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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Kee Chor Lin (*Chairman*)  
Chan Yu Ching, Eugene (*Managing Director*)  
Ko Pak On  
Wong Ching Ming, Stanley

#### Independent Non-executive Directors

Li Sau Hung, Eddy, *B.B.S., J.P.*  
Lo Kwok Kwei, David  
Mar, Selwyn

### Audit Committee

Mar, Selwyn (*Chairman*)  
Li Sau Hung, Eddy, *B.B.S., J.P.*  
Lo Kwok Kwei, David

### Remuneration Committee

Lo Kwok Kwei, David (*Chairman*)  
Kee Chor Lin  
Li Sau Hung, Eddy, *B.B.S., J.P.*

### Nomination Committee

Li Sau Hung, Eddy, *B.B.S., J.P.* (*Chairman*)  
Kee Chor Lin  
Chan Yu Ching, Eugene  
Lo Kwok Kwei, David  
Mar, Selwyn

### Company Secretary

Chan Bik Yu

### Auditor

PricewaterhouseCoopers, *Certified Public Accountants*

### Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited  
CITIC Bank International Limited  
Bank of Tokyo-Mitsubishi UFJ, Limited

### Registered Office

Clarendon House, 2 Church Street  
Hamilton HM11, Bermuda

### Principal Place of Business

16/F., Yiko Industrial Building  
10 Ka Yip Street, Chai Wan, Hong Kong

### Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre, 11 Bermudiana Road  
Pembroke HM08, Bermuda

### Branch Share Registrar and Transfer Office

Tricor Tengis Limited  
26/F., Tesbury Centre, 28 Queen's Road East,  
Wanchai, Hong Kong

### Corporate Website

<http://www.manyue.com>

### Investor Relations Contact

E-mail: [ir@manyue.com](mailto:ir@manyue.com)

### Stock Code

00894



# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS HIGHLIGHTS

- Revenue dropped by 13.3% to HK\$661,830,000 from HK\$763,733,000 for the Corresponding Period
- Gross profit margin of 23.1%, compared with 23.6% for the Corresponding Period
- EBITDA of HK\$110,251,000, representing an EBITDA margin of 16.7%
- Profit for the Period of HK\$38,808,000, representing a profit margin of 5.9%, compared with HK\$73,947,000 for the Corresponding Period
- Net debt to equity ratio was 31.7%, compared with 29.2% as at 31 December 2011
- Net asset value per share increased to HK\$2.86, compared with HK\$2.83 as at 31 December 2011
- Declared interim dividend of 2.0 HK cents per share, compared with 3.0 HK cents per share for the Corresponding Period

## FINANCIAL RESULTS

The revenue of Man Yue Technology Holdings Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 June 2012 (the "Period") dropped to HK\$661,830,000, representing a decrease of 13.3% compared with the Group's revenue recorded in the corresponding period in last year (the "Corresponding Period"). It was mainly due to the slowdown of domestic and global economies in the Period, which in turn reduced the demand for our products.

Gross profit for the Period amounted to HK\$153,179,000, representing a decrease of 15.1% from HK\$180,347,000 for the Corresponding Period. However, the gross profit margin stood at 23.1% despite the rising trend of raw materials and production costs in the Period.

During the Period, the Group recognised a loss arising from the changes in fair value of derivative financial instruments of HK\$1,544,000. The derivative financial instruments concerned referred to certain long term interest rate swap contracts entered into by the Group with the intention to hedge against the future borrowing costs. The Group had to account for the drop in fair value of these derivative financial instruments in the consolidated income statement for the temporary market fluctuations immediately prior to the end of the Period. This item does not affect the cash flow of the Group.

The finance costs increased to HK\$12,286,000 from HK\$7,136,000 for the Corresponding Period as certain amount of bank loans were drawn down by the Group in the second half of 2011.

Earnings before interest expenses, tax, depreciation and amortisation ("EBITDA") amounted to HK\$110,251,000, representing an EBITDA margin of 16.7% and an improvement of 1.4 percentage points from 15.3% for the 2011 full year.

Profit for the Period amounted to HK\$38,808,000, representing a profit margin of 5.9%. The Board has resolved to declare an interim dividend of 2.0 HK cents per share (30 June 2011: 3.0 HK cents per share), with total amount of HK\$9,582,000 (30 June 2011: HK\$14,373,000).



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Market overview

During the Period, the global economy continued to slow down. The electronic industry had been particularly affected due to the delay in the launching of new models and the disruption of supply of key parts such as hard drives, which in turn reduces the demand for the electronic components used in these consumer end products. Accordingly, the global demand for Aluminum Electrolytic Capacitors (“E-Caps”) declined slightly during the Period. However, as one of the key global suppliers of E-Caps in the market, the Group has benefited from the global trend of supply chain diversification and stabilisation exercises resulted from the natural disasters in Thailand and Japan in 2011.

The applications for Conductive Polymer Aluminum Solid Capacitors (“Polymer Caps”) continued to widen as a result of expansion in spectrum of applications during the Period. Market demand was affected mainly by the aftermath of the Thailand flood and the Group recorded a temporary decline of Polymer Caps demand in the first half of 2012. However, as one of the most important global suppliers of Polymer Caps outside Japan, the Group continued to boost its production capacities and enhance the product variety during the Period to cater for the increasing market needs expected in the coming years.

### Operation review

The market demand for electronic products was affected by the unsatisfactory global economies in the first half of 2012. However, the revenue drop of the Group during the Period was comparatively mild against most of our competitors. The Group still recorded an improvement in EBITDA margin and the operating cashflow. We had successfully transformed into a global supplier of several key critical electronic components in the past years. To leverage this strategic transformation, the Group continued to devote more resources in expanding our professional sales force and sales networks, enhancing research and development (“R&D”) collaboration with key research institutes and universities and also upgrading our information technology platform.

The Group recorded a progressive sales penetration for its SAMXON® and X-CON® products into various industry segments, particularly the computing, power supply, energy saving lighting, digital hand-held consumer electronic and environmental friendly product segment. Our strength in new product development will continue to build up the sales growth momentum for the coming year. Moreover, our bolstering R&D capabilities provide new business opportunities for the Group to step in the world’s fast-growing renewable energy sector.



## MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Group continues the strategic move to diversify the business platform by developing the energy storage system (“ESS”) product family comprising Electric Double Layer Capacitors (“EDLC”), Lithiumion Rechargeable Batteries and the screw-type E-Caps. The ESS product series aims to provide a total solution for industrial power management and energy applications in particular the wind and solar power systems, electric transportation equipment, power backup devices and consumer electronic products. The Group expects that the return from the ESS product platform will be materialised in the next couple of years.

It is the Group’s key initiative to strengthen and integrate the raw materials supply chain for the past few years. The newly built aluminum foil manufacturing plant in Yaan of Sichuan Province, Mainland China started full scale production in the second quarter of 2012 and produced the aluminum foil (being the key raw material of E-Caps and Polymer Caps) for internal consumption within the Group. Together with the chemical production plant in Wuhan of Hubei Province, Mainland China, the Group expects that the manufacturing costs will be further reduced and then improving the gross profit margins.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group’s total outstanding bank borrowings amounted to HK\$977,175,000 (31 December 2011: HK\$1,074,084,000), which comprised mainly bank loans and trade financing facilities. The maturity profile of the bank borrowings falling due within one year and in the second to the fifth year amounted to HK\$484,492,000 and HK\$492,683,000 respectively (31 December 2011: HK\$488,549,000 and HK\$585,535,000 respectively).

After deducting cash and cash equivalents of HK\$544,137,000 (31 December 2011: HK\$680,273,000), the Group’s net borrowing amounted to HK\$433,038,000 (31 December 2011: HK\$393,811,000). Shareholders’ equity at 30 June 2012 was HK\$1,364,282,000 (31 December 2011: HK\$1,350,331,000). Accordingly, the Group’s net gearing ratio was 31.7% (31 December 2011: 29.2%).

Net cash inflow from operating activities during the Period amounted to HK\$38,151,000. It represented profit before tax of HK\$47,297,000, adding back adjustments for non-cash items such as net change in fair value of derivative financial instruments of HK\$1,544,000, depreciation and amortisation of HK\$50,668,000 and deducting net changes in working capital of HK\$47,400,000 and other adjustments of HK\$13,958,000. The Group’s net cash outflow for investing activities for the Period amounted to HK\$77,598,000, which included purchases of non-current assets of HK\$74,633,000 and advances to jointly-controlled entities of HK\$2,965,000.

The Group’s financial statements are denominated in Hong Kong dollars. The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese yen. As Hong Kong dollar remained pegged to United States dollar, there was no material exchange risk in this respect. To manage the appreciation of Renminbi, the Group has successfully increased its revenue in Mainland China in order to hedge against Renminbi payments. The Group continued to monitor its foreign exchange exposure in Japanese yen and Renminbi mainly by entering into forward contracts. Most of the Group’s long-term bank loan facilities were denominated in Hong Kong dollars and carried interests at floating rates. Interest rate exposure was hedged by entering into long term interest rate swap contracts. Credit risk was hedged mainly through credit insurance.



# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2012, the Group employed 87 staff in Hong Kong (31 December 2011: 83) and employed a total work force of 4,148 (31 December 2011: 3,278) inclusive of all staff in Mainland China and overseas offices. The Group's remuneration policy is built on the principle of equitable, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses.

## OUTLOOK AND PROSPECTS

With the uncertainty of the global economy and the slowdown of domestic economic growth in Mainland China, there are several key challenges, including the rising manufacturing and labour costs facing by the Group in the coming year. Nevertheless, the Group observed an encouraging growth in sales orders received recently. However, the sales growth momentum in the second half of 2012 is still uncertain. We will continue to widen spectrum of applications and deepen the sales network penetrations for Polymer Caps and E-Caps respectively.

The PRC government adopted a critical strategic policy in May 2012 to boost the development of seven key emerging industries amid the economic slowdown in Mainland China. The development of these strategic emerging industries is of great significance in terms of maintaining long-term economic growth. Our existing product platform covers most of these emerging industries emphasised by the PRC government, namely energy saving and environment protection, information technology, advanced equipment manufacturing, new energy, new materials and new energy vehicles. The Group believes this key policy accelerates the growth momentum of our flagship Polymer Caps and ESS family products and enhances the overall profitability in the coming years.

The Group's in-house R&D team and research institute of new energy products and materials will continue to lead the development of innovative products incorporating state-of-the-art technology within the electronic component industry. Our ongoing research and innovation in high-tech Polymer Caps, aluminum foil technology and ESS total solutions definitely will enhance our competitiveness to stay at the forefront of technology.

As one of the key global suppliers of E-Caps and Polymer Caps, the Group will continue to improve the gross profit margins and the operating profit by adjusting the product mix to focus on high-margin products while phasing out those customers with low margin, increasing the self-supply of aluminum foil and chemicals and also tighten the control over the manufacturing overheads.



# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF  
MAN YUE TECHNOLOGY HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 9 to 34 which comprises the condensed consolidated balance sheet of Man Yue Technology Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2012 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 13 August 2012



## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>For the six months ended 30 June</b>	
		<b>2012</b>	2011
	Notes	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>	6 & 7	<b>661,830</b>	763,733
Cost of sales		<b>(508,651)</b>	(583,386)
Gross profit		<b>153,179</b>	180,347
Other income	8	<b>6,072</b>	3,992
Other (losses)/gains, net	9	<b>(2,178)</b>	1,409
Selling and distribution costs		<b>(28,158)</b>	(27,704)
Administrative expenses		<b>(75,851)</b>	(83,091)
Operating profit	10	<b>53,064</b>	74,953
Change in fair value of derivative financial instruments	11	<b>(1,544)</b>	(5,944)
Finance costs	12	<b>(12,286)</b>	(7,136)
Finance income	12	<b>4,103</b>	2,945
Share of results of jointly-controlled entities		<b>438</b>	15,335
Share of results of an associate		<b>3,522</b>	2,905
Profit before tax		<b>47,297</b>	83,058
Tax	13	<b>(8,489)</b>	(9,111)
Profit for the period		<b>38,808</b>	73,947
Profit attributable to:			
– Equity holders of the Company		<b>39,124</b>	74,065
– Non-controlling interests		<b>(316)</b>	(118)
		<b>38,808</b>	73,947
Earnings per share for profit attributable to the equity holders of the Company:	14		
– Basic		<b>8.17 HK cents</b>	15.48 HK cents
– Diluted		<b>8.17 HK cents</b>	15.46 HK cents

The notes on pages 16 to 34 form an integral part of this condensed consolidated interim financial information.

	Notes	<b>HK\$'000</b>	HK\$'000
<b>Dividends</b>	15	<b>9,582</b>	14,373



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>For the six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit for the period	<b>38,808</b>	73,947
Other comprehensive income:		
– Change in fair value of available-for-sale investment	<b>(12)</b>	(2,143)
– Currency translation differences	<b>(11,200)</b>	35,382
Other comprehensive income for the period, net of tax	<b>(11,212)</b>	33,239
Total comprehensive income for the period	<b>27,596</b>	107,186
Total comprehensive income attributable to:		
– Equity holders of the Company	<b>27,939</b>	107,213
– Non-controlling interests	<b>(343)</b>	(27)
	<b>27,596</b>	107,186

The notes on pages 16 to 34 form an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED BALANCE SHEET

		As at		
		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000	
Notes				
<b>Non-current assets</b>				
	Property, plant and equipment	16	782,577	757,924
	Prepaid land premium		95,795	97,395
	Investment properties	17	9,509	-
	Intangible assets		5,319	4,501
	Investments in jointly-controlled entities		89,098	89,345
	Investment in an associate		50,119	47,618
	Prepayments on purchases of property, plant and equipment		74,996	86,561
	Available-for-sale investments		23,901	25,953
	Other prepayments		8,363	1,613
	Deferred tax assets		6,414	3,654
	<b>Total non-current assets</b>		<b>1,146,091</b>	<b>1,114,564</b>
<b>Current assets</b>				
	Inventories		416,993	457,411
	Trade receivables	18	432,142	431,447
	Prepayments, deposits and other receivables		117,858	80,074
	Loans to a jointly-controlled entity	25	95,582	92,980
	Due from jointly-controlled entities	25	52,461	36,787
	Financial assets at fair value through profit or loss		41	50
	Derivative financial instruments		538	728
	Tax recoverable		2,205	2,655
	Cash and cash equivalents		544,137	680,273
	<b>Total current assets</b>		<b>1,661,957</b>	<b>1,782,405</b>
<b>Current liabilities</b>				
	Trade and bills payable	19	217,921	233,894
	Other payables and accrued liabilities		73,109	92,058
	Due to jointly-controlled entities	25	32,358	21,336
	Derivative financial instruments		5,358	6,397
	Tax payable		16,783	14,356
	Bank loans	20	484,492	488,549
	Dividend payables		14,401	28
	<b>Total current liabilities</b>		<b>844,422</b>	<b>856,618</b>
	<b>Net current assets</b>		<b>817,535</b>	<b>925,787</b>
	<b>Total assets less current liabilities</b>		<b>1,963,626</b>	<b>2,040,351</b>



## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at	
		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
<b>Total assets less current liabilities</b>		<b>1,963,626</b>	2,040,351
<b>Non-current liabilities</b>			
Bank loans	20	492,683	585,535
Derivative financial instruments		24,215	22,881
Provision for long service payments		1,895	1,895
Deferred tax liabilities		13,103	13,138
Deferred income		61,530	62,581
<b>Total non-current liabilities</b>		<b>593,426</b>	686,030
<b>Net assets</b>		<b>1,370,200</b>	1,354,321
<b>Equity</b>			
Share capital	21	47,909	47,909
Reserves	22	1,306,791	1,288,049
Proposed dividend	15	9,582	14,373
<b>Equity attributable to equity holders of the Company</b>		<b>1,364,282</b>	1,350,331
<b>Non-controlling interests</b>		<b>5,918</b>	3,990
<b>Total equity</b>		<b>1,370,200</b>	1,354,321

The notes on pages 16 to 34 form an integral part of this condensed consolidated interim financial information.



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited				
		Attributable to equity holders of the Company				
		Share capital	Reserves and proposed dividend	Total	Non- controlling interests	Total equity
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Balance at 1 January 2012</b>	47,909	1,302,422	1,350,331	3,990	1,354,321
	Profit for the period	-	39,124	39,124	(316)	38,808
	Other comprehensive income:					
	Change in fair value of available-for-sale investment	-	(12)	(12)	-	(12)
22	Currency translation differences	-	(11,173)	(11,173)	(27)	(11,200)
	<b>Total comprehensive income for the period ended 30 June 2012</b>	-	27,939	27,939	(343)	27,596
	Employee share option scheme: value of employee services	-	547	547	-	547
	Acquisition of non-controlling interests	-	(162)	(162)	(806)	(968)
	Contribution by non-controlling interests	-	-	-	3,077	3,077
22	2011 final dividend	-	(14,373)	(14,373)	-	(14,373)
	<b>Balance at 30 June 2012</b>	47,909	1,316,373	1,364,282	5,918	1,370,200



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited				
		Attributable to equity holders of the Company			Non- controlling interests	Total equity
Notes	Share capital HK\$'000	Reserves and proposed dividend HK\$'000	Total HK\$'000	HK\$'000		
	Balance at 1 January 2011	47,839	1,128,855	1,176,694	3,961	1,180,655
	Profit for the period	-	74,065	74,065	(118)	73,947
	Other comprehensive income:					
	Change in fair value of available-for-sale investment	-	(2,143)	(2,143)	-	(2,143)
	Currency translation differences	22	-	35,291	91	35,382
	Total comprehensive income for the period ended 30 June 2011	-	107,213	107,213	(27)	107,186
	Employee share option scheme:					
	value of employee services	-	1,093	1,093	-	1,093
	share options exercised	70	1,050	1,120	-	1,120
	2011 final dividend	22	-	(14,352)	-	(14,352)
	Balance at 30 June 2011	47,909	1,223,859	1,271,768	3,934	1,275,702

The notes on pages 16 to 34 form an integral part of this condensed consolidated interim financial information.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>For the six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash inflow/(outflow) from operating activities	<b>38,151</b>	(72,030)
Net cash outflow from investing activities	<b>(77,598)</b>	(70,260)
Net cash (outflow)/inflow from financing activities	<b>(93,826)</b>	128,465
Net decrease in cash and cash equivalents	<b>(133,273)</b>	(13,825)
Cash and cash equivalents at beginning of period	<b>680,273</b>	472,592
Effects of foreign exchange rate changes, net	<b>(2,863)</b>	3,619
Cash and cash equivalents at end of period	<b>544,137</b>	462,386
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>316,052</b>	462,386
Time deposits with original maturity of less than three months when acquired	<b>228,085</b>	–
Cash and cash equivalents	<b>544,137</b>	462,386

The notes on pages 16 to 34 form an integral part of this condensed consolidated interim financial information.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

The principal activities of Man Yue Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are manufacturing and trading of electronic components and trading of raw materials.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in HK dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board on 13 August 2012.

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in the annual financial statements.

Exceptional items are disclosed and described separately in the financial information where it is necessary to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (a) Amended standard adopted by the Group

The following amended standard is mandatory for the first time for the financial year beginning 1 January 2012:

- HKAS 12 (Amendment) – Deferred Tax: Recovery of Underlying Assets



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES (Continued)

(b) The following new and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

- HKAS 1 (Amendment) – Presentation of Financial Statements<sup>1</sup>
- HKAS 19 (Amendment) – Employee Benefits<sup>2</sup>
- HKAS 27 (Revised) – Separate Financial Statements<sup>2</sup>
- HKAS 28 (Revised) – Investment in Associates and Joint Ventures<sup>2</sup>
- HKAS 32 (Amendment) – Offsetting Financial Assets and Financial Liabilities<sup>3</sup>
- HKFRS 1 (Amendment) – Government Loans<sup>2</sup>
- HKFRS 9 – Financial Instruments<sup>4</sup>
- HKFRS 10 – Consolidated Financial Statements<sup>2</sup>
- HKFRS 11 – Joint Arrangements<sup>2</sup>
- HKFRS 12 – Disclosure of Interests in Other Entities<sup>2</sup>
- HKFRS 13 – Fair Value Measurements<sup>2</sup>

<sup>1</sup> Changes effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Changes effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Changes effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Changes effective for annual periods beginning on or after 1 January 2015

### 4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2011 with the additional of the followings:

- **Critical judgements in applying accounting policies**

*Classification of investment properties*

The Group determines if the properties of the Group qualifies as an investment property based on management judgement on whether or not the properties are held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

The Group considers each property separately in making its judgement.

### 5 FINANCIAL RISK MANAGEMENT

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), liquidity risk and credit risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011.

There have been no changes in the risk management policies of the Group since the year ended 31 December 2011.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### 5.2 Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objective is to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the Group's and the Company's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

	30 June 2012		
	Within 1 year or on demand <i>HK\$'000</i>	Over 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
Due to jointly-controlled entities	32,358	–	32,358
Trade and bills payable	217,921	–	217,921
Other payables and accrued liabilities	73,109	–	73,109
Derivative financial instruments	5,358	24,215	29,573
Bank loans	504,795	503,614	1,008,409
Dividend payables	14,401	–	14,401
	<b>847,942</b>	<b>527,829</b>	<b>1,375,771</b>

	31 December 2011		
	Within 1 year or on demand <i>HK\$'000</i>	Over 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
Due to jointly-controlled entities	21,336	–	21,336
Trade and bills payable	233,894	–	233,894
Other payables and accrued liabilities	92,058	–	92,058
Derivative financial instruments	6,397	22,881	29,278
Bank loans	497,759	600,928	1,098,687
Dividend payables	28	–	28
	<b>851,472</b>	<b>623,809</b>	<b>1,475,281</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### 5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2012.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Available-for-sale investments	-	-	23,901	23,901
Financial assets at fair value through profit or loss	41	-	-	41
Derivative financial instruments:				
– Forward exchange contracts	-	538	-	538
<b>Total assets</b>	<b>41</b>	<b>538</b>	<b>23,901</b>	<b>24,480</b>
Liabilities				
Derivative financial instruments:				
– Interest rate swap	-	29,573	-	29,573
<b>Total liabilities</b>	<b>-</b>	<b>29,573</b>	<b>-</b>	<b>29,573</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### 5.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Available-for-sale investments	-	-	25,953	25,953
Financial assets at fair value through profit or loss	50	-	-	50
Derivative financial instruments:				
– Forward exchange contracts	-	728	-	728
<b>Total assets</b>	<b>50</b>	<b>728</b>	<b>25,953</b>	<b>26,731</b>
<b>Liabilities</b>				
Derivative financial instruments:				
– Forward exchange contracts	-	1,248	-	1,248
– Interest rate swap	-	28,030	-	28,030
<b>Total liabilities</b>	<b>-</b>	<b>29,278</b>	<b>-</b>	<b>29,278</b>

In 2012, there were no significant transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments, no reclassifications of financial assets and no significant changes in the business or economic circumstances that affect the fair values of the Group's financial assets and financial liabilities.

### 6 SEGMENT INFORMATION

The Group's executive team, comprising all the executive directors and headed by the managing director of the Company, is considered as the Chief Operating Decision Maker ("CODM"). The CODM reviews the performance of the Group on a regular basis.

As over 90% of the Group's business operations relate to the manufacturing, selling and distribution of electronic components, the CODM makes decisions about resources allocation and performance assessment based on the entity-wide financial information. Accordingly, there is only one single reportable segment for the Group. Set out below is a summary list of key performance indicators reviewed by CODM on a regular basis:



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 6 SEGMENT INFORMATION (Continued)

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	661,830	763,733
Gross profit	153,179	180,347
Gross profit margin (%)	23.1%	23.6%
EBITDA <sup>(i)</sup>	110,251	135,504
EBITDA margin (%)	16.7%	17.7%
Operating expenses <sup>(ii)</sup>	104,009	110,795
Operating expenses/Revenue (%)	15.7%	14.5%
Profit for the period	38,808	73,947
Net profit margin (%)	5.9%	9.7%
	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Total assets	2,808,048	2,896,969
Equity attributable to equity holders of the Company	1,364,282	1,350,331
Inventories	416,993	457,411
Inventory turnover days	138	142
Trade receivables	432,142	431,447
Trade receivable turnover days	110	102
Trade and bills payable	217,921	233,894
Trade and bills payable turnover days	72	72
Total interest-bearing debt	977,175	1,074,084
Cash and cash equivalents	544,137	680,273
Net debt	433,038	393,811
Net debt to equity ratio (%)	31.7%	29.2%

Notes:

- (i) EBITDA represents the earnings before interest expenses, taxes, depreciation and amortisation.
- (ii) Operating expenses represent the expenditure that the Group incurs as a result of performing its normal business operations, including the selling and distribution costs and administrative expenses.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 6 SEGMENT INFORMATION (Continued)

The following table presents the revenue and non-current assets of the Group by geographical areas:

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Revenue</b>		
Hong Kong	91,909	69,577
Mainland China	296,951	333,071
Taiwan	84,694	140,946
Southeast Asia	68,706	85,790
Korea	33,196	38,191
United States	13,038	31,637
Europe	38,368	58,307
Other countries	34,968	6,214
Total	661,830	763,733
	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
<b>Non-current assets (exclude deferred tax assets and derivative financial instruments)</b>		
Hong Kong	48,667	47,825
Mainland China	1,016,538	989,039
Other countries	50,571	48,093
	1,115,776	1,084,957

For the six months ended 30 June 2012, revenue of approximately HK\$32,912,000 (for the six months ended 30 June 2011: HK\$47,562,000) is derived from a single external customer.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 7 REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for trade returns and discounts.

An analysis of revenue is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Manufacturing and trading of electronic components	<b>661,568</b>	754,454
Trading of raw materials	<b>262</b>	9,279
	<b>661,830</b>	763,733

### 8 OTHER INCOME

	<b>For the six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Consultancy fee from a jointly-controlled entity	<b>5,000</b>	–
Subsidies from PRC government	<b>567</b>	1,028
Scrap sales	<b>202</b>	213
Others	<b>303</b>	2,751
	<b>6,072</b>	3,992



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 9 OTHER (LOSSES)/GAINS, NET

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Fair value gain on derivative financial instruments	1,059	735
Fair value gain on investment properties	2,382	–
Impairment loss on available-for-sale investments	(1,932)	–
Foreign exchange differences, net	(3,687)	674
	<b>(2,178)</b>	1,409

### 10 OPERATING PROFIT

The following items of unusual nature, size or incidence have been charged to the operating profit during the period:

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Operating items</b>		
Depreciation of property, plant and equipment	48,667	44,158
Amortisation of prepaid land premium	1,600	973
Amortisation of intangible assets	401	179

### 11 CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Fair value loss on interest rate swap	1,544	5,944

At 30 June 2012, the Group held certain interest rate swap contracts. These contracts were entered into to stabilise the Group's overall interest expenses for the periods covered by these contracts. The Group had recognised a loss in the fair value of derivative financial instruments in the condensed consolidated income statement during the period.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 12 FINANCE COSTS AND FINANCE INCOME

	<b>For the six months ended 30 June</b>	
	<b>2012</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2011 (Unaudited) HK\$'000
Interest expenses on bank loans repayable within five years	<b>(12,286)</b>	(7,136)
Interest income from loan to a jointly-controlled entity	<b>1,573</b>	1,776
Interest income from term deposits and bank balances	<b>2,530</b>	1,169
	<b>4,103</b>	2,945

### 13 TAX

	<b>For the six months ended 30 June</b>	
	<b>2012</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2011 (Unaudited) HK\$'000
Current tax:		
Hong Kong	<b>10,543</b>	5,907
Mainland China	<b>707</b>	4,838
	<b>11,250</b>	10,745
Deferred tax	<b>(2,761)</b>	(1,634)
Total tax charge for the period	<b>8,489</b>	9,111

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries in Mainland China enjoy tax reductions. Certain subsidiaries in Mainland China are subject to income taxes at applicable rates ranging from 24% to 25%.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 14 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the Company of HK\$39,124,000 (2011: HK\$74,065,000), and the weighted average of 479,090,000 (2011: 478,432,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the profit attributable to equity holders of the Company of HK\$39,124,000 (2011: HK\$74,065,000). The weighted average number of ordinary shares used in the calculation is 479,090,000 (2011: 478,432,000) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and no ordinary shares (2011: 506,000) assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

### 15 DIVIDENDS

Final dividend for the year ended 31 December 2011 amounted to HK\$14,373,000 was paid on Thursday, 12 July 2012.

The Board has declared an interim dividend for the six months ended 30 June 2012 of 2.0 HK cents (30 June 2011: 3.0 HK cents) per share, totaling HK\$9,582,000 which will be payable on or around Friday, 12 October 2012 to shareholders whose names appear on the register of members of the Company on Friday, 21 September 2012. The register of members of the Company will be closed from Wednesday, 19 September 2012 to Friday, 21 September 2012 (both dates inclusive).

### 16 PROPERTY, PLANT AND EQUIPMENT

	<b>For the six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Opening net book value, 1 January	<b>757,924</b>	644,003
Additions (Note)	<b>84,529</b>	51,411
Disposals	<b>-</b>	(4,996)
Transfer to investment properties	<b>(7,126)</b>	-
Depreciation	<b>(48,667)</b>	(44,158)
Exchange realignment	<b>(4,083)</b>	14,057
Closing net book value, 30 June	<b>782,577</b>	660,317

Note:

Additions during the period were mainly in machinery and equipment.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 17 INVESTMENT PROPERTIES

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Opening net book value, 1 January	–	–
Transfer from property, plant and equipment	7,126	–
Fair value gains	2,383	–
	<b>9,509</b>	–
Closing net book value, 30 June	<b>9,509</b>	–

### 18 TRADE RECEIVABLES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Trade receivables	443,241	441,454
Provision for impairment of trade receivables	(11,099)	(10,007)
	<b>432,142</b>	431,447

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period granted to customers ranges from 30 days to 150 days. Credit risk was hedged in majority through credit insurance.

An ageing analysis of the trade receivables at the balance sheet date, based on the payment due date and net of provisions for doubtful debts, is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Current and within payment terms	347,289	334,195
1 – 3 months past due	73,647	78,024
4 – 6 months past due	8,801	17,194
7 – 12 months past due	1,918	1,824
Over 1 year past due	487	210
	<b>432,142</b>	431,447



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 19 TRADE AND BILLS PAYABLE

An ageing analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Trade payables:		
Less than 3 months	<b>156,545</b>	124,319
4 – 6 months	<b>21,172</b>	84,542
7 –12 months	<b>10,383</b>	10,121
Over 1 year	<b>9,723</b>	2,718
	<b>197,823</b>	221,700
Bills payable	<b>20,098</b>	12,194
	<b>217,921</b>	233,894

### 20 BANK LOANS

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Non-current	<b>492,683</b>	585,535
Current	<b>484,492</b>	488,549
	<b>977,175</b>	1,074,084

Movements in bank loans are analysed as follows:

	<b>For the six months ended 30 June</b>	
	<b>2012 (Unaudited) HK\$'000</b>	2011 (Unaudited) HK\$'000
Opening amount, 1 January	<b>1,074,084</b>	659,586
New borrowings	<b>284,133</b>	536,525
Repayments of borrowings	<b>(380,068)</b>	(409,180)
Exchange realignment	<b>(974)</b>	836
Closing amount, 30 June	<b>977,175</b>	787,767



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 21 SHARE CAPITAL

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid: 479,089,534 (31 December 2011: 479,089,534) ordinary shares of HK\$0.10 each	<b>47,909</b>	47,909

A summary of the transactions involving the Company's share capital is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium HK\$'000	Total HK\$'000
<b>At 1 January 2012 and 30 June 2012</b>	<b>479,089,534</b>	<b>47,909</b>	<b>167,707</b>	<b>215,616</b>
	Number of shares in issue	Issued capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2011	478,389,534	47,839	165,640	213,479
Share options exercised	700,000	70	2,067	2,137
At 30 June 2011	479,089,534	47,909	167,707	215,616

No share options were exercised during the period ended 30 June 2012. Share options exercised during the period ended 30 June 2011 resulted in 700,000 shares being issued with exercise proceeds of HK\$1,120,000.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 22 RESERVES

	Share premium (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Available- for-sale investment revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Other reserves (Unaudited) HK\$'000	People's Republic of China ("PRC") reserve funds (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2012	167,707	4,491	2,800	37,811	92	306,828	-	50,818	731,875	1,302,422
Profit for the period	-	-	-	-	-	-	-	-	39,124	39,124
Other comprehensive income:										
Change in fair value of available-for-sale investments	-	-	-	-	(12)	-	-	-	-	(12)
Currency translation differences	-	-	-	-	-	(11,173)	-	-	-	(11,173)
Total comprehensive income for the period ended 30 June 2012	-	-	-	-	(12)	(11,173)	-	-	39,124	27,939
Employee share option scheme: value of employee services	-	547	-	-	-	-	-	-	-	547
Acquisition of non-controlling interests	-	-	-	-	-	-	(162)	-	-	(162)
2011 final dividend	-	-	-	-	-	-	-	-	(14,373)	(14,373)
	167,707	5,038	2,800	37,811	80	295,655	(162)	50,818	756,626	1,316,373
2012 proposed interim dividend	-	-	-	-	-	-	-	-	(9,582)	(9,582)
Balance at 30 June 2012	167,707	5,038	2,800	37,811	80	295,655	(162)	50,818	747,044	1,306,791



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 22 RESERVES (Continued)

	Share premium (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Available- for-sale investment revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2011	165,640	4,083	2,800	20,349	-	228,530	48,299	659,154	1,128,855
Profit for the period	-	-	-	-	-	-	-	74,065	74,065
Other comprehensive income:									
Change in fair value of available-for-sale investments	-	-	-	-	(2,143)	-	-	-	(2,143)
Currency translation differences	-	-	-	-	-	35,291	-	-	35,291
Total comprehensive income for the period ended 30 June 2011	-	-	-	-	(2,143)	35,291	-	74,065	107,213
Employee share option scheme value of employee services share option exercised	-	1,093	-	-	-	-	-	-	1,093
Transferred from retained profits	2,067	(1,017)	-	-	-	-	(5)	5	-
2010 final dividend	-	-	-	-	-	-	-	(14,352)	(14,352)
	167,707	4,159	2,800	20,349	(2,143)	263,821	48,294	718,872	1,223,859
2011 proposed interim dividend	-	-	-	-	-	-	-	(14,373)	(14,373)
Balance at 30 June 2011	167,707	4,159	2,800	20,349	(2,143)	263,821	48,294	704,499	1,209,486



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 23 COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Contracted, but not provided for:		
Plant and machinery	<b>49,748</b>	47,580
Land and buildings	<b>15,499</b>	8,392
	<b>65,247</b>	55,972

### 24 OPERATING LEASE ARRANGEMENTS

#### (a) Operating lease commitments (as lessee)

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows at the balance sheet date:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Office properties, factory premises and warehouses:		
Within one year	<b>20,730</b>	21,163
In the second to fifth years, inclusive	<b>18,400</b>	20,725
	<b>39,130</b>	41,888



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 24 OPERATING LEASE ARRANGEMENTS (Continued)

#### (b) Operating lease commitments (as lessor)

The Group leases a property under non-cancellable operating lease agreements.

The future aggregate minimum lease rental receivables under non-cancellable operating lease in respect of land and building are as follows:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Within one year	<b>240</b>	–
In the second to fifth years, inclusive	<b>100</b>	–
	<b>340</b>	–

### 25 RELATED PARTY TRANSACTIONS

- (a) During the period, the Group had the following material transactions with its jointly controlled entities:

		<b>For the six months ended 30 June</b>	
		<b>2012 (Unaudited) HK\$'000</b>	2011 (Unaudited) HK\$'000
	Notes		
Purchase of raw materials	(i)	<b>47,435</b>	48,951
Sales of raw materials	(i)	–	386
Rental expenses	(ii)	<b>7,386</b>	6,153
Interest income received	(iii)	<b>1,573</b>	1,776
Consultancy fee	(iv)	<b>5,000</b>	–

Notes:

- (i) The above purchase and sales of raw materials transactions were determined on bases agreed by both parties.
- (ii) The rental was charged at rates mutually agreed by both parties.
- (iii) The interest was charged at a rate of 5.76% (2011: 5.76%) per annum.
- (iv) Consultancy fee is charged for the provision of sales supporting services at rates mutually agreed by both parties.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 25 RELATED PARTY TRANSACTIONS (Continued)

(b) Period/year-end balances with the Group's jointly controlled entities:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Loans to a jointly-controlled entity <sup>(i)</sup>	<b>95,582</b>	92,980
Due from jointly-controlled entities <sup>(ii)</sup>	<b>52,461</b>	36,787
Due to jointly-controlled entities <sup>(ii)</sup>	<b>32,358</b>	21,336

Notes:

- (i) Except for the loans amounting to HK\$66,762,000 (31 December 2011: HK\$64,160,000), which are interest-bearing at a rate of 5.76% (2011: 5.76%) per annum, the remaining loans to the jointly-controlled entity are interest-free. Loans to a jointly-controlled entity are unsecured and have no fixed terms of repayment.
- (ii) The amounts due from/(to) jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

(c) Remuneration for key management personnel of the Group:

	<b>For the six months ended 30 June</b>	
	<b>2012 (Unaudited) HK\$'000</b>	2011 (Unaudited) HK\$'000
Salaries and allowances	<b>9,233</b>	9,787
Pension scheme contributions	<b>44</b>	48
Total remuneration for key management personnel	<b>9,277</b>	9,835



## SUPPLEMENTARY INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the interests and short positions of the Directors or chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

#### Long positions in ordinary shares and underlying shares of the Company:

Name of director	Capacity	Nature of interest	Capacity, nature of interest and number of shares and underlying shares held		Approximate percentage of the Company's issued share capital
			Interests in shares	Interest in share options	
Kee Chor Lin	Interest of controlled corporation (Note)	Corporate	209,689,667	-	43.76%
Kee Chor Lin	Beneficial owner	Personal	51,006,334	-	10.64%
			260,696,001	-	54.40%
Chan Yu Ching, Eugene	Beneficial owner	Personal	4,716,666	-	0.98%
Ko Pak On	Beneficial owner	Personal	2,066,666	1,500,000	0.74%
Wong Ching Ming, Stanley	Beneficial owner	Personal	-	500,000	0.10%

Note:

These shares are held by Man Yue Holdings Inc., a company wholly and beneficially owned by Ms. Kee Chor Lin, the Chairman of the Company.

Save as disclosed above and as disclosed under the heading "DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES", as at 30 June 2012, none of the Directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## SUPPLEMENTARY INFORMATION

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the sections headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above and "SHARE OPTION SCHEME" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

As at 30 June 2012, 4,960,000 share options remained outstanding under the Share Option Scheme and the details of the movements of the said outstanding share options were as follows:

Name or category of participant	At 1 January 2012	Lapsed during the period	At 30 June 2012	Date of grant of share options	Exercise period of share options <sup>1</sup>	Exercise price of share option <sup>2</sup> <i>HK\$ per share</i>
<b>Directors</b>						
Ko Pak On	500,000	–	500,000	8.8.2006	8.8.2006 to 25.5.2016	1.6
	500,000	–	500,000	8.8.2006	8.8.2007 to 25.5.2016	1.6
	250,000	–	250,000	15.9.2010	15.9.2011 to 14.9.2020	2.262
	250,000	–	250,000	15.9.2010	15.9.2012 to 14.9.2020	2.262
	1,500,000	–	1,500,000			
Wong Ching Ming, Stanley	250,000	–	250,000	15.9.2010	15.9.2011 to 14.9.2020	2.262
	250,000	–	250,000	15.9.2010	15.9.2012 to 14.9.2020	2.262
	500,000	–	500,000			
<b>Other employees</b>						
In aggregate	150,000	(50,000)	100,000	8.8.2006	8.8.2006 to 25.5.2016	1.6
In aggregate	400,000	(50,000)	350,000	8.8.2006	8.8.2007 to 25.5.2016	1.6
In aggregate	1,266,000	–	1,266,000	15.9.2010	15.9.2011 to 14.9.2020	2.262
In aggregate	1,244,000	–	1,244,000	15.9.2010	15.9.2012 to 14.9.2020	2.262
	3,060,000	(100,000)	2,960,000			
	5,060,000	(100,000)	4,960,000			

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.



## SUPPLEMENTARY INFORMATION

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Man Yue Holdings Inc.		Personal/Beneficial owner	209,689,667	43.76%
DJE Investment S.A. ("DJE")	1, 2 & 3	Investment manager	42,600,000	8.89%
Dr. Jens Ehrhardt Kapital AG ("DJE AG")	1, 2 & 3	Corporate/Interest of controlled corporation	42,600,000	8.89%
Dr. Jens Alfred Karl Ehrhardt ("Dr. Ehrhardt")	2 & 3	Corporate/Interest of controlled corporation	42,600,000	8.89%
Asian Equity Special Opportunities Portfolio Master Fund Limited ("AES")	4	Corporate/Interest of controlled corporation	24,706,000	5.16%
Rays Capital Partners Limited ("Rays Capital")	4	Corporate/Interest of controlled corporation	24,706,000	5.16%

Notes:

- DJE AG holds an 81% interest in DJE and is accordingly deemed to have interests in the shares held by DJE.
- Dr. Ehrhardt holds a 68.5% interest in DJE AG and is accordingly deemed to have interests in the shares held by DJE or deemed to be interested by DJE AG.
- The interests of DJE, DJE AG and Dr. Ehrhardt are in respect of the same 42,600,000 shares and duplicated each other.
- Rays Capital holds a 100% interest in AES and is accordingly deemed to have interests in the shares held by AES. The interests of Rays Capital and AES are in respect of the same 24,706,000 shares and duplicated each other.

Save as disclosed above, as at 30 June 2012, no person, other than the Directors or chief executive of the Company, whose interests are set out in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.



## SUPPLEMENTARY INFORMATION

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

The Company had not redeemed any of its shares and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the Period.

### **OTHER CHANGES IN DIRECTORS' INFORMATION**

There have been some changes in Director's information since the date of the 2011 annual report of the Company as follows:

Dr. Li Sau Hung, Eddy, *B.B.S., J.P.* ("Dr. Li") resigned as an independent non-executive director and a member of each of the audit committee, the nomination committee and the remuneration committee of Get Nice Holdings Limited, a company listed on the Stock Exchange, with effect from 2 April 2012. Dr. Li was appointed as Justices of the Peace on 30 June 2012 under the Justices of the Peace Ordinance (Chapter 510 of the laws of Hong Kong).

Save as disclosed above and in the announcement of the Company dated 8 May 2012, as at 30 June 2012, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### **CORPORATE GOVERNANCE PRACTICES**

The Group has complied with the applicable code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) as contained in Appendix 14 to the Listing Rules (the "Code Provisions") throughout the Period with the exception of the following deviations:

Under the code provision A.4.1, non-executive directors and independent non-executive directors ("INEDs") should be appointed for a specific term. Currently, the INEDs of the Company are not appointed for a specific term but subject to the requirement of retirement by rotation at the annual general meeting under bye-law 87 of the Company's bye-laws.

Dr. Li was unable to attend the annual general meeting of the Company held on 9 May 2012 as provided for in code provision A.6.7 as he had another business engagement.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that corporate governance practices of the Company were in line with the Code Provisions during the Period.



## SUPPLEMENTARY INFORMATION

### COMPLIANCE WITH THE MODEL CODE

The Group has adopted the Model Code as set out in Appendix 10 to the Listing Rules to govern securities transactions by the Directors. After having made specific enquiry by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the Period.

### AUDIT COMMITTEE

The audit committee ("Audit Committee") comprises three members and all of them are the INEDs of the Company. None of them is employed by or otherwise affiliated with the former or existing auditors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the internal control of the Group in the interim financial report for the Period.

### REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") for the purpose of making recommendations to the Board on the Company's policy and structure for the remuneration of all directors and senior management of the Group. The Remuneration Committee also have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management and make recommendations to the Board on the remuneration of non-executive directors. The Remuneration Committee comprises two INEDs and one Executive Director of the Company.

### NOMINATION COMMITTEE

The Company established a nomination committee for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The nomination committee comprises three INEDs and two Executive Directors of the Company.

### INTERNAL CONTROL

The Board undertakes to periodically review the internal control and risk management systems of the Group to ensure their effectiveness and efficiency and is responsible for maintaining effective internal control system of the Group.

In addition, an internal audit department has been established to provide assurance to the Board and management on the effectiveness of internal controls. The internal audit manager reports directly to the Audit Committee.

### INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the Period of 2.0 HK cents (2011: 3.0 HK cents) per ordinary share, totaling HK\$9,582,000 payable on or around Friday, 12 October 2012 to shareholders whose names appear on the register of members of the Company on Friday, 21 September 2012.



## SUPPLEMENTARY INFORMATION

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 19 September 2012 to Friday, 21 September 2012, both days inclusive, during which period no transfer of shares and no share of the Company will be issued upon exercise of any subscription right attaching to the outstanding options issued by the Company will be effected. In order to qualify for the interim dividend, all transfer, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 18 September 2012.

### **APPRECIATION**

The Board would like to take this opportunity to express its gratitude to all members of the staff for their dedication and commitment and the continuing support from our customers, suppliers, banks and shareholders.

On behalf of the Board

**Kee Chor Lin**  
*Chairman*

Hong Kong, 13 August 2012