/2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Land use right in Indonesia	**12,066**	13,163

13. 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:

	31/1/2016	31/7/2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	**91,670**	99,786
91 days to 1 year	**31,650**	31,004
Over 1 year to 2 years	**–**	13
	123,320	130,803

14. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments comprise:

	31/1/2016	31/7/2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unlisted debt securities		
— Fixed-rate	**41,691**	43,442

As at 31 January 2016, the fixed-rate unlisted debt securities carried interest at 3% per annum, payable at maturity date in July 2016.

15. 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.

	31/1/2016	31/7/2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month or on demand	**16,783**	15,144
More than 1 month but less than 3 months	**11,084**	13,567
More than 3 months but less than 12 months	**2,566**	1,473
More than 12 months	**2,317**	1,768
	32,750	31,952

16. SECURED BANK BORROWINGS

During the six months ended 31 January 2016, no new bank loan (unaudited) was obtained (six months ended 31 January 2015: nil (unaudited)). During the six months ended 31 January 2016 and 2015, the loans carried variable interest rate at 1.75% (unaudited) 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 borrowings is 2.03% (unaudited) (six months ended 31 January 2015: 1.94% (unaudited)) per annum.

17. SHARE CAPITAL

Authorised and issued share capital

	Number of shares	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 August 2014 (audited), 31 July 2015 (audited) and 31 January 2016 (unaudited)	20,000,000	2,000,000
Issued and fully paid:		
At 1 August 2014 (audited)	778,541	77,854
Issue of shares under the Company's share option schemes	382	38
At 31 July 2015 (audited)	778,923	77,892
Issue of shares under the Company's share option schemes	1,193	120
At 31 January 2016 (unaudited)	780,116	78,012

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:

Number of share options	Six months ended 31 January 2016	2015
Outstanding at 1 August (audited)	**11,570,000**	14,638,000
Exercised during the period	**(1,193,000)**	–
Forfeited during the period	**(356,000)**	(1,634,000)
Outstanding at 31 January (unaudited)	**10,021,000**	13,004,000

No share option was granted during the six months ended 31 January 2016 and 2015 (unaudited).

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 2016 ***HK$'000*** **(Unaudited)**	2015 *HK$'000* (Unaudited)
SiTY Silcum & Ta Yang International GmbH ("SiTY") *(Note i)*	Sales of rubber keypads	**–**	2,031
Formosan Union Chemical Corp. ("Formosan") *(Note ii)*	Dividend income	**475**	493
United Performance Materials Corporation ("United Performance") *(Note iii)*	Dividend income	**64**	48

Notes:

(i) SiTY is an associate company of the Group. The Group disposed of SiTY in January 2015.

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

(iii) United Performance is a company listed on the Taiwan Stock Exchange in which 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 is as follows:

	Six months ended 31 January	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**2,634**	2,625
Post-employment benefits	**61**	61
	2,695	2,686

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

	31/1/2016	31/7/2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided for in the condensed consolidated interim financial information in respect of the acquisition of:		
— Property, plant and equipment	**1,467**	1,357
— Land use rights	**4,775**	4,775
	6,242	6,132

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period, while the worldwide condition remained challenging and volatile such as the slowdown of China and economic growth and U.S. interest hike, the Group experienced its own transitional period. Among the stiff challenges, the Group faced included delay placement of orders of some customers and escalating operating costs in China. Nonetheless, the Group remained committed to raising the Group's competitiveness, electing to dispose of certain subsidiaries as part of streamlining efforts.

The lackluster global economic recovery has resulted in a weak consumer sentiment in traditional consumer electronic products. Certain customers have postponed their product launches. Besides, with the domination over the market by the portable devices with the touch-screen panels, the demand for conventional mobile phones and computers was gradually phased out. Hence, these factors ultimately deteriorated the performance of the customers. The Group is devoted to explore the new markets especially the non-keypads products.

For the operating side, the environment in the PRC was still very tough to manufacturing industries. The manufacturing costs kept on surging in the PRC. During the period, the Group continued its tight cost controls and improvement in operational efficiency. By those measures of streamlining the operations, the gross profit has continued to improve. Understand that the total capacity was still over the demand level, the Group is still in the process of restructuring in order to keep our size to be flexible to deal with any sudden economic challenges.

Outlook

The global economy remains challenging and volatile. The Group will persist to focus the strategy of driving higher profit margin growth with continuing cost improvement. The Group will put more efforts on research and development to improve the products quality, develop application of raw material and products variety and expand customer base and further co-operate with existing customer to develop non-keypad products. The operating environment for manufacturing in China remains tough with increase in wages and inflation. To counter these cost increases, the Group will continue to improve operational efficiencies by implementing the cost control measures and restructuring. At the same time, the Group will explore other business opportunities, including the feasibility of diversifying the income stream of the Group by exploring business and investment opportunities into different business areas such as medical and healthcare industry.

It is believed the challenging PRC operating environment will continue to have an impact on the Group's performance in the future. The Group's performance has been, and is expected to continue to be, affected by increases in operating costs such as increase in labour costs and inflation. In order to improve its operational performance, the Group will continue to take various proactive measures to mitigate the negative impact of increasing operating costs such as restructuring and tight cost controls over the PRC factories. These competitive edges will enable the Group to serve the customers better and may eventually expand the Group's market share.

Financial Review

Turnover

During the period, the Group has recorded a revenue of HK$222.1 million, representing a decrease of 4.1% compared with the corresponding period in 2015. The major contributors of the revenue were still from consumer electronic devices peripheral products, keypads for computers and notebooks which accounted for approximately 57.3% of total turnover. The demand on traditional electronic devices continue to shrink which cause the overall turnover to decrease. Meanwhile, with effort on diversification of products mix, the portion of non-keypad products continue to increase. With the recent popularity of the use of silicone material on wide range of products, the Group will endeavor to explore the market of non-keypad products.

Gross Profit

The gross profit was HK$42.9 million, an increase of HK$15.3 million as compared with the corresponding period in 2015. The overall profit margin for the period increased from 11.9% to 19.3%. The increase in profit margin was due to the decrease in the number of labour and the disposal of certain plant and machineries which cause the rise in utilisation rate. It led the average unit cost to decrease and hence the gross profit margin to increase.

Other Operating Income

Other operating income increased by HK$5.6 million or 91.6% to HK$11.8 million as compared with the corresponding period in 2015. The increase was mainly due to the gain on disposal of certain subsidiaries which are not related to the core business and the increase in rental income because of the increased premises for lease.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 11.6% to HK$14.3 million as compared with the corresponding period in 2015. The decrease was in line with the decrease in turnover. When counted as a percentage of the Group's turnover, the total amount of selling and distribution expenses was 6.5%, 0.5% decrease as compared with the corresponding period in 2015.

Administrative Expenses

Administrative expenses decreased from HK$47.7 million to HK$38.0 million as compared with the corresponding period in 2015. When counted as a percentage of the Group's turnover, the total amount of administrative expenses was 17.1%, 3.5% decreased compared with the corresponding period in 2015. The decrease was a result of the restructuring plan last year and tight cost control.

Loss for the Period

Loss for the period decreased from HK$53.3 million to HK$36.8 million as compared with the corresponding period in 2015.

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 2016 *HK$'000*	As at 31 July 2015 *HK$'000*
Cash and cash equivalents	**173,249**	103,556
Net current assets	**251,773**	285,350
Current Ratio	**2.6**	2.7
Quick Ratio	**2.2**	2.3

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 Company's Prospectus) have been placed as short-term deposits with authorised 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 mainly 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 2016 are as follows:

Particular	Planned amount *HK$ million*	Utilised amount *HK$ million*
Expansion of production facilities for silicone rubber based products	468	(338)
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	(428)

Human Resources and Remuneration Policies

As the Group is committed to develop high value-added products with excellent quality, 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 2016, the Group employed about 1,590 employees.

The Company adopted a Pre-IPO Share Option Scheme on 16 May 2007 for the purpose of recognition of employees' contribution before the listing of the Company's shares. As at 31 January 2016, 3,865,000 share options were still outstanding under the Pre-IPO Share Option Scheme, of which 2,355,000 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 2016, for share options granted under Post-IPO Share Option Scheme on 24 December 2009, 3,572,000 share options were still outstanding, of which 1,621,000 options are held by employees of the Group.

As at 31 January 2016, for share options granted under Post-IPO Share Option Scheme on 11 January 2011, 2,584,000 share options were still outstanding, of which 1,266,000 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 2016 (31 January 2015: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 31 January 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 January 2016, 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 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 prior to 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. In response to the specific enquiry by the Company, all the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 31 January 2016.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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 2016 has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.tayang.com). The interim report 2015/16 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites before the end of April 2016.

On behalf of the Board
Ta Yang Group Holdings Limited
Huang Sheng-Shun
Chairman

Hong Kong, 30 March 2016

As at the date hereof, the Board of the Company comprises four executive directors, namely Mr. Huang Sheng-Shun, Mr. Huang Te-Wei, Mr. Wong Tak Leung and Mr. Kwok Yiu Kai; one non-executive director, namely Mr. Wu Ih Chen; and four independent non-executive directors, namely Mr. Hsieh Yu, Professor Jou Yow-Jen, Mr. Yeung Chi Tat and Mr. Kirk Yang.