



MAN YUE TECHNOLOGY HOLDINGS LIMITED
萬裕科技集團有限公司

(Stock Code: 00894)



*We Listen
We Care
We Deliver*

Interim Report 2015

SAMXON®
Aluminum Electrolytic Capacitors

X-CON®
Conductive Polymer
Aluminum Solid Capacitors

XLPC®
Aluminum Metallized Polymer Capacitors

nanoForce®
Electric Double Layer Capacitors



This report is printed on environmentally friendly paper

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Kee Chor Lin (*Chairman*)
Chan Yu Ching, Eugene (*Managing Director*)
Wong Ching Ming, Stanley
Yeung Yuk Lun

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Dr. 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

Yeung Yuk Lun

Auditor

PricewaterhouseCoopers, *Certified Public Accountants*

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
China CITIC Bank International Limited
Bank of Tokyo-Mitsubishi UFJ, Ltd.
DBS Bank (Hong Kong) Limited

Registered Office

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Principal Place of Business

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



CORPORATE INFORMATION

**Principal Share Registrar and
Transfer Office**

MUFG Fund Services (Bermuda) Limited
The Belvedere Building, 69 Pitts Bay Road
Pembroke HM08 Bermuda

**Branch Share Registrar and
Transfer Office**

Tricor Tengis Limited
Level 22, Hopewell Centre, 183 Queen's Road East
Hong Kong

Corporate Website

<http://www.manyue.com>

Investor Relations Contact

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Stock Code

00894



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS HIGHLIGHTS

- Revenue dropped to HK\$445,604,000 from HK\$597,732,000 for the Corresponding Period
- Gross profit margin was 15.3%, compared with 22.8% for the Corresponding Period
- EBITDA of HK\$24,505,000, representing an EBITDA margin of 5.5%, compared with 16.5% for the Corresponding Period
- Loss for the Period was HK\$46,800,000, compared with profit of HK\$32,838,000 for the Corresponding Period
- Net debt to equity ratio slightly increased to 29.8%, compared with 28.4% as at 31 December 2014
- Net assets per share of HK\$3.16, compared with HK\$3.27 per share as at 31 December 2014

FINANCIAL RESULTS

The revenue of the Group for the Period dropped to HK\$445,604,000, representing a decrease of 25.5% compared with that in the Corresponding Period. This is mainly attributable to the intense pricing pressure imposed by the competitors as a result of the depreciation of Japanese Yen and the significant decline in the global demand for electronic components during the Period.

Gross profit for the Period amounted to HK\$68,161,000, representing a gross profit margin of 15.3%, compared with 22.8% for the Corresponding Period. This is mainly due to the significant increase in manufacturing costs in Mainland China, in addition to the decrease in selling price during the Period.

During the Period, the Group recognised a loss arising from changes in fair values of derivative financial instruments of HK\$3,027,000. The derivative financial instruments concerned referred to certain long-term interest rate swap contracts entered into by the Group in 2009 and 2010 with the intention to hedge against the Group's future borrowing costs. The Group had to account for the decrease in fair values of these financial instruments in the consolidated income statement at the end of the Period. This item did not affect the cash flows of the Group.

The Group's EBITDA amounted to HK\$24,505,000, representing an EBITDA margin of 5.5%, compared with 16.5% for the Corresponding Period.

Loss for the Period was HK\$46,800,000, compared with profit of HK\$32,838,000 for the Corresponding Period. The Board did not recommend any interim dividend for the Period (30 June 2014: 1.5 HK cents per share).



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Market overview

The demand for E-Caps and Polymer Caps dropped drastically in the first half of 2015 as a result of the general slowdown of the global economy especially in Mainland China. The overall consumption in the electronic sector remained weak in the past few quarters. The large-size Japanese E-caps manufacturers benefited from the Japanese Yen depreciation in the past years, which eroded the gross profit margins and profitability of our Group particularly in the first half of 2015. The Group continues to be one of the major global suppliers of these safety electronic components in the market. Our flagship brands – SAMXON® and X-CON® still maintain a very strong market position in the niche market segment. The competitive advantages of our high-quality products and stable supply of key raw materials enable the Group to maintain its global market share in the electronic component segment. We expect a recovery of sales momentum in the consumer electronic and industrial sectors in the next few quarters.

The PRC government continues to show its commitment to develop new energy industries and related applications. We are one of the very few suppliers in the world to supply such high technology components including EDLC, EDLC modules and Powerfilm Capacitors at the moment. The Group expects the global demand for these energy-saving and energy-storage products will experience phenomenal growth in terms of volume and spectrum of applications in the next few years. We are now keen on developing these niche markets via production capacity expansion and effective penetration of existing sales networks.

Operation review

In the past few years, the Group has successfully transformed from a single-product platform into a key global supplier of several critical electronic components including E-Caps, Polymer Caps, EDLC, Powerfilm, MLPC, aluminum foils and chemicals. The ESS product series provides a total solution for industrial power management and energy-storage applications such as wind and solar power system, new energy transportation vehicles, escalators power backup devices, national grid resources utilisation etc. It enhances our niche market position for low-carbon emission and new energy-related applications. To align this strategic move, we had already expanded the production space and capacities for ESS products last year. In addition to the successful research and development of the second generation of super-capacitors recently, the Group is in a position well prepared for capturing the market potential of ESS products in the near future.

During the Period, the Group continued the adjustment of its sales strategy by focusing on niche customers and eliminating low-margin products. We have been continuing to penetrate into first-tier PRC domestic market and key global electronic manufacturing segment in the past few years. With strong commitment to improve the overall competitiveness of our high-quality products, to enhance the efficiency of production processes and to strengthen the control over the manufacturing costs and overheads in Mainland China, we expect the contribution from our traditional product segment and ESS family series will increase gradually in the years to come.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group made an announcement on 16 September 2014 that the Group acquired the land use rights of a piece of land located in Qingyuan High-tech Industrial Development Zone of Guangdong Province, the PRC. The Group intends to use the land for the future development of our new ESS businesses, including but not limited to the research and development and the manufacture of the EDLC, EDLC modules, MLPC and Powerfilm Capacitors and other new energy-saving related products. The Group expects that the construction works will start in the first half of 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group's total outstanding bank borrowings amounted to HK\$945,026,000 (31 December 2014: HK\$857,865,000), which comprised mainly bank loans and trade finance facilities. Despite the classification of HK\$437,724,000 as current loan portion due to the breach of the covenant requirement of certain banking facilities, the Group has obtained one-off waivers from strict compliance with the covenant requirements in relation to all the outstanding bank borrowings, and the maturity profile of the bank borrowings in accordance with repayment terms stipulated in the loan agreements falling due within one year and in the second to the fifth year amounted to HK\$487,302,000 and HK\$457,724,000 respectively (31 December 2014: HK\$505,646,000 and HK\$352,219,000, respectively).

After deducting cash and cash equivalents of HK\$495,052,000 (31 December 2014: HK\$400,839,000) and no time deposits over three months (31 December 2014: HK\$12,676,000), the Group's net borrowings amounted to HK\$449,974,000 (31 December 2014: HK\$444,350,000). Shareholders' equity as at 30 June 2015 was HK\$1,508,601,000 (31 December 2014: HK\$1,563,854,000). Accordingly, the Group's net gearing ratio was 29.8% (31 December 2014: 28.4%).

During the Period, the Group's net cash inflow from operating activities amounted to HK\$10,847,000. It represented loss before tax of HK\$40,548,000, after adjustments for non-cash items, including adding back depreciation and amortisation of HK\$48,520,000, adding share of results of joint ventures and an associate of HK\$3,345,000, deducting net changes in working capital of HK\$372,000 and deducting other adjustments of HK\$98,000. The Group's net cash outflow from investing activities for the Period amounted to HK\$2,692,000, which included purchases and prepayments for property, plant and equipment of HK\$17,066,000 and adding back other adjustments of HK\$14,374,000.

The Group's financial statements are presented in Hong Kong dollar. The Group carried out its business transactions mainly in Hong Kong dollar, Renminbi, United States dollar and Japanese Yen. As the Hong Kong dollar remained pegged to the United States dollar, there was no material exchange risk in this respect. To manage the fluctuation of the Renminbi, the Group has 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. The Group's long-term bank loan facilities were denominated mainly in Hong Kong dollar and carried interest 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 2015, the Group employed 71 staff in Hong Kong (31 December 2014: 75) and employed a total work force of 3,171 (31 December 2014: 2,846) inclusive of all its staff in Mainland China and overseas offices. The Group's remuneration policy is built on the principle of equitability with incentive-based, motivating, performance-oriented and market-competitive remuneration packages for its 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

The PRC government continues the strategic move to boost the development of key emerging new energy-related industries. The Group's existing product platform covers most of these product segments including new energy, new materials, energy saving, environmental protection and new energy vehicles. With solid ongoing national policies in place, the Group believes that it can capture such market opportunities through leveraging its existing well-established, unique and diversified product platform and adequate production capabilities in the next couple of years.

As one of the key global suppliers of electronic components, the Group will continue to align its strategic direction of strengthening its niche position as a main supplier across all electronic product segments. Our strength in advanced and innovative product research and development will continue to re-build the sales growth momentum in the next few years. Moreover, our bolstering research and development capabilities and collaboration with key leading universities provide a mature platform for the Group to develop quickly in the fast-growing renewable energy industries. Also, we will continue to widen the spectrum of applications for the existing products and develop innovative material science technology. The overall profitability will be improved gradually with the additional contribution from the continuous cost control and adjustment of sales strategies.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION 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 10 to 40, 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 2015 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 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



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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, 12 August 2015



UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	6 & 7	445,604	597,732
Cost of sales		(377,443)	(461,234)
Gross profit		68,161	136,498
Other income	8	3,055	4,957
Other gains, net	9	3,900	10,427
Selling and distribution costs		(25,886)	(31,224)
Administrative expense		(71,265)	(71,619)
Operating (loss)/profit	10	(22,035)	49,039
Change in fair values of derivative financial instruments	11	(3,027)	(3,175)
Finance costs	12	(16,533)	(14,392)
Finance income	12	4,392	3,857
Share of results of joint ventures		(1,895)	1,189
Share of results of an associate		(1,450)	(124)
(Loss)/profit before tax		(40,548)	36,394
Tax	13	(6,252)	(3,556)
(Loss)/profit for the period		(46,800)	32,838
(Loss)/profit attributable to:			
– Equity holders of the Company		(46,784)	32,665
– Non-controlling interests		(16)	173
		(46,800)	32,838
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company	14		
– Basic		(9.76) HK cents	6.82 HK cents
– Diluted		(9.76) HK cents	6.82 HK cents

The notes on pages 17 to 40 form an integral part of this unaudited condensed consolidated interim financial information.

	Notes	HK\$'000	HK\$'000
Dividends	15	–	7,189



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the period	(46,800)	32,838
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
– Change in fair value of available-for-sale investments	49	78
– Currency translation differences	(3,445)	(9,928)
Other comprehensive loss for the period, net of tax	(3,396)	(9,850)
Total comprehensive (loss)/income for the period	(50,196)	22,988
Total comprehensive (loss)/income attributable to:		
– Equity holders of the Company	(50,196)	22,860
– Non-controlling interests	–	128
	(50,196)	22,988

The notes on pages 17 to 40 form an integral part of this unaudited condensed consolidated interim financial information.



UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at	
		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	16	770,526	793,139
Prepaid land premium		77,039	77,851
Investment properties	17	140,188	138,872
Intangible assets		1,501	1,890
Investments in joint ventures		103,157	105,006
Investment in an associate		72,087	76,671
Prepayments on purchases of property, plant and equipment		80,549	87,910
Available-for-sale investments		12,229	13,881
Other prepayments		2,036	2,196
Deferred tax assets		13,488	15,862
Total non-current assets		1,272,800	1,313,278
Current assets			
Inventories		468,344	449,594
Trade receivables	18	330,279	311,233
Prepayments, deposits and other receivables		75,189	79,321
Loans to a joint venture	25	101,139	102,760
Due from joint ventures	25	40,535	38,305
Due from an associate	25	7,622	38,431
Financial assets at fair value through profit or loss		124	59
Tax recoverable		2,651	2,939
Time deposits over three months		-	12,676
Cash and cash equivalents		495,052	400,839
Total current assets		1,520,935	1,436,157
Current liabilities			
Trade and bills payables	19	172,264	168,207
Other payables and accrued liabilities		66,410	64,866
Due to joint ventures	25	19,123	20,339
Derivative financial instruments	25	5,037	5,631
Tax payable		7,630	4,831
Bank loans		925,026	505,646
Dividends payable	20	4,834	41
Total current liabilities		1,200,324	769,561
Net current assets		320,611	666,596
Total assets less current liabilities		1,593,411	1,979,874



UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at	
		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Total assets less current liabilities		1,593,411	1,979,874
Non-current liabilities			
Bank loans	20	20,000	352,219
Derivative financial instruments		12,051	11,207
Provision for long service payments		1,040	1,040
Deferred tax liabilities		33,900	33,573
Deferred income		12,528	12,690
Total non-current liabilities		79,519	410,729
Net assets		1,513,892	1,569,145
Equity			
Share capital	21	47,924	47,924
Reserves	22	1,460,677	1,511,138
Proposed dividend	15	–	4,792
Equity attributable to equity holders of the Company		1,508,601	1,563,854
Non-controlling interests		5,291	5,291
Total equity		1,513,892	1,569,145

The notes on pages 17 to 40 form an integral part of this unaudited condensed consolidated interim financial information.



UNAUDITED 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
Balance at 1 January 2015		47,924	1,515,930	1,563,854	5,291	1,569,145
Profit for the period		-	(46,784)	(46,784)	(16)	(46,800)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
– Change in fair value of an available-for-sale investment	22	-	49	49	-	49
– Currency translation differences	22	-	(3,461)	(3,461)	16	(3,445)
Total comprehensive income for the period ended 30 June 2015		-	(50,196)	(50,196)	-	(50,196)
Employee share option scheme:						
– Share options lapsed		-	(265)	(265)	-	(265)
2014 final dividend	22	-	(4,792)	(4,792)	-	(4,792)
Balance at 30 June 2015		47,924	1,460,677	1,508,601	5,291	1,513,892



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Unaudited				Total equity HK\$'000
		Attributable to equity holders of the Company				
		Share capital HK\$'000	Reserves and proposed dividend HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
Balance at 1 January 2014		47,909	1,483,422	1,531,331	7,411	1,538,742
Profit for the period		–	32,665	32,665	173	32,838
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
– Change in fair value of an available-for-sale investment	22	–	78	78	–	78
– Currency translation differences	22	–	(9,883)	(9,883)	(45)	(9,928)
Total comprehensive income for the period ended 30 June 2014		–	22,860	22,860	128	22,988
Employee share option scheme:						
– Share options exercised		15	257	272	–	272
Release of non-controlling interests upon disposal of a subsidiary		–	–	–	(2,686)	(2,686)
Release of reserve upon disposal of a subsidiary		–	(319)	(319)	–	(319)
2013 final dividend	22	–	(7,189)	(7,189)	–	(7,189)
Balance at 30 June 2014		47,924	1,499,031	1,546,955	4,853	1,551,808

The notes on pages 17 to 40 form an integral part of this unaudited condensed consolidated interim financial information.



UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	10,847	173,156
Net cash outflow from investing activities	(2,692)	(42,355)
Net cash inflow/(outflow) from financing activities	86,993	(8,283)
Net increase in cash and cash equivalents	95,148	122,518
Cash and cash equivalents at beginning of period	400,839	433,363
Effects of foreign exchange rate changes, net	(935)	(5,860)
Cash and cash equivalents at end of period	495,052	550,021
Analysis of balances of cash and cash equivalents		
Cash and bank balances	234,681	361,859
Time deposits with original maturity of less than three months when acquired	260,371	188,162
Cash and cash equivalents	495,052	550,021

The notes on pages 17 to 40 form an integral part of this unaudited condensed consolidated interim financial information.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

The principal activities of the Group are the manufacturing and trading of electronic components and 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 HM 11, Bermuda.

The Company has its primary listing on Stock Exchange.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. It was approved for issue by the Board of Directors on 12 August 2015.

The unaudited condensed consolidated interim financial information has been reviewed by PricewaterhouseCoopers.

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the Period has been prepared in accordance with 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 2014, which have been prepared in accordance with HKFRS.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in the annual financial statements.

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

There are no new or amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (Continued)

The following new or amended standards have been issued but are not yet effective for the financial year beginning 1 January 2015 and have not been early adopted:

- HKAS 16 and HKAS 38 Amendment – Classification of Acceptable Methods of Depreciation and Amortisation¹
- HKAS 16 and HKAS 41 Amendment – Agriculture: Bearer Plants¹
- HKAS 27 Amendment – Equity Method in Separate Financial Statements¹
- HKFRS 9 – Financial Instruments³
- HKFRS 10 and HKAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹
- HKFRS 11 Amendment – Accounting for Acquisitions of Interests in Joint Operations²
- HKFRS 14 – Regulatory Deferral Accounts¹
- HKFRS 15 – Revenue from Contracts with Customers²
- Annual Improvements Project – Annual Improvements 2012-2014 Cycle¹

¹ Changes effective for annual periods beginning on or after 1 January 2016

² Changes effective for annual periods beginning on or after 1 January 2017

³ Changes effective date to be determined

The Group has already commenced an assessment of the related impact of adopting the above new standard and amendments to standards to the Group. The Group is not yet in a position to state whether there would be substantial changes to the Group's accounting policies and presentation of the financial statements.

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 2014.

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 condensed consolidated interim 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 2014.

There have been no changes in the risk management policies of the Group since the year ended 31 December 2014.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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 financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

	30 June 2015		
	Within 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Due to joint ventures	19,123	–	19,123
Trade and bills payables	172,264	–	172,264
Other payables and accrued liabilities	66,084	–	66,084
Derivative financial instruments	5,037	12,051	17,088
Bank loans	963,538	20,171	983,709
Dividends payable	4,834	–	4,834
	1,230,880	32,222	1,263,102

	31 December 2014		
	Within 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Due to joint ventures	20,339	–	20,339
Trade and bills payables	168,207	–	168,207
Other payables and accrued liabilities	64,697	–	64,697
Derivative financial instruments	5,631	11,207	16,838
Bank loans	522,673	362,221	884,894
Dividends payable	41	–	41
	781,588	373,428	1,155,016



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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 2015.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale investments	–	–	12,229	12,229
Financial assets at fair value through profit or loss	124	–	–	124
Total assets	124	–	12,229	12,353
Liabilities				
Derivative financial instruments:				
– Interest rate swaps	–	17,088	–	17,088
Total liabilities	–	17,088	–	17,088



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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 2014.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale investments	-	-	13,881	13,881
Financial assets at fair value through profit or loss	59	-	-	59
Total assets	59	-	13,881	13,940
Liabilities				
Derivative financial instruments:				
- Forward exchange contracts	-	585	-	585
- Interest rate swaps	-	16,253	-	16,253
Total liabilities	-	16,838	-	16,838

There were no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments and no change in valuation techniques during the Period.

Level 2 derivative financial instruments comprise forward foreign exchange contracts and interest rate swaps. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation (Continued)

Level 3 available-for-sale investments are fair valued using a discounted cash flow approach. The movement of the investments are as below:

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
At 1 January	13,881	12,258
Change in fair value transfer to equity	49	78
Exchange realignment	(3)	(47)
Unrealised losses recognised in condensed consolidated income statement	(1,698)	(439)
At 30 June	12,229	11,850

For majority of level 2 and level 3 financial instruments, the Group obtains independent valuations from independent professionally qualified valuers and bank at least twice every year, which is in line with the Group's reporting dates.

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 CODM. The CODM reviews the performance of the Group on a regular basis.

As substantial business operations of the Group relate to the manufacturing, sale 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 the CODM on a regular basis:



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (Continued)

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	445,604	597,732
Gross profit	68,161	136,498
Gross profit margin (%)	15.3%	22.8%
EBITDA(i)	24,505	98,715
EBITDA margin (%)	5.5%	16.5%
Operating expenses(ii)	97,151	102,843
Operating expenses/Revenue (%)	21.8%	17.2%
(Loss)/profit for the period	(46,800)	32,838
Net (loss)/profit margin (%)	(10.5%)	5.5%
	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Total assets	2,793,735	2,749,435
Equity attributable to equity holders of the Company	1,508,601	1,563,854
Inventories	468,344	449,594
Inventory turnover days	201	176
Trade receivables	330,279	311,233
Trade receivables turnover days	116	96
Trade and bills payables	172,264	168,207
Trade and bills payables turnover days	74	66
Total interest-bearing debt	945,026	857,865
Cash and cash equivalents	495,052	400,839
Time deposits over three months	-	12,676
Net debt	449,974	444,350
Net debt to equity ratio (%)	29.8%	28.4%

Notes

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



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (Continued)

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

	For the six months ended 30 June	
	2015	2014
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Revenue		
Hong Kong	56,702	59,400
Mainland China	221,451	292,571
Taiwan	83,097	117,881
Southeast Asia	20,092	30,215
Korea	2,687	6,141
United States	16,973	32,585
Europe	27,609	29,342
Other countries	16,993	29,597
	445,604	597,732
	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets (exclude deferred tax assets and financial instruments)		
Hong Kong	137,264	138,687
Mainland China	1,037,527	1,067,961
Other countries	72,292	76,887
	1,247,083	1,283,535



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Manufacturing and trading of electronic components	438,414	567,379
Trading of raw materials	7,190	30,353
	445,604	597,732

8 OTHER INCOME

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Subsidies from the PRC government	316	1,921
Scrap sales	57	344
Rental income generated from investment properties	2,262	2,083
Others	420	609
	3,055	4,957



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 OTHER GAINS, NET

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fair value gains on derivative financial instruments	584	1,122
Fair value gains on investment properties	1,290	75
Negative goodwill on acquisition of a subsidiary (Note 26)	–	7,622
Gain on disposal of a subsidiary	–	3,110
Reversal of other payable	2,456	–
Impairment loss on available-for-sale investments	(1,698)	(439)
Foreign exchange differences, net	1,268	(1,063)
	3,900	10,427

10 OPERATING (LOSS)/PROFIT

An analysis of the amounts presented as operating items in the financial information is given below:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating items		
Depreciation of property, plant and equipment	47,292	47,232
Amortisation of prepaid land premium	839	369
Amortisation of intangible assets	389	328

11 CHANGES IN FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fair value losses on interest rate swap	(3,027)	(3,175)

At 30 June 2015, the Group held certain interest rate swap contracts entered into in 2009 and 2010 for a contracted period of ten years each. These contracts were entered into to stabilise the Group's overall interest expenses for the periods covered by these contracts.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 FINANCE COSTS AND FINANCE INCOME

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest expenses on bank loans repayable within five years	(13,989)	(12,633)
Others	(2,544)	(1,759)
	(16,533)	(14,392)
Interest income from loan to a joint venture	2,142	2,138
Interest income from term deposits and bank balances	2,250	1,719
	4,392	3,857

13 TAX

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax:		
Hong Kong	1,758	1,744
Mainland China	1,803	2,808
	3,561	4,552
Deferred tax	2,691	(996)
Total tax charge for the period	6,252	3,556

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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 exemptions. Certain subsidiaries in Mainland China are subject to income taxes at applicable rates ranging from 15% to 25%.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 (LOSS)/EARNINGS PER SHARE

The calculation of basic loss/earnings per share is based on the loss for the Period attributable to equity holders of the Company of HK\$46,784,000 (profit for the Corresponding Period: HK\$32,665,000), and the weighted average number of 479,240,000 (for the Corresponding Period: 479,167,000) ordinary shares in issue during the Period.

Diluted loss/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted loss per share for the Period was the same as the basic loss per share as the Company's share options outstanding during the Period were anti-dilutive potential ordinary shares.

The calculation of diluted earnings per share for the Corresponding Period was based on the profit attributable to equity holders of the Company of HK\$32,665,000. The weighted average number of ordinary shares used in the calculation was 479,167,000 ordinary shares in issue during the period, as used in the basic earnings per share calculation, and 59,000 ordinary shares assumed to had been issued at no consideration on the deemed exercise of all share options during the period.

15 DIVIDENDS

The final dividend for the year ended 31 December 2014 amounted to HK\$4,792,000 was paid on Thursday, 9 July 2015.

The Board of Directors did not recommend any interim dividend for the Period (for the Corresponding Period: 1.5 HK cents per share).

16 PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Opening net carrying amount, 1 January	793,139	829,366
Additions	24,443	28,193
Disposals	(2)	(29)
Depreciation	(47,292)	(47,232)
Exchange realignment	238	(7,426)
Closing net carrying amount, 30 June	770,526	802,872



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 INVESTMENT PROPERTIES

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Opening net carrying amount, 1 January	138,872	83,004
Acquisition of a subsidiary	–	31,566
Fair value gains	1,290	75
Exchange realignment	26	(88)
Closing net carrying amount, 30 June	140,188	114,557

The Group obtains independent valuations for its investment properties at least annually. In the Period, the valuations are performed by Memfus Wong Surveyors Limited and Roma Appraisals Limited, independent professionally qualified valuers. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available the directors consider information from a variety of sources including:

- (i) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- (ii) discounted cash flow projections based on reliable estimates of future cash flows; or
- (iii) capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 INVESTMENT PROPERTIES (Continued)

The valuation gain is included in "Other gains, net" in the condensed consolidated income statement (Note 9). The following table analyses the investment properties carried at fair value by valuation method.

Fair value hierarchy

	Fair value measurements at 30 June 2015		
	Quoted prices in active markets for identical assets (Level 1) <i>HK\$'000</i>	Significant other observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>
Recurring fair value measurements Investment properties	-	-	140,188

	Fair value measurements at 31 December 2014		
	Quoted prices in active markets for identical assets (Level 1) <i>HK\$'000</i>	Significant other observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>
Recurring fair value measurements Investment properties	-	-	138,872

There were no transfers among Level 1, Level 2 and 3 during the Period.

Level 3 fair values of investment properties have been derived using the direct comparison approach, which basically uses the comparable sales transactions as available in the relevant market to derive the fair value of the properties.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 TRADE RECEIVABLES

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Trade receivables	340,107	319,450
Provisions for impairment of trade receivables	(9,828)	(8,217)
	330,279	311,233

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 is generally 90 days, extending up to 150 days for major customers. Credit risk was hedged mainly through credit insurance policies.

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Current and within payment terms	222,811	227,811
1 – 3 months past due	65,675	52,618
4 – 6 months past due	7,865	19,226
7 – 12 months past due	27,479	7,975
Over 1 year past due	6,449	3,603
	330,279	311,233



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 TRADE AND BILLS PAYABLES

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Trade payables:		
1 – 3 months	106,819	92,822
4 – 6 months	25,678	45,809
7 – 12 months	1,407	5,693
Over 1 year	11,847	8,698
	145,751	153,022
Bills payables	26,513	15,185
	172,264	168,207

20 BANK LOANS

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Bank loans, unsecured, repayable:		
Within one year, with reference to the repayment schedule	487,302	505,646
Within one year, related to borrowings with breached covenants	437,724	-
In the second year	20,000	269,572
In the third to fifth years, inclusive	-	82,647
	945,026	857,865
Portion classified as current liabilities	(925,026)	(505,646)
Non-current portion	20,000	352,219



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 BANK LOANS (Continued)

As at 30 June 2015, the Group breached the covenant requirement of certain banking facilities. HK\$945 million of such banking facilities has been utilised as at 30 June 2015, of which HK\$438 million has been reclassified from non-current liabilities to current liabilities as a result of the breach. Accordingly, the bank borrowings of HK\$925 million were classified as current liabilities as they were either repayable on demand or repayable within one year. Subsequent to the period end, the Group has obtained one-off waivers from strict compliance with the covenant requirements in relation to all the outstanding bank borrowings.

Movement in bank loans is analysed as follows:

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Opening balance, 1 January	857,865	873,798
New borrowings	355,435	341,334
Repayments of borrowings	(268,178)	(349,889)
Exchange realignment	(96)	(1,842)
Closing balance, 30 June	945,026	863,401

21 SHARE CAPITAL

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
479,239,534 (31 December 2014: 479,239,534) ordinary shares of HK\$0.10 each	47,924	47,924



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 SHARE CAPITAL (Continued)

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
At 1 January 2015 and 30 June 2015	479,239,534	47,924	168,158	216,082
	Number of shares in issue	Issued capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2014	479,089,534	47,909	167,707	215,616
Share options exercised	150,000	15	451	466
At 30 June 2014	479,239,534	47,924	168,158	216,082

Note:

Employee share option scheme: options exercised during the Corresponding Period resulted in 150,000 shares being issued, with exercise proceeds of HK\$272,000. The related weighted average price at the time of exercise was HK\$2.91 per share.

No share options were exercised during the Period.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 RESERVES

	Share premium (Unaudited) HK\$'000	Share option (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Available- for-sale investments revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2015	168,158	2,932	2,800	72,855	1,049	361,344	(162)	55,479	851,475	1,515,930
Loss for the period	-	-	-	-	-	-	-	-	(46,784)	(46,784)
Other comprehensive income:										
Items that may be reclassified subsequently to profit or loss										
- Change in fair value of available-for-sale investments	-	-	-	-	49	-	-	-	-	49
- Currency translation differences	-	-	-	-	-	(3,461)	-	-	-	(3,461)
Total comprehensive income for the period ended 30 June 2015	-	-	-	-	49	(3,461)	-	-	(46,784)	(50,196)
Employee share option scheme										
- Share options lapsed	-	(265)	-	-	-	-	-	-	-	(265)
2014 final dividend	-	-	-	-	-	-	-	-	(4,792)	(4,792)
Balance at 30 June 2015	168,158	2,667	2,800	72,855	1,098	357,883	(162)	55,479	799,699	1,460,677



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 RESERVES (Continued)

	Share premium (Unaudited) HK\$'000	Share option (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Available-for-sale investments revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2014	167,707	3,126	2,800	67,779	691	363,087	157	54,844	823,231	1,483,422
Profit for the period	-	-	-	-	-	-	-	-	32,665	32,665
Other comprehensive income:										
Items that may be reclassified subsequently to profit or loss										
- Change in fair value of available-for-sale investments	-	-	-	-	78	-	-	-	-	78
- Currency translation differences	-	-	-	-	-	(9,883)	-	-	-	(9,883)
Total comprehensive income for the period ended 30 June 2014	-	-	-	-	78	(9,883)	-	-	32,665	22,860
Employee share option scheme										
- Share options exercised	451	(194)	-	-	-	-	-	-	-	257
Release of reserve upon disposal of a subsidiary	-	-	-	-	-	-	(319)	-	-	(319)
2013 final dividend	-	-	-	-	-	-	-	-	(7,189)	(7,189)
2014 interim dividend	168,158	2,932	2,800	67,779	769	353,204	(162)	54,844	848,707	1,499,031
Balance at 30 June 2014	168,158	2,932	2,800	67,779	769	353,204	(162)	54,844	841,518	1,491,842



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 COMMITMENTS

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Authorised but not contracted for:		
Building, plant and machinery	430,702	430,538
Contracted, but not provided for:		
Plant and machinery	43,048	60,031
Buildings	740	740
Land	1,293	1,292
	45,081	62,063

24 OPERATING LEASE ARRANGEMENTS

(a) Operating lease commitments (as lessee)

The Group leases certain of its office properties, factory premises and warehouses under operating lease arrangements. Leases for office properties, factory premises and warehouses are negotiated for terms ranging from one to twenty years.

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within one year	14,344	15,810
In the second to fifth years, inclusive	488	2,578
	14,832	18,388



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 OPERATING LEASE ARRANGEMENTS (Continued)

(b) Operating lease commitments (as lessor)

The Group leases certain properties under non-cancellable operating lease agreements.

The future minimum lease receipts under non-cancellable operating lease in respect of land and buildings are as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within one year	660	2,402
In the second to fifth years, inclusive	94	245
	754	2,647

25 RELATED PARTY TRANSACTIONS

As at 30 June 2015, Man Yue Holdings Inc. had a 43.75% equity interest in the Company as the single largest shareholder. The ultimate controlling party of the Company is Ms. Kee Chor Lin, a director of the Company.

(a) During the Period, the Group had the following material transactions with its joint ventures and an associate:

		For the six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Notes		
Purchases of raw materials from joint ventures	(i)	19,264	34,028
Purchases of finished goods from an associate	(i)	-	1,678
Sales of raw materials to an associate	(i)	7,190	30,353
Sales of finished goods to an associate	(i)	3,818	3,199
Rental expenses to a joint venture	(ii)	7,593	7,578
Interest income received from a joint venture	(iii)	2,285	2,138



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

25 RELATED PARTY TRANSACTIONS (Continued)

(a) During the Period, the Group had the following material transactions with its joint ventures and an associate: (Continued)

Notes:

- (i) The above purchases and sales of raw materials and finished goods were determined on bases as agreed by both parties.
- (ii) The rental was charged at rates with mark-to-market yield.
- (iii) The interest was charged at a rate of 6.15% (for the Corresponding Period: 5.81%) per annum.

(b) Period/year-end balances with the Group's joint ventures and an associate:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Loans to a joint venture ⁽ⁱ⁾	101,139	102,760
Due from joint ventures ⁽ⁱⁱ⁾	40,535	38,305
Due to joint ventures ⁽ⁱⁱ⁾	(19,123)	(20,339)
Due from an associate ⁽ⁱⁱ⁾	7,622	38,431

Notes:

- (i) Except for the loans amounting to HK\$72,319,000 (31 December 2014: HK\$73,940,000), which are interest-bearing at a rate of 6.15% (2014: 6.15%) per annum, the remaining loans to the joint venture are interest-free. Loans to a joint venture are unsecured and have no fixed terms of repayment.
- (ii) The amounts due from/(to) joint ventures and an associate are unsecured and interest-free, and have no fixed terms of repayment.

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

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Salaries and allowances	7,381	7,968
Pension scheme contributions	73	70
Total remuneration for key management personnel	7,454	8,038



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

26 BUSINESS COMBINATION

The Group acquired the entire equity interest of Yuk Wah Electronics Company Limited, which holds 62% equity interest of Foshan Rifeng Electronic Co., Ltd. (a former joint venture of the Group), with a negative goodwill of HK\$7,622,000 in 2014.

The following table summarises the consideration paid for the acquisition, and the fair value of assets acquired and liabilities assumed at the acquisition date.

	31 March 2014 <i>HK\$'000</i>
Purchase consideration settled in cash	13,800
Forfeited share of joint ventures as purchase consideration	6,967
Total purchase consideration	20,767
Fair value of net assets acquired – shown as below	(28,389)
Negative goodwill	(7,622)

The fair values of the identifiable assets acquired and liabilities assumed are as follows:

	Acquired entities <i>HK\$'000</i>
Investment properties	31,522
Inventories	624
Cash and bank balance	2,350
Deferred tax liabilities	(5,898)
Other payables and accrued liabilities	(209)
Net assets	28,389



SUPPLEMENTARY INFORMATION

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

As at 30 June 2015, 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 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 pursuant to the Model Code, were as follows:

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

Name of director	Note	Capacity, nature of interest and number of shares and underlying shares held				Approximate percentage of the Company's issued share capital
		Capacity	Nature of interest	Interests in shares	Interest in share options	
Kee Chor Lin	1	Interest of controlled corporation	Corporate	209,689,667	-	43.75%
Kee Chor Lin		Beneficial owner	Personal	51,006,334	-	10.64%
				260,696,001	-	54.39%
Chan Yu Ching, Eugene		Beneficial owner	Personal	4,716,666	-	0.98%
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 2015, 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 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 2015, 2,680,000 (31 December 2014: 2,960,000) 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 participants	As at 1 January 2015	Lapsed during the Period	As at 30 June 2015	Date of grant of share options	Exercise period of share options ¹	Exercise price of share options ² HK\$ per share
Director						
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			
Other employees						
In aggregate	250,000	-	250,000	8.8.2006	8.8.2007 to 25.5.2016	1.6
In aggregate	1,114,000	(142,000)	972,000	15.9.2010	15.9.2011 to 14.9.2020	2.262
In aggregate	1,096,000	(138,000)	958,000	15.9.2010	15.9.2012 to 14.9.2020	2.262
	2,460,000	(280,000)	2,180,000			
	2,960,000	(280,000)	2,680,000			

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 2015, 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	43.75%
DJE Investment S.A. ("DJE")	1, 2 & 3	Investment manager	32,158,000	6.71%
Dr. Jens Ehrhardt Kapital AG ("DJE AG")	1, 2 & 3	Corporate/Interest of controlled corporation	32,158,000	6.71%
Dr. Jens Alfred Karl Ehrhardt ("Dr. Ehrhardt")	2 & 3	Corporate/Interest of controlled corporation	32,158,000	6.71%

Notes:

- DJE AG holds a 100% 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 32,158,000 shares and duplicated each other.

Save as disclosed above, as at 30 June 2015, 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

Since the publication date of the 2014 annual report of the Company, there was a change in Directors' information which is reported as follows:

Mr. Mar, Selwyn was appointed as an independent non-executive director, the chairman of the audit committee and a member of the nomination committee of China Kingstone Mining Holdings Limited, a company listed on the main board of the Stock Exchange, with effect from 14 July 2015.

Save as disclosed above, as at 30 June 2015, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Group has complied with the applicable code provisions in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules 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 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.

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 as contained in the Corporate Governance Code during the Period.

COMPLIANCE WITH THE MODEL CODE

The Group has adopted the Model Code 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 comprises three members, namely Mr. Mar Selwyn, Dr. Li Sau Hung, Eddy and Mr. Lo Kwok Kwei, David and all of them are INEDs. 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.



SUPPLEMENTARY INFORMATION

REMUNERATION COMMITTEE

The Company established a Remuneration Committee for the purpose of (i) determining the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; (ii) making recommendations to the Board of the remuneration of non-executive Directors; and (iii) establishing a transparent procedure for developing policy on such remuneration. The Remuneration Committee comprises two INEDs and one executive Director, namely Mr. Lo Kwok Kwei, David, Dr. Li Sau Hung, Eddy and Ms. Kee Chor Lin respectively. The Board would consult the chairman of the Remuneration Committee and provide sufficient resources to the Remuneration Committee to enable it to discharge its duties.

NOMINATION COMMITTEE

The Company established a Nomination Committee for the purpose of (i) assisting the Board to run effectively and to go through a formal, fair and transparent process of reviewing the structure, size, composition of the Board and the balance and effectiveness of the Board in the light of the Board Diversity Policy, identifying the skills needed and appointing those who can provide them to the Board; (ii) leading the process for the appointment of the Directors; and (iii) identifying and nominating suitable candidates for appointment to the Board. The Nomination Committee comprises three INEDs and two executive Directors, namely Dr. Li Sau Hung Eddy, Mr. Lo Kwok Kwei, David, Mr. Mar Selwyn, Ms. Kee Chor Lin and Mr. Chan Yu Ching, Eugene respectively and the Nomination Committee is provided with sufficient resources enabling it to discharge its duties.

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 an effective internal control system of the Group.

In addition, an internal audit department was 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.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed this interim report for the Period and the Company's external auditor, PricewaterhouseCoopers, has conducted a review of the interim financial information of the Group for the Period 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.

INTERIM REPORT

This interim report is printed in both English and Chinese, and is available for electronic and print format. Electronic copy is available for download, at no charge, on our website at <http://www.manyue.com>. Existing shareholders of the Company will receive a printed report free of charge by post by our Company's branch share registrar in Hong Kong. Potential investors who are interested in knowing more about us may download the interim report from our website or to request a printed copy by giving a notice in writing to the Company or the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.



SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

The Board did not recommend any interim dividend for the Period (30 June 2014: 1.5 HK cents per share).

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, 12 August 2015



GLOSSARY

Audit Committee	the Audit Committee of the Company
Board	the board of directors of the Company
Board Diversity Policy	the board diversity policy of the Company adopted on 1 August 2013
Corporate Governance Code	the Corporate Governance Code as contained in Appendix 14 to the Listing Rules
CODM	Chief Operating Decision Maker
Company, the	Man Yue Technology Holdings Limited (Stock Code: 00894)
Corresponding Period	six months ended 30 June 2014
Director(s)	the director(s) of the Company
DJE	DJE Investment S.A.
DJE AG	Dr. Jens Ehrhardt Kapital AG
Dr. Ehrhardt	Dr. Jens Alfred Karl Ehrhardt
EBITDA	earnings before interest expense, tax, depreciation and amortisation
E-Caps	Aluminum Electrolytic Capacitors
EDLC	Electric Double Layer Capacitors
ESS	Energy Storage System
Group	the Company and its subsidiaries
HK cents	Hong Kong cents
HK\$	Hong Kong dollar
HKAS	Hong Kong Accounting Standard
HKFRS	Hong Kong Financial Reporting Standards
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
INEDs	the independent non-executive Directors of the Company



GLOSSARY

Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Mainland China or PRC	the People's Republic of China, which for the purpose of this report does not include Hong Kong, the Macau Special Administrative Region and Taiwan
MLPC	Multi-layer Polymer Capacitors
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Nomination Committee	the Nomination Committee of the Company
Period	six months ended 30 June 2015
Polymer Caps	Conductive Polymer Aluminum Solid Capacitors
Remuneration Committee	the Remuneration Committee of the Company
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented and/or otherwise modified from time to time
Share Option Scheme	the Share Option Scheme of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited

