



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

(Incorporated in Bermuda with limited liability)  
(Stock Code: 00894)

## INTERIM REPORT 2020



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## Corporate Information

### Board of Directors

#### Executive Directors

Kee Chor Lin (*Chairman*)  
Chan Yu Ching, Eugene (*Managing Director*)  
Chan Tat Cheong, Alan

#### Independent Non-executive Directors

Li Sau Hung, Eddy *GBS, JP*  
Lo Kwok Kwei, David  
Mar, Selwyn

### Audit Committee

Mar, Selwyn (*Chairman*)  
Li Sau Hung, Eddy *GBS, JP*  
Lo Kwok Kwei, David

### Remuneration Committee

Lo Kwok Kwei, David (*Chairman*)  
Kee Chor Lin  
Li Sau Hung, Eddy *GBS, JP*

### Nomination Committee

Li Sau Hung, Eddy *GBS, JP* (*Chairman*)  
Kee Chor Lin  
Chan Yu Ching, Eugene  
Lo Kwok Kwei, David  
Mar, Selwyn

### Company Secretary

Ng Sui Yin

### Auditor

KPMG (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)

### Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited  
MUFG Bank, Ltd.  
United Overseas Bank Limited  
CTBC Bank Co., Ltd.

### Registered Office

Clarendon House, 2 Church Street  
Hamilton HM 11, Bermuda

### Principal Place of Business

Unit 03, 6/F., Harbour Centre Tower 2  
8 Hok Cheung Street, Hung Hom  
Kowloon, Hong Kong

## Corporate Information

**Principal Share Registrar and  
Transfer Office**

MUFG Fund Services (Bermuda) Limited  
4th floor North, Cedar House  
41 Cedar House  
Hamilton HM12, Bermuda

**Branch Share Registrar and  
Transfer Office**

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East, Hong Kong

**Corporate Website**

[www.manyue.com](http://www.manyue.com)

**Investor Relations Contact**

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**Stock Code**

00894



# Management Discussion and Analysis

## FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2020	2019	
	HK\$'000	HK\$'000	
Revenue	<b>667,810</b>	566,503	+17.9%
Gross profit	<b>94,645</b>	112,125	-15.6%
EBITDA	<b>44,973</b>	87,046	-48.3%
(Loss)/profit attributable to equity holders	<b>(17,750)</b>	27,071	N/A
(Loss)/earnings per share	<b>(3.73) HK cents</b>	5.69 HK cents	N/A

## FINANCIAL RESULTS

The significant adverse impact of the COVID-19 pandemic causing production interruption and the slowdown in business activities which led to substantial financial losses incurred by the Group in the first quarter of 2020, notwithstanding a strong recovery in sales in the second quarter of 2020 giving rise to an overall increase in revenue of 17.9% as compared with that of in the same period in 2019. Resulting from this, the Group's gross profit for the Period dropped to HK\$94,645,000, representing a decrease of 15.6% when compared with that of the corresponding period last year of HK\$112,125,000 and eventually, recorded a loss attributable to shareholders of the Company of HK\$17,750,000 for the Period as compared with a net profit attributable to shareholders of the Company of HK\$27,071,000 for the same period in 2019.

## BUSINESS REVIEW

### Market Overview

The outbreak of COVID-19 since January this year hammered all industries in the world. Commercial activities were almost halted in the global. Travel restrictions were executed among countries. Governmental authorities operated with limited services. The pandemic not only changed the daily lives of people but also transformed the mode of working. Online retailing became mainstream purchasing channel and working from home became normality. The persistence of trade dispute between China and the United States continued to cast shadow on the economy of the future, the COVID-19 fear and the incredulous oil crash further deepened the concern of economic recession. Facing the threat of jobs cut, the consumers' sentiment as well as the overall demand in electronics market had been inevitably undermined.

Despite such adverse challenges in the first half of 2020, the Group managed to record an increase in revenue for the Period by 17.9% to HK\$667,810,000, when compared with that of the corresponding period last year of HK\$566,503,000. This was mainly attributable to the Group's successful business strategy of establishing a multi-product platform in various industries and in particular, benefitting from the surging demand in computer end market due to the work-from-home arrangement and home-based learning during the COVID-19 outbreak.

## Management Discussion and Analysis

### Operation Review

The outbreak of COVID-19 has a huge impact on the manufacturing industries. In order to comply with the government rules for the prevention and spread of COVID-19, the Group's production facilities in Mainland China had a temporary suspension of production during the initial stage of the pandemic in the first quarter of 2020. To cope with this, the Group had undertaken initiatives to invest additional resources to provide protective equipment to employees and implemented certain health and safety measures and hence our manufacturing plants were able to resume operation from early March 2020 though efficiency was definitely affected during the hard times. Thanks to the professionalism of our staff and the support of our customers and suppliers, all manufacturing plants were able to restore normality and sales volume jumped sharply in the second quarter this year.

In response to the difficult operating environment, the Group has implemented more stringent cost control measures and increased automation in production in order to remain cost-effectiveness and enhance operational efficiency. In addition, the Group has continuously focused on development of new products and technology to achieve product diversification, as well as closely monitoring the market situation and making necessary adjustments to its business strategies and operations.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group's cash and cash equivalents amounted to HK\$227,752,000 (31 December 2019: HK\$225,715,000), most of which were either denominated in United States dollars, Renminbi or Hong Kong dollars. Total outstanding bank borrowings of the Group amounted to HK\$1,015,978,000 (31 December 2019: HK\$975,677,000) which comprised mainly bank loans and trade finance facilities.

As at 30 June 2020, the net gearing ratio (a ratio of the sum of total bank borrowings less cash and cash equivalents then divided by total equity) of the Group was 59.0% (31 December 2019: 53.7%).

As at 30 June 2020, the net current assets of the Group were HK\$153,399,000 (31 December 2019: HK\$215,764,000), which comprised current assets of HK\$1,661,133,000 (31 December 2019: HK\$1,617,805,000) and current liabilities of HK\$1,507,734,000 (31 December 2019: HK\$1,402,041,000), representing a current ratio of 1.10 (31 December 2019: 1.15).

The Group's financial statements are presented in Hong Kong dollars. However, most of the Group's transactions were conducted in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. The Group is aware of the potential foreign exchange currency risk that may arise from the fluctuation of exchange rates between Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. The Group will closely monitor its overall foreign exchange exposure with a view to safeguarding the Group from exchange rate risks.

## Management Discussion and Analysis

### OUTLOOK AND PROSPECTS

Trade and political tensions between China and the United States are unlikely to be resolved in the second half of 2020. Furthermore, the resurgence of COVID-19 continues to hit the global economy. Given the current high degree of uncertainty, the Group will continue to pursue cost saving measures, enhance operational efficiency through technology and increased process automation and strengthen strategic alliances with its customers. The advocate of diversification of customers and products enables the Group to weather through a tough first half of 2020 with a revenue growth of 17.9% when compared with that of in the first half of 2019. As a result, the Group is cautiously optimistic about its upcoming business development, to stay still in the market and be resilient to manage the market changes.

### EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2020, the Group employed 47 staff in Hong Kong (31 December 2019: 47) and employed a total work force of 2,420 (31 December 2019: 2,610) inclusive of all 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 reviewed on a regular basis. Apart from salary, other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses.

# Report on Review of Interim Financial Statements



## REVIEW REPORT TO THE BOARD OF DIRECTORS OF MAN YUE TECHNOLOGY HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the interim financial statements set out on pages 8 to 33, which comprises the consolidated statement of financial position of Man Yue Technology Holdings Limited (the “Company”) as of 30 June 2020 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial statements 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 are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial statements 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 these statements.

### 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 statements consists of making enquiries, 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.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 30 June 2020 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

### KPMG

*Certified Public Accountants*

8th Floor, Prince’s Building  
10 Chater Road  
Central, Hong Kong

Hong Kong, 28 August 2020



## Unaudited Consolidated Statement of Profit or Loss

	Note	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	6, 7	<b>667,810</b>	566,503
Cost of sales		<b>(573,165)</b>	(454,378)
<b>Gross profit</b>		<b>94,645</b>	112,125
Other income	8	<b>701</b>	8,552
Other net (losses)/gains	9	<b>(354)</b>	10,666
Selling and distribution costs		<b>(26,290)</b>	(27,759)
Administrative expenses		<b>(66,251)</b>	(71,503)
Net impairment loss on trade and other receivables		<b>(1,610)</b>	–
<b>Operating profit</b>	10	<b>841</b>	32,081
Changes in fair values of derivative financial instruments	11	<b>(11)</b>	(179)
Finance costs	12	<b>(23,057)</b>	(18,787)
Finance income	13	<b>2,834</b>	2,664
Share of results of joint ventures		<b>4,643</b>	14,733
<b>(Loss)/profit before tax</b>		<b>(14,750)</b>	30,512
Income tax	14	<b>(2,170)</b>	(5,976)
<b>(Loss)/profit for the period</b>		<b>(16,920)</b>	24,536
(Loss)/profit attributable to:			
Equity holders of the Company		<b>(17,750)</b>	27,071
Non-controlling interests		<b>830</b>	(2,535)
<b>(Loss)/profit for the period</b>		<b>(16,920)</b>	24,536
<b>(Loss)/earnings per share attributable to equity holders of the Company:</b>	15		
Basic		<b>(3.73) HK cents</b>	5.69 HK cents
Diluted		<b>(3.73) HK cents</b>	5.69 HK cents

The notes on pages 14 to 33 form part of these interim financial statements.

# Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
<b>(Loss)/profit for the period</b>	<b>(16,920)</b>	24,536
<b>Other comprehensive income:</b>		
Item that may be reclassified subsequently to profit or loss:		
Currency translation differences	<b>(43,166)</b>	(9,428)
<b>Other comprehensive income for the period, net of tax</b>	<b>(43,166)</b>	(9,428)
<b>Total comprehensive income for the period</b>	<b>(60,086)</b>	15,108
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>(60,937)</b>	18,219
Non-controlling interests	<b>851</b>	(3,111)
<b>Total comprehensive income for the period</b>	<b>(60,086)</b>	15,108

The notes on pages 14 to 33 form part of these interim financial statements.

## Unaudited Consolidated Statement of Financial Position

	Note	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	17	653,476	666,340
Prepaid land premium	18	57,214	59,084
Investment properties	19	156,708	158,256
Intangible assets		1,425	1,521
Investments in joint ventures		168,020	167,215
Prepayments on purchases of property, plant and equipment		79,934	74,521
Financial assets at fair value through profit or loss		24,444	24,433
Loan to a joint venture	26	135,844	133,908
Other prepayments		5,344	5,430
Deferred tax assets		12,786	10,299
Total non-current assets		1,295,195	1,301,007
<b>Current assets</b>			
Inventories		592,578	595,600
Trade receivables	20	699,461	657,884
Prepayments, deposits and other receivables	20	107,846	106,303
Due from joint ventures	26	31,205	29,884
Financial assets at fair value through profit or loss		16	17
Net defined benefit retirement assets		712	701
Tax recoverable		1,563	1,701
Cash and cash equivalents		227,752	225,715
Total current assets		1,661,133	1,617,805
<b>Current liabilities</b>			
Trade and bills payables	21	313,176	254,770
Other payables and accrued liabilities and contract liabilities		108,280	105,404
Due to joint ventures	26	40,939	36,822
Derivative financial instruments		–	245
Tax payables		10,873	11,989
Bank loans	22	1,015,978	975,677
Dividends payable		43	43
Lease liabilities		18,445	17,091
Total current liabilities		1,507,734	1,402,041

## Unaudited Consolidated Statement of Financial Position

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Note		
<b>Net current assets</b>	<b>153,399</b>	215,764
<b>Total assets less current liabilities</b>	<b>1,448,594</b>	1,516,771
<b>Non-current liabilities</b>		
Provision for long service payments	77	77
Deferred tax liabilities	43,559	43,817
Deferred income	9,374	9,706
Lease liabilities	60,125	66,858
Total non-current liabilities	113,135	120,458
<b>Net assets</b>	<b>1,335,459</b>	1,396,313
<b>Capital and reserves</b>		
Share capital	23 47,555	47,555
Reserves	24 1,251,093	1,312,030
<b>Equity attributable to equity holders of the Company</b>	<b>1,298,648</b>	1,359,585
<b>Non-controlling interests</b>	<b>36,811</b>	36,728
<b>Total equity</b>	<b>1,335,459</b>	1,396,313

The notes on pages 14 to 33 form part of these interim financial statements.



## Unaudited Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company			Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
<b>Balance at 1 January 2020</b>	<b>47,555</b>	<b>1,312,030</b>	<b>1,359,585</b>	<b>36,728</b>	<b>1,396,313</b>
(Loss)/profit for the period	-	(17,750)	(17,750)	830	(16,920)
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss:					
Currency translation differences	-	(43,187)	(43,187)	21	(43,166)
Total comprehensive income for the period ended 30 June 2020	-	(60,937)	(60,937)	851	(60,086)
Deregistration of a subsidiary	-	-	-	(768)	(768)
<b>Balance at 30 June 2020</b>	<b>47,555</b>	<b>1,251,093</b>	<b>1,298,648</b>	<b>36,811</b>	<b>1,335,459</b>

	Attributable to equity holders of the Company			Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
<b>Balance at 1 January 2019</b>	<b>47,555</b>	<b>1,333,096</b>	<b>1,380,651</b>	<b>41,877</b>	<b>1,422,528</b>
Profit/(loss) for the period	-	27,071	27,071	(2,535)	24,536
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss:					
Currency translation differences	-	(8,852)	(8,852)	(576)	(9,428)
Total comprehensive income for the period ended 30 June 2019	-	18,219	18,219	(3,111)	15,108
<b>Balance at 30 June 2019</b>	<b>47,555</b>	<b>1,351,315</b>	<b>1,398,870</b>	<b>38,766</b>	<b>1,437,636</b>

The notes on pages 14 to 33 form part of these interim financial statements.

## Unaudited Condensed Consolidated Cash Flow Statement

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Operating activities</b>		
Cash generated from operations	<b>37,524</b>	59,188
Tax refunded	<b>27</b>	–
Tax paid	<b>(4,826)</b>	(3,592)
<b>Net cash inflow from operating activities</b>	<b>32,725</b>	55,596
<b>Investing activities</b>		
Purchases of property, plant and equipment	<b>(30,974)</b>	(19,617)
Prepayments on purchases of property, plant and equipment	<b>(9,993)</b>	(5,300)
Other cash flows arising from investing activities	<b>2,983</b>	(10,765)
<b>Net cash outflow from investing activities</b>	<b>(37,984)</b>	(35,682)
<b>Financing activities</b>		
Proceeds from new bank loans	<b>1,050,605</b>	766,318
Repayment of bank loans	<b>(1,007,588)</b>	(722,907)
Capital element of lease rentals paid	<b>(8,495)</b>	(6,869)
Interest element of lease rentals paid	<b>(1,842)</b>	(1,558)
Interest paid	<b>(22,229)</b>	(17,229)
Other cash flows arising from financing activities	<b>(256)</b>	(1,339)
<b>Net cash inflow from financing activities</b>	<b>10,195</b>	16,416
<b>Net increase in cash and cash equivalents</b>	<b>4,936</b>	36,330
Cash and cash equivalents at beginning of period	<b>225,715</b>	202,338
Effect of foreign exchange rate changes	<b>(2,899)</b>	(1,387)
<b>Cash and cash equivalents at end of period</b>	<b>227,752</b>	237,281
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>222,751</b>	237,281
Time deposits with original maturity of less than three months when placed	<b>5,001</b>	–
<b>Cash and cash equivalents at end of period</b>	<b>227,752</b>	237,281

The notes on pages 14 to 33 form part of these interim financial statements.

# Notes to the Unaudited Consolidated Financial Statements

## 1 GENERAL INFORMATION

The principal activities of the Company and its subsidiaries 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 the Stock Exchange.

These interim financial statements are presented in Hong Kong dollars, unless otherwise stated. These interim financial statements have been approved for issue by the Board on 28 August 2020.

## 2 BASIS OF PREPARATION

These interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

These interim financial statements are unaudited, but have been reviewed by KPMG 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 HKICPA.

## Notes to the Unaudited Consolidated Financial Statements

### 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the current accounting period:

- Amendments to HKFRS 3 *Definition of a Business*
- Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

#### **Amendments to HKFRS 3 *Definition of a Business***

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The amendments to HKFRS 3 do not have any material impact on the Group's financial statements.

#### **Amendment to HKFRS 16 *Covid-19-Related Rent Concessions***

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The amendment to HKFRS 16 does not have any material impact on the Group's financial statements.



## Notes to the Unaudited Consolidated Financial Statements

### 4 ESTIMATES

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgments 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 2019.

### 5 FINANCIAL RISK MANAGEMENT

#### (a) 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.

These interim financial statements do 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 2019.

#### (b) Liquidity Risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	30 June 2020			Carrying amount at 30 June 2020 HK\$'000
	Contractual undiscounted cash outflow			
	Within 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000	
Trade and bills payables	313,176	–	313,176	313,176
Other payables and accrued liabilities	95,465	–	95,465	95,465
Due to joint ventures	40,939	–	40,939	40,939
Bank loans	1,036,232	1,637	1,037,869	1,015,978
Lease liabilities	21,498	65,959	87,457	78,570
Dividends payable	43	–	43	43
	<b>1,507,353</b>	<b>67,596</b>	<b>1,574,949</b>	<b>1,544,171</b>

## Notes to the Unaudited Consolidated Financial Statements

### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Liquidity Risk (Continued)

	31 December 2019			Carrying amount at 31 December 2019 HK\$'000
	Contractual undiscounted cash outflow			
	Within 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000	
Derivative financial instruments	245	–	245	245
Trade and bills payables	254,770	–	254,770	254,770
Other payables and accrued liabilities	100,238	–	100,238	100,238
Due to joint ventures	36,822	–	36,822	36,822
Bank loans	996,432	5,481	1,001,913	975,677
Lease liabilities	20,600	74,512	95,112	83,949
Dividends payable	43	–	43	43
	1,409,150	79,993	1,489,143	1,451,744

#### (c) Fair Value Hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs



## Notes to the Unaudited Consolidated Financial Statements

### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Fair Value Hierarchy (Continued)

The following table presents the Group's financial assets that were measured at fair value at 30 June 2020.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss – non-current	–	–	24,444	24,444
Financial assets at fair value through profit or loss – current	16	–	–	16
Total assets	16	–	24,444	24,460

The following table presents the Group's financial assets and liabilities that were measured at fair value at 31 December 2019.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss – non-current	–	–	24,433	24,433
Financial assets at fair value through profit or loss – current	17	–	–	17
Total assets	17	–	24,433	24,450
<b>Liabilities</b>				
Derivative financial instruments:				
Interest rate swaps	–	245	–	245
Total liabilities	–	245	–	245

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.

## Notes to the Unaudited Consolidated Financial Statements

### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Fair Value Hierarchy (Continued)

Level 2 derivative financial instruments comprise interest rate swaps. Interest rate swaps were measured at fair value using forward interest rates extracted from observable yield curves.

Level 3 financial assets at fair value through profit or loss were measured at fair value using a discounted cash flow approach. The movement during the Period in the balance of Level 3 fair value measurement is as below:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>24,433</b>	23,936
Changes in fair value recognised in profit or loss during the Period	<b>188</b>	(126)
Exchange realignment	<b>(177)</b>	(29)
At 30 June	<b>24,444</b>	23,781

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.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from fair values as at 30 June 2020 and 31 December 2019.

## Notes to the Unaudited Consolidated Financial Statements

### 6 SEGMENT INFORMATION

As substantial business operations of the Group relate to the manufacturing, selling and distribution of electronic components, the Group's executive team, which is considered as the Chief Operating Decision Maker (the "CODM", comprising all Executive Directors and being headed by the Managing Director of the Company), 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:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Revenue	<b>667,810</b>	566,503
Gross profit	<b>94,645</b>	112,125
Gross profit margin (%)	<b>14.2%</b>	19.8%
EBITDA <sup>1</sup>	<b>44,973</b>	87,046
EBITDA margin (%)	<b>6.7%</b>	15.4%
Operating expenses <sup>2</sup>	<b>94,151</b>	99,262
Operating expenses/revenue (%)	<b>14.1%</b>	17.5%
(Loss)/profit for the period	<b>(16,920)</b>	24,536
Net (loss)/profit margin (%)	<b>(2.5%)</b>	4.3%

Notes:

1. EBITDA represents the earnings before interest expenses, tax, depreciation and amortisation.
2. Operating expenses represent the expenditure that the Group incurs as a result of performing its normal business operations, including selling and distribution costs, administrative expenses and net impairment loss on trade and other receivables.

## Notes to the Unaudited Consolidated Financial Statements

### 6 SEGMENT INFORMATION (CONTINUED)

The following tables present the revenue from external customers and specified non-current assets of the Group by geographical locations:

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
<b>Revenue from external customers by geographical locations</b>		
Hong Kong	45,516	40,808
Mainland China	454,932	372,249
Taiwan	94,382	85,640
Southeast Asia	21,244	18,302
Korea	1,091	1,422
United States	9,175	10,183
Europe	37,165	27,671
Other countries	4,305	10,228
	<b>667,810</b>	<b>566,503</b>
<b>Non-current assets by physical locations (excluding deferred tax assets and financial assets at fair value through profit or loss)</b>		
	<b>At 30 June 2020</b>	<b>At 31 December 2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	114,304	114,790
Mainland China	1,143,441	1,151,251
Other countries	220	234
	<b>1,257,965</b>	<b>1,266,275</b>

## Notes to the Unaudited Consolidated Financial Statements

### 7 REVENUE

The principal activities of the Group are the manufacturing and trading of electronic components and raw materials.

Revenue represents the net value of goods sold, after allowances for trade returns and discounts.

Disaggregation of revenue from contracts with customers by major product lines is as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Manufacturing and trading of electronic components	<b>667,810</b>	566,503

Disaggregation of revenue from contracts with customers by geographical markets is disclosed in Note 6. All revenue is recognised at a single point in time.

### 8 OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss on disposal of property, plant and equipment	<b>(3,058)</b>	(111)
Scrap sales	<b>159</b>	2,293
Government subsidies	<b>1,280</b>	2,863
Rental income generated from investment properties	<b>929</b>	1,175
Others	<b>1,391</b>	2,332
	<b>701</b>	8,552

### 9 OTHER NET (LOSSES)/GAINS

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividend income	<b>1</b>	2
Fair value gains on investment properties	<b>-</b>	13,379
Net foreign exchange losses	<b>(833)</b>	(2,589)
Fair value gains/(losses) on financial assets at fair value through profit or loss	<b>188</b>	(126)
Others	<b>290</b>	-
	<b>(354)</b>	10,666

## Notes to the Unaudited Consolidated Financial Statements

### 10 OPERATING PROFIT

The Group's operating profit is arrived at after charging/(crediting) the following:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation charge:		
Owned property, plant and equipment	<b>26,642</b>	29,189
Right-of-use assets	<b>9,170</b>	7,592
Amortisation of prepaid land premium	<b>734</b>	791
Amortisation of intangible assets	<b>120</b>	175
Write-down of inventories	<b>14,200</b>	–
Reversal of write-down of inventories	<b>(3,839)</b>	–
Net impairment loss on trade and other receivables:		
Additional impairment loss recognised	<b>2,746</b>	–
Impairment loss reversed	<b>(2,061)</b>	–
Loss on reimbursement right assets	<b>925</b>	–

### 11 CHANGES IN FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fair value losses on interest rate swaps	<b>(11)</b>	(179)

At 30 June 2020, all interest rate swap contracts were expired.

### 12 FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest expense on bank loans	<b>21,859</b>	16,696
Interest expense on lease liabilities	<b>1,842</b>	1,558
Others	<b>370</b>	533
	<b>24,071</b>	18,787
Less: Interest expenses capitalised into construction in progress	<b>(1,014)</b>	–
	<b>23,057</b>	18,787

## Notes to the Unaudited Consolidated Financial Statements

### 13 FINANCE INCOME

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Interest income from loan to a joint venture	2,445	2,332
Interest income from time deposits and bank balances	389	332
	<b>2,834</b>	<b>2,664</b>

### 14 INCOME TAX

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Current tax:		
Hong Kong	93	96
Outside Hong Kong	4,074	2,657
	<b>4,167</b>	2,753
Deferred tax	<b>(1,997)</b>	3,223
Total tax charge for the period	<b>2,170</b>	5,976

Hong Kong Profits Tax has been provided at the rate of 16.5% (30 June 2019: 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, three (30 June 2019: two) of the Group's subsidiaries in Mainland China enjoy a preferential tax rate of 15% (30 June 2019: 15%). Other subsidiaries of the Group in Mainland China are subject to income taxes at a statutory rate of 25% (30 June 2019: 25%).

Taxation for subsidiaries outside Hong Kong and Mainland China is charged at the appropriate current rates of taxation ruling in the relevant countries.

## Notes to the Unaudited Consolidated Financial Statements

### 15 (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\$17,750,000 (30 June 2019: profit of HK\$27,071,000), and the weighted average number of 475,548,000 (30 June 2019: 475,548,000) ordinary shares in issue during the Period.

The 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.

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as the Company's share options outstanding during the Period and the period ended 30 June 2019 were anti-dilutive ordinary shares.

### 16 DIVIDENDS

The Board has resolved not to declare interim dividend for the Period (30 June 2019: Nil).

### 17 PROPERTY, PLANT AND EQUIPMENT

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Opening net carrying amount at 1 January	<b>666,340</b>	575,604
Adjustment on initial application of HKFRS 16	–	70,170
Opening net carrying amount at 1 January per HKFRS 16	<b>666,340</b>	645,774
Additions:		
Owned property, plant and equipment	<b>35,277</b>	41,714
Right-of-use assets	<b>3,948</b>	–
Disposals	<b>(7,602)</b>	(635)
Depreciation:		
Owned property, plant and equipment	<b>(26,642)</b>	(29,189)
Right-of-use assets	<b>(9,170)</b>	(7,592)
Exchange realignment	<b>(8,675)</b>	(2,961)
Closing net carrying amount at 30 June	<b>653,476</b>	647,111

## Notes to the Unaudited Consolidated Financial Statements

### 18 PREPAID LAND PREMIUM

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Opening net carrying amount at 1 January	<b>59,084</b>	61,858
Amortisation	<b>(734)</b>	(791)
Exchange realignment	<b>(1,136)</b>	(230)
Closing net carrying amount at 30 June	<b>57,214</b>	60,837

### 19 INVESTMENT PROPERTIES

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Opening net carrying amount at 1 January	<b>158,256</b>	147,778
Gain on fair value adjustment	<b>-</b>	13,379
Exchange realignment	<b>(1,548)</b>	(398)
Closing net carrying amount at 30 June	<b>156,708</b>	160,759

The Group obtains independent valuations for its investment properties at least twice annually. During the Period, the valuations were performed by Ravia Global Appraisal Advisory Limited, an independent professionally qualified valuer using the same valuation techniques as were used by the valuers when carrying out the valuations at 31 December 2019. 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.

Fair value adjustment of investment properties is included in "Other Net (Losses)/Gains" in the consolidated statement of profit or loss (Note 9).

## Notes to the Unaudited Consolidated Financial Statements

### 19 INVESTMENT PROPERTIES (CONTINUED)

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements at 30 June 2020 categorised into		
	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements</b>			
Investment properties	-	-	156,708

	Fair value measurements at 31 December 2019 categorised into		
	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements</b>			
Investment properties	-	-	158,256

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



## Notes to the Unaudited Consolidated Financial Statements

### 20 TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2020 HK\$'000</b>	At 31 December 2019 HK\$'000
Trade receivables	<b>738,747</b>	697,380
Loss allowance	<b>(39,286)</b>	(39,496)
	<b>699,461</b>	657,884
Prepayments, deposits and other receivables	<b>107,846</b>	106,303
	<b>807,307</b>	764,187

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. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Credit risk was hedged mainly through credit insurance policies. Where the Group has the benefit of credit insurance, a separate asset is recognised for any expected reimbursement that would be virtually certain if a claim was to be made. As at the end of the reporting period, HK\$1,967,000 (31 December 2019: HK\$2,892,000) is included within "prepayments, deposits and other receivables" in current assets in respect of such expected reimbursements.

The Group categorises its trade receivables based on the ageing. Future cash flow for each group of trade receivables are estimated on the basis of historical loss experience, adjusted to effects of current conditions of each customer as well as forward looking information. For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies, they are assessed individually for impairment.

An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>At 30 June 2020 HK\$'000</b>	At 31 December 2019 HK\$'000
1-3 months	<b>592,308</b>	504,766
4-6 months	<b>83,353</b>	127,966
7-12 months	<b>21,555</b>	16,350
Over 1 year	<b>2,245</b>	8,802
	<b>699,461</b>	657,884

## Notes to the Unaudited Consolidated Financial Statements

### 21 TRADE AND BILLS PAYABLES

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

	<b>At 30 June 2020 HK\$'000</b>	At 31 December 2019 HK\$'000
Trade payables:		
1-3 months	<b>237,578</b>	218,866
4-6 months	<b>45,123</b>	10,564
7-12 months	<b>10,519</b>	11,897
Over 1 year	<b>14,356</b>	5,214
	<b>307,576</b>	246,541
Bills payables	<b>5,600</b>	8,229
	<b>313,176</b>	254,770

### 22 BANK LOANS

	<b>At 30 June 2020 HK\$'000</b>	At 31 December 2019 HK\$'000
Bank loans, unsecured, with repayable on demand clause, repayable:		
Within one year or on demand	<b>970,415</b>	935,720
In the second year	<b>29,758</b>	23,776
In the third to fifth years, inclusive	<b>15,805</b>	16,181
	<b>1,015,978</b>	975,677

Movement in bank loans is analysed as follows:

	<b>Six months ended 30 June 2020 HK\$'000</b>	2019 HK\$'000
Opening balance at 1 January	<b>975,677</b>	889,355
New borrowings	<b>1,050,605</b>	766,318
Repayments of borrowings	<b>(1,007,588)</b>	(722,907)
Exchange realignment	<b>(2,716)</b>	(1,091)
Closing balance at 30 June	<b>1,015,978</b>	931,675

## Notes to the Unaudited Consolidated Financial Statements

### 22 BANK LOANS (CONTINUED)

The Group is required to comply with certain restrictive financial covenants, including, inter alia, interest coverage ratios, net debt to EBITDA ratios and finance charge to EBITDA ratios. As at 30 June 2020, the Group breached certain covenant requirements in certain bank loans of HK\$482,252,000 from four banks and the related amounts have already been classified as current liabilities. The Group obtained the waiver letter issued by a bank before the end of the reporting period for one-off waiver from strict compliance with the covenant requirements in relation to outstanding bank loans of HK\$363,561,000 as at period end. The Group obtained the waiver letters from the other three banks after the end of the reporting period in relation to the outstanding bank loans of HK\$118,691,000 as at period end.

As at 31 December 2019, the Group breached two covenant requirements in certain bank loans of HK\$403,956,000 from two banks and the related amounts had already been classified as current liabilities. The Group obtained the waiver letter issued by a bank before the end of the reporting period for one-off waiver from strict compliance with the covenant requirements in relation to outstanding bank loans of HK\$373,956,000 as at year end. The Group obtained the waiver letter from another bank after the end of the reporting period in relation to the outstanding bank loans of HK\$30,000,000 as at year end.

### 23 SHARE CAPITAL

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
<b>Authorised:</b>		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
<b>Issued and fully paid:</b>		
475,547,534 (31 December 2019: 475,547,534) ordinary shares of HK\$0.10 each	47,555	47,555

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 2020 and 30 June 2020	475,547,534	47,555	165,458	213,013
At 1 January 2019 and 30 June 2019	475,547,534	47,555	165,458	213,013

No share options were exercised during the Period.

## Notes to the Unaudited Consolidated Financial Statements

## 24 RESERVES

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Mainland China reserve funds HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Balance at 1 January 2020</b>	165,458	1,621	2,800	102,573	73,282	62,846	(162)	903,612	1,312,030
Loss for the period	-	-	-	-	-	-	-	(17,750)	(17,750)
Other comprehensive income:									
Item that may be reclassified subsequently to profit or loss:									
Currency translation differences	-	-	-	-	(43,187)	-	-	-	(43,187)
Total comprehensive income for the period ended 30 June 2020	-	-	-	-	(43,187)	-	-	(17,750)	(60,937)
Employee share option scheme:									
Share options forfeited	-	(237)	-	-	-	-	-	237	-
<b>Balance at 30 June 2020</b>	<b>165,458</b>	<b>1,384</b>	<b>2,800</b>	<b>102,573</b>	<b>30,095</b>	<b>62,846</b>	<b>(162)</b>	<b>886,099</b>	<b>1,251,093</b>
	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Mainland China reserve funds HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Balance at 1 January 2019</b>	165,458	1,782	2,800	100,074	128,425	62,755	(162)	871,964	1,333,086
Profit for the period	-	-	-	-	-	-	-	27,071	27,071
Other comprehensive income:									
Item that may be reclassified subsequently to profit or loss:									
Currency translation differences	-	-	-	-	(8,852)	-	-	-	(8,852)
Total comprehensive income for the period ended 30 June 2019	-	-	-	-	(8,852)	-	-	27,071	18,219
<b>Balance at 30 June 2019</b>	<b>165,458</b>	<b>1,782</b>	<b>2,800</b>	<b>100,074</b>	<b>119,573</b>	<b>62,755</b>	<b>(162)</b>	<b>899,035</b>	<b>1,351,315</b>

## Notes to the Unaudited Consolidated Financial Statements

### 25 CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	<b>At 30 June 2020 HK\$'000</b>	At 31 December 2019 HK\$'000
Contracted, but not provided for:		
Plant and machinery	<b>51,581</b>	42,551
Buildings	<b>3,308</b>	15,652
Land	<b>1,116</b>	1,138
	<b>56,005</b>	59,341

### 26 RELATED PARTY TRANSACTIONS

As at 30 June 2020, Man Yue Holdings Inc. had a 44.09% equity interest in the Company as the single largest shareholder. The ultimate controlling party of this company is Ms Kee Chor Lin, the Chairman of the Company.

#### (a) During the Period, the Group had the Following Material Transactions with Its Joint Ventures:

	<b>Six months ended 30 June 2020 HK\$'000</b>	2019 HK\$'000
Purchases of raw materials <sup>1</sup>	<b>11,795</b>	14,006
Lease rental payment <sup>2</sup>	<b>5,573</b>	5,953
Interest income received <sup>3</sup>	<b>2,445</b>	2,332

Notes:

- The above purchases of raw materials were determined on the basis agreed by both parties and were conducted in the normal course of business.
- The Group entered into a lease in respect of the factory premises in Mainland China from a joint venture. The amount of rental payable by the Group under the lease is RMB1,000,330 per month, which was determined with reference to mark-to-market yield. At 30 June 2020, the Group recognised a right-of-use asset and a lease liability of HK\$41,108,000 and HK\$42,521,000 respectively (30 June 2019: a right-of-use asset and a lease liability of HK\$48,278,000 and HK\$48,823,000 respectively).
- The interest was charged at a rate of 4.90% (30 June 2019: 4.90%) per annum.

## Notes to the Unaudited Consolidated Financial Statements

### 26 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Period/Year-end Balances with the Group's Joint Ventures:

	<b>At 30 June 2020 HK\$'000</b>	At 31 December 2019 HK\$'000
Loan to a joint venture <sup>1</sup>	<b>135,844</b>	133,908
Due from joint ventures <sup>2</sup>	<b>31,205</b>	29,884
Due to joint ventures <sup>2</sup>	<b>40,939</b>	36,822

Notes:

1. Except for the loans amounting to HK\$107,024,000 (31 December 2019: HK\$105,088,000), which are interest-bearing at a rate of 4.90% (30 June 2019: 4.90%) per annum, the remaining loans to the joint venture are interest-free. Loan to a joint venture are unsecured and have no fixed terms of repayment.
2. The amounts due from and due to joint ventures are unsecured, interest-free and have no fixed terms of repayment.

#### (c) Remuneration for Key Management Personnel of the Group:

	<b>Six months ended 30 June 2020 HK\$'000</b>	2019 HK\$'000
Salaries and allowances	<b>7,720</b>	8,201
Pension scheme contributions	<b>95</b>	90
Total remuneration for key management personnel	<b>7,815</b>	8,291

### 27 IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures.

## Corporate Governance and Other Information

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

As at 30 June 2020, 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:

Directors	Capacity	Nature of interest	Interests in shares	Approximate percentage of the Company's issued share capital
Kee Chor Lin <sup>1</sup>	Interest of controlled corporation	Corporate	209,689,667	44.09%
Kee Chor Lin	Beneficial owner	Personal	51,006,334	10.73%
			<u>260,696,001</u>	<u>54.82%</u>
Chan Yu Ching, Eugene	Beneficial owner	Personal	4,716,666	0.99%

Note:

1. 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 section "Directors' Rights to Acquire Shares or Debentures", as at 30 June 2020, 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.

## Corporate Governance and Other Information

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

As at 30 June 2020, the interests and short positions of persons, other than Directors or chief executive of the Company, being 5% or more in the interest in the issued share capital of the Company as recorded in the register of interests required to be kept under Section 336 of Part XV of the SFO, are set out as below:

Long positions:

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Man Yue Holdings Inc.	Personal/Beneficial owner	209,689,667	44.09%

Save as disclosed above, as at 30 June 2020, 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.

### SHARE OPTION SCHEME

The Company adopted a share option scheme ("Share Option Scheme") on 26 May 2006 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and the same was revised on 27 May 2010. The life of such Share Option Scheme was expired on 25 May 2016. Subject to the exercise period, all options (to the extent not already exercised) granted prior to the expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

## Corporate Governance and Other Information

As at 30 June 2020, 1,460,000 (31 December 2019: 1,710,000) 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 and category of participants	As at 1 January 2020	Lapsed during the Period	As at 30 June 2020	Date of grant of share options	Exercise period of share options <sup>1</sup>	Exercise price of share options <sup>2</sup> HK\$ per share
Other employees						
In aggregate	860,000	(126,000)	734,000	15.9.2010	15.9.2011 to 14.9.2020	2.262
In aggregate	850,000	(124,000)	726,000	15.9.2010	15.9.2012 to 14.9.2020	2.262
	<u>1,710,000</u>	<u>(250,000)</u>	<u>1,460,000</u>			

Notes:

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.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the sections "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, 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 Directors 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.

### PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The Company has adopted the code provisions as its own code of corporate governance practices throughout the Period with the exception of the following deviation:

Pursuant to Code Provision A.4.1, non-executive directors and independent non-executive directors should be appointed for a specific term. Currently, all the Independent Non-executive Directors of the Company are not appointed for a specific term but are subject to the requirement of retirement by rotation at the annual general meetings of the Company under Bye-law 87 of the Bye-laws of the Company.

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 throughout the Period.

## Corporate Governance and Other Information

### COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as a code of conduct regulating Directors' dealings in securities of the Company. After having made specific enquiries by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the Period.

### AUDIT COMMITTEE AND SCOPE OF WORK OF KPMG

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee of the Company.

The interim financial statements for the six months ended 30 June 2020 are unaudited, but have been reviewed by the Company's auditor, KPMG, 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 HKICPA.

### INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the Period (30 June 2019: Nil).

### PUBLICATION OF 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 the website of the Company at [www.manyue.com](http://www.manyue.com). Existing shareholders of the Company will receive a free printed report by post by the Company's branch share registrar and transfer office. Potential investors who are interested in knowing more about the Company may download the interim report from the Company's website or to request a printed copy by giving a notice in writing to the Company or the Company's branch share registrar and transfer office, Tricolor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

### APPRECIATION

The Board would like to take this opportunity to express their sincere gratitude to all our employees for their loyalty and dedication and for the continuing support from our customers, suppliers, banks and shareholders.

**Kee Chor Lin**

*Chairman*

Hong Kong, 28 August 2020



## Glossary

Audit Committee	audit committee of the Company
Board	board of directors of the Company
Bye-laws	bye-laws of the Company
Company	Man Yue Technology Holdings Limited
Corporate Governance Code	Corporate Governance Code
COVID-19	coronavirus disease
Director(s)	director(s) of the Company
EBITDA	earnings before interest expenses, tax, depreciation and amortisation
Group	Company and its subsidiaries
HK	Hong Kong Special Administrative Region of the People's Republic of China
HK\$	Hong Kong dollar
HKAS	Hong Kong Accounting Standard
HKFRSs	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
Period	six months ended 30 June 2020
RMB	Renminbi
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited
%	per cent