



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

(Stock Code: 00894)

2014 Interim Report



We Listen
We Care
We Deliver

SAMXON[®]
Aluminum Electrolytic Capacitors

X-CON[®]
Conductive Polymer
Aluminum Solid Capacitors

XLPC[®]
Micro-Multilayer 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

(before 30 July 2014:
26 Burnaby Street
Hamilton HM 11, Bermuda)

**Branch Share Registrar and
Transfer Office**

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

(before 31 March 2014:
26/F., Tesbury Centre, 28 Queen's Road East
Wanchai, Hong Kong)

Corporate Website

<http://www.manyue.com>

Investor Relations Contact

E-mail: ir@manyue.com

Stock Code

00894



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS HIGHLIGHTS

- Revenue dropped slightly to HK\$597,732,000 from HK\$605,711,000 for the Corresponding Period
- Gross profit margin maintained at 22.8%, same as that of the Corresponding Period
- Operating profit rose by 45.0% to HK\$49,039,000, compared with HK\$33,813,000 for the Corresponding Period
- EBITDA of HK\$98,715,000, representing an EBITDA margin of 16.5%, compared with 17.7% for the Corresponding Period
- Profit for the Period amounted to HK\$32,838,000 (for the six months ended 30 June 2013: HK\$33,841,000), representing a net margin of 5.5%, compared with 5.6% for the Corresponding Period
- Net debt to equity ratio improved to 20.3%, compared with 28.3% as at 31 December 2013
- Declared interim dividend of 1.5 HK cents per share, compared with 2.0 HK cents per share for the Corresponding Period
- Net asset per share of HK\$3.24, compared with HK\$3.21 per share as at 31 December 2013

FINANCIAL RESULTS

The revenue of the Group for the Period dropped slightly to HK\$597,732,000, representing a decrease of 1.3% compared with that in the Corresponding Period. This is mainly due to the continuing adjustment of sales strategy to focus on our niche customers for the past few years.

Gross profit for the Period amounted to HK\$136,498,000, representing a decrease of 1.3% from that of the Corresponding Period. Gross profit margin maintained at 22.8%, despite the significant increase of manufacturing costs in Mainland China. Moreover, the increasing variety and utilisation of the internal-supplied raw materials contributed to the stabilisation of gross profit margin during the Period.

During the Period, the Group recognised a loss arising from changes in fair values of derivative financial instruments of HK\$3,175,000. 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.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group recognised a gain arising from the change in fair values of investment properties of HK\$75,000 (2013: HK\$9,162,000). The properties are intended to be held for long-term investment purposes with a stable cash inflow from rental income.

The Group's EBITDA amounted to HK\$98,715,000, representing an EBITDA margin of 16.5% and a drop of 1.2 percentage points from 17.7% for the Corresponding Period.

Profit for the Period amounted to HK\$32,838,000, representing a net margin of 5.5%. The Board has resolved to recommend an interim dividend of 1.5 HK cents per share (30 June 2013: 2.0 HK cents per share).

BUSINESS REVIEW

Market overview

The global demand for E-Caps and Polymer Caps only showed mild growth in the first half of 2014. The Group continues to be one of the major global suppliers of these two key safety electronic components in the market. Our flagship brand – SAMXON® still maintains a very strong market position in the niche market segment and enjoys good returns against the major Japanese E-Caps manufacturers. During the Period, the Polymer Caps continued to record growth in terms of sales volume and the spectrum of applications. We have been continuing our efforts in penetrating into the first-tier PRC domestic market and some major global electronic manufacturers. We expect a recovery of sales momentum in the consumer electronic and industrial sectors in the near future and increasing demand for our high-quality products.

With the recent launch of new policies by the PRC government in the last quarter of 2013, the market demand for the super-capacitors increased dramatically in the first half of 2014. The Group has benefited from this policy direction with its supply of EDLC to the new energy vehicles and new energy saving sectors. We are one of the few suppliers in the world to supply energy storage and saving products – EDLC and Powerfilm Capacitors. The Group expects the global demand for these particular electronic components will experience phenomenal growth in terms of volume and applications in the coming years. The Group is now preparing herself for this faster-than-expected strong market demand by boosting its production capacities and speeding up the human resources planning in order to capture this market potential.



MANAGEMENT DISCUSSION AND ANALYSIS

Operation review

The Group has successfully transformed from a single-product platform into a major global supplier of several critical electronic components including E-Caps, Polymer Caps, EDLC, Powerfilm Capacitors, MLPC, aluminum foils and chemicals in the past few years. The slight drop of sales revenue of the Group in the first half of 2014 was mainly due to the adjustment of production space and capacities for the emerging new ESS products – EDLC and Powerfilm Capacitors during the Period. Accordingly, there was a considerable impact to the overall contributions from our E-Caps product segment. However, the Group can still maintain its gross profit margin and operating cash flows by focusing on the niche market segment and customers during the Period.

E-Caps and Polymer Caps have extensive applications across a wide spectrum of consumer electronics and industrial sectors. The Group has recorded encouraging growth of Polymer Caps, long-life ballast for energy saving lamps, high-voltage screw type and high performance low equivalent series resistance E-Caps product series in the first half of 2014. Moreover, our innovative product – MLPC is keen going through the end customers' final product-approval process. With the Group's consistent commitment to improve the competitiveness of its production process and manufacturing costs, the E-Caps and Polymer Caps product segments continued to make steady contributions. Accordingly, we are able to allocate our resources mainly in R&D of new, innovative product series, as well as product engineering to enhance productivity and yield.

The Group has been investing in the development of new ESS products for many years. The ESS family provides a total solution for industrial power management and energy-storage applications such as wind and solar power system, new energy transportation equipment, power backup devices and national grid resource utilisation. The Group's ESS solutions enhance the Group's market position for low-carbon and new energy-related applications. The Group expects the market potential for EDLC, Powerfilm Capacitors and the second generation of super-capacitors products will be expanded sharply, following through the continuing commitment of the PRC government to the environmental protection. Accordingly, the Group is expanding its production capacities of EDLC and Powerfilm Capacitors in our Dongguan plant to align with this strategic move.

The Group made an announcement on 20 March 2014 that the Group is undergoing negotiations with the Management Committee of Qingyuan High-tech Industrial development Zone relating to a possible acquisition of the right to use a piece of land in Qingyuan High-tech Industrial Development Zone of Guangdong Province, the PRC. The Group considers the land for the time being to be used for the future development of our new energy saving and storage businesses, including but not limited to the research and development and the manufacturing of the EDLC, EDLC modules, MLPC, Powerfilm Capacitors and other new energy saving-related products. The Group will make further announcement on any updated progress, if any.

Research and Development

The Group's internal R&D team and research institute of new innovative electronic components and materials are complemented by its long-term R&D collaboration with various famous universities and critical research projects with large conglomerates in the PRC. We continue to recruit multi-discipline research professionals including energy storage, energy saving, energy management, material science, chemical engineering and mechanical engineering. This will strengthen our R&D competitiveness and enable the Group to stay at the forefront of technology and the industry.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group's total outstanding bank borrowings amounted to HK\$863,401,000 (31 December 2013: HK\$873,798,000), which comprised mainly bank loan and trade finance facilities. The maturity profile of the bank borrowings falling due within one year and in the second to the fifth year amounted to HK\$435,185,000 and HK\$428,216,000, respectively (31 December 2013: HK\$536,776,000 and HK\$337,022,000, respectively).

After deducting cash and cash equivalents of HK\$550,021,000 (31 December 2013: HK\$433,363,000 and those included in assets classified as held-for-sale HK\$6,783,000), the Group's net borrowing amounted to HK\$313,380,000 (31 December 2013: HK\$433,652,000). Shareholders' equity as at 30 June 2014 was HK\$1,546,955,000 (31 December 2013: HK\$1,531,331,000). Accordingly, the Group's net gearing ratio was 20.3% (31 December 2013: 28.3%).

During the Period, the Group's net cash inflow from operating activities amounted to HK\$173,156,000. It represented profit before tax of HK\$36,394,000, after adjustments for non-cash items, including adding back depreciation and amortisation of HK\$47,929,000, deducting share of results of joint ventures and an associate of HK\$1,065,000, adding net changes in working capital of HK\$109,560,000 and deducting other adjustments of HK\$19,662,000. The Group's net cash outflow from investing activities for the Period amounted to HK\$42,355,000, which included purchases and prepayments for property, plant and equipment of HK\$39,633,000 and adding back other adjustments of HK\$2,722,000.

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars 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 dollars 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.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2014, the Group employed 80 staff in Hong Kong (31 December 2013: 78) and employed a total work force of approximately 3,441 (31 December 2013: 2,823) inclusive of all its staff in Mainland China and overseas offices. The Group's remuneration policy is built on the principle of equitable, motivating, performance oriented and market-competitive remuneration packages to employees. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECTS

The overall global economy is still recovering with uncertainties. The Group expects the demand for electronic components will continue to show a mild growth trend, mainly driven by the economic growth in the emerging markets and the domestic markets in Mainland China. With the Group's three pillars of product families (namely E-Caps, Polymer Caps, ESS products) well in place, we will continue to widen the application spectrum for our E-Caps and Polymer Caps products and focus on the niche market to enhance the overall profitability. Aggressive cost control measures will consistently be implemented in order to offset the negative impact arising from the increasing manufacturing costs.

Moreover, we observed an encouraging growth momentum for our ESS family in the next couple of years. The PRC government commits to develop new energy, new materials, energy saving, environmental protection and new energy vehicles with various ongoing policies. This absolutely aligns with the Group's long-term strategy of developing new-energy-related electronic components and materials in the past and in the future. Our strength and commitment in innovative product development, together with our well-diversified product platform and extensive sales network, will enable the Group to capture the high-potential and high-margin sales growth of the new-energy segment in the next few years.

The Group will continue to maintain its prominent market position in the electronic component industry and remain as a key global supplier of new-energy components. The improving financial strength enables the Group to develop the emerging product segments with advanced and innovative technology. Our ongoing research and innovations in electronic components, aluminum foil technology and ESS total solution will enhance our overall competitiveness in the industry and global market.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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

(incorporated in Bermuda with limited liability)

羅兵咸永道

INTRODUCTION

We have reviewed the interim financial information set out on pages 11 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 2014 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



羅兵咸永道

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 August 2014



UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2014	2013
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	6 & 7	597,732	605,711
Cost of sales		(461,234)	(467,431)
Gross profit		136,498	138,280
Other income	8	4,957	4,054
Other gains/(losses), net	9	10,427	(134)
Selling and distribution costs		(31,224)	(30,075)
Administrative expenses		(71,619)	(78,312)
Operating profit	10	49,039	33,813
Changes in fair values of derivative financial instruments	11	(3,175)	9,741
Finance costs	12	(14,392)	(14,389)
Finance income	12	3,857	4,739
Share of results of joint ventures		1,189	2,799
Share of results of an associate		(124)	4,886
Profit before tax		36,394	41,589
Tax	13	(3,556)	(7,748)
Profit for the period		32,838	33,841
Profit attributable to:			
– Equity holders of the Company		32,665	34,302
– Non-controlling interests		173	(461)
		32,838	33,841
Earnings per share for profit attributable to the equity holders of the Company	14		
– Basic		6.82 HK cents	7.16 HK cents
– Diluted		6.82 HK cents	7.16 HK cents

The notes on pages 18 to 40 form an integral part of this unaudited condensed consolidated interim financial information.

	Notes	HK\$'000	HK\$'000
Dividends	15	7,189	9,582



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	32,838	33,841
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
– Change in fair value of an available-for-sale investment	78	114
– Currency translation differences	(9,928)	32,889
Other comprehensive income for the period, net of tax	(9,850)	33,003
Total comprehensive income for the period	22,988	66,844
Total comprehensive income attributable to:		
– Equity holders of the Company	22,860	67,223
– Non-controlling interests	128	(379)
	22,988	66,844

The notes on pages 18 to 40 form an integral part of this unaudited condensed consolidated interim financial information.



UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Notes			
Non-current assets			
	16	802,872	829,366
		31,081	31,753
	17	114,557	83,004
		2,278	1,877
		105,903	111,757
		78,799	69,797
		75,494	64,689
		11,850	12,258
		2,370	3,636
		11,248	10,281
Total non-current assets		1,236,452	1,218,418
Current assets			
		457,195	416,501
	18	321,029	396,305
		96,975	110,954
	25	102,791	104,076
	25	29,504	47,562
	25	30,794	33,214
		55	55
		11,583	8,438
		550,021	433,363
Assets classified as held-for-sale		1,599,947	1,550,468
		-	9,384
Total current assets		1,599,947	1,559,852
Current liabilities			
	19	265,009	184,876
		71,681	77,237
	25	15,265	47,273
	25	1,676	-
		4,980	5,864
		3,723	4,628
	20	435,185	536,776
		7,227	38
Liabilities classified as held-for-sale		804,746	856,692
		-	6
Total current liabilities		804,746	856,698
Net current assets		795,201	703,154
Total assets less current liabilities		2,031,653	1,921,572



UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at	
		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Total assets less current liabilities		2,031,653	1,921,572
Non-current liabilities			
Bank loans	20	428,216	337,022
Derivative financial instruments		11,272	10,931
Provision for long service payments		1,029	1,029
Deferred tax liabilities		26,550	20,779
Deferred income		12,778	13,069
Total non-current liabilities		479,845	382,830
Net assets		1,551,808	1,538,742
Equity			
Share capital	21	47,924	47,909
Reserves	22	1,491,842	1,476,236
Proposed dividend	15	7,189	7,186
Equity attributable to equity holders of the Company		1,546,955	1,531,331
Non-controlling interests		4,853	7,411
Total equity		1,551,808	1,538,742

The notes on pages 18 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 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



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 2013	47,909	1,378,792	1,426,701	4,905	1,431,606
	Profit for the period	-	34,302	34,302	(461)	33,841
	Other comprehensive income:					
	Items that may be reclassified subsequently to profit or loss					
	- Change in fair value of an available- for-sale investment	22	114	114	-	114
	- Currency translation differences	22	32,807	32,807	82	32,889
	Total comprehensive income for the period ended 30 June 2013	-	67,223	67,223	(379)	66,844
	Employee share option scheme:					
	- Share options forfeited	-	(1,931)	(1,931)	-	(1,931)
	Contribution by non-controlling interests	-	-	-	2,513	2,513
	2012 final dividend	22	(11,977)	(11,977)	-	(11,977)
	Balance at 30 June 2013	47,909	1,432,107	1,480,016	7,039	1,487,055

The notes on pages 18 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	173,156	44,284
Net cash outflow from investing activities	(42,355)	(66,973)
Net cash outflow from financing activities	(8,283)	(152,774)
Net increase/(decrease) in cash and cash equivalents	122,518	(175,463)
Cash and cash equivalents at beginning of period	433,363	625,400
Effects of foreign exchange rate changes, net	(5,860)	5,160
Cash and cash equivalents at end of period	550,021	455,097
Analysis of balances of cash and cash equivalents		
Cash and bank balances	361,859	455,097
Time deposits with original maturity of less than three months when acquired	188,162	–
Cash and cash equivalents	550,021	455,097

The notes on pages 18 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 trading of raw materials.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton 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 on 12 August 2014.

This unaudited condensed consolidated interim financial information has been reviewed, not audited.

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 unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, 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 2013, 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 2014 and have not been early adopted:

- HKAS 16 and HKAS 38 Amendment – Classification of Acceptable Methods of Depreciation and Amortisation²
- HKAS 19 (2011) Amendment – Defined Benefit Plans: Employee Contributions¹
- HKFRS 9 – Financial Instruments⁴
- HKFRS 11 Amendment – Accounting for Acquisitions of Interests in Joint Operations²
- HKFRS 14 – Regulatory Deferral Accounts²
- HKFRS 15 – Revenue from Contracts with Customers³
- Annual Improvements Project – Annual Improvements 2010-2012 Cycle¹
- Annual Improvements Project – Annual Improvements 2011-2013 Cycle¹

¹ Changes effective for annual periods beginning on or after 1 July 2014

² Changes effective for annual periods beginning on or after 1 January 2016

³ Changes effective for annual periods beginning on or after 1 January 2017

⁴ Changes effective date to be determined

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

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 unaudited 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 2013.

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 unaudited 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 2013.

There have been no changes in the risk management policies of the Group since the year ended 31 December 2013.



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 2014		
	Within 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Due to joint ventures	15,265	–	15,265
Due to an associate	1,676	–	1,676
Trade and bills payables	265,009	–	265,009
Other payables and accrued liabilities	71,533	–	71,533
Derivative financial instruments	4,980	11,272	16,252
Bank loans	452,504	438,734	891,238
Dividends payable	7,227	–	7,227
	818,194	450,006	1,268,200

	31 December 2013		
	Within 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Due to joint ventures	47,273	–	47,273
Trade and bills payables	184,876	–	184,876
Other payables and accrued liabilities	77,028	–	77,028
Derivative financial instruments	5,864	10,931	16,795
Bank loans	554,763	340,072	894,835
Dividends payable	38	–	38
	869,842	351,003	1,220,845



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 2014.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Available-for-sale investments	-	-	11,850	11,850
Financial assets at fair value through profit or loss	55	-	-	55
Total assets	55	-	11,850	11,905
Liabilities				
Derivative financial instruments:				
– Interest rate swap	-	16,252	-	16,252
Total liabilities	-	16,252	-	16,252



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 2013.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale investments	-	-	12,258	12,258
Financial assets at fair value through profit or loss	55	-	-	55
Total assets	55	-	12,258	12,313
Liabilities				
Derivative financial instruments:				
- Forward exchange contracts	-	811	-	811
- Interest rate swap	-	15,984	-	15,984
Total liabilities	-	16,795	-	16,795

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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
At 1 January	12,258	20,203
Change in fair value transfer to equity	78	114
Exchange realignment	(47)	217
Unrealised losses recognised in unaudited condensed consolidated income statement	(439)	(2,642)
At 30 June	11,850	17,892

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, selling and distribution of electronic components, the CODM makes decisions about resources allocation and performance assessment based on the entity-wide financial information. Accordingly, there is only one single reportable segment for the Group. Set out below is a summary list of key performance indicators reviewed by 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	597,732	605,711
Gross profit	136,498	138,280
Gross profit margin (%)	22.8%	22.8%
EBITDA ⁽ⁱ⁾	98,715	107,281
EBITDA margin (%)	16.5%	17.7%
Operating expenses ⁽ⁱⁱ⁾	102,843	108,387
Operating expenses/Revenue (%)	17.2%	17.9%
Profit for the Period	32,838	33,841
Net profit margin (%)	5.5%	5.6%
	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Total assets	2,836,399	2,778,270
Equity attributable to equity holders of the Company	1,546,955	1,531,331
Inventories	457,195	416,501
Inventory turnover days	163	147
Trade receivables	321,029	396,305
Trade receivables turnover days	89	109
Trade and bills payables	265,009	184,876
Trade and bills payables turnover days	94	65
Total interest-bearing debt	863,401	873,798
Cash and cash equivalents	550,021	433,363
Cash classified as assets held-for-sale	-	6,783
Net debt	313,380	433,652
Net debt to equity ratio (%)	20.3%	28.3%

Notes

- i: EBITDA represents the earnings before interest expense, 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 location:

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue		
Hong Kong	59,400	70,839
Mainland China	292,571	280,745
Taiwan	117,881	97,571
Southeast Asia	30,215	39,345
Korea	6,141	10,599
United States	32,585	38,765
Europe	29,342	29,414
Other countries	29,597	38,433
	597,732	605,711
	30 June	31 December
	2014	2013
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Non-current assets (excluding deferred tax assets and financial instruments)		
Hong Kong	139,308	140,147
Mainland China	995,010	985,666
Other countries	79,036	70,066
	1,213,354	1,195,879



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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Manufacturing and trading of electronic components	567,379	603,713
Trading of raw materials	30,353	1,998
	597,732	605,711

8 OTHER INCOME

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Subsidies from PRC government	1,921	2,114
Scrap sales	344	189
Rental income generated from investment properties	2,083	760
Others	609	991
	4,957	4,054



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 OTHER GAINS/(LOSSES), NET

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fair value gains on derivative financial instruments	1,122	2,237
Fair value gains on investment properties	75	9,162
Negative goodwill on acquisition of a subsidiary (Note 26)	7,622	–
Gain on disposal of a subsidiary	3,110	–
Impairment loss on available-for-sale investments	(439)	(2,642)
Foreign exchange differences, net	(1,063)	(8,891)
	10,427	(134)

10 OPERATING PROFIT

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating items		
Depreciation of property, plant and equipment	47,232	49,750
Amortisation of prepaid land premium	369	1,078
Amortisation of intangible assets	328	475

11 CHANGES IN FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fair value (losses)/gains on interest rate swap	(3,175)	9,741

At 30 June 2014, 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 expense 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest expense on bank loans repayable within five years	(12,633)	(14,389)
Others	(1,759)	–
	(14,392)	(14,389)
Interest income from loan to a joint venture	2,138	2,107
Interest income from term deposits and bank balances	1,719	2,632
	3,857	4,739

13 TAX

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current tax:		
Hong Kong	1,744	5,197
Mainland China	2,808	4,330
	4,552	9,527
Deferred tax	(996)	(1,779)
Total tax charge for the Period	3,556	7,748

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Period attributable to equity holders of the Company of HK\$32,665,000 (for the six months ended 30 June 2013: HK\$34,302,000), and the weighted average number of 479,167,000 (for the six months ended 30 June 2013: 479,090,000) ordinary shares in issue during the Period.

The calculation of diluted earnings per share for the Period is based on the profit attributable to equity holders of the Company of HK\$32,665,000 (for the six months ended 30 June 2013: HK\$34,302,000). The weighted average number of ordinary shares used in the calculation is 479,167,000 (for the six months ended 30 June 2013: 479,090,000) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of 59,000 (for the six months ended 30 June 2013: Nil) ordinary shares assumed to have 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 2013 amounted to HK\$7,189,000 was paid on Friday, 17 July 2014.

The Board has declared the payment of an interim dividend for the six months ended 30 June 2014 of 1.5 HK cents (for the six months ended 30 June 2013: 2.0 HK cents) per share, totaling HK\$7,189,000 which will be payable on or around Thursday, 25 September 2014 to shareholders whose names appear on the register of members of the Company on Friday, 12 September 2014. The register of members of the Company will be closed from Thursday, 11 September 2014 to Friday, 12 September 2014 (both dates inclusive).

16 PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Opening net carrying amount, 1 January	829,366	834,345
Additions	28,193	28,704
Disposals	(29)	(223)
Depreciation	(47,232)	(49,750)
Exchange realignment	(7,426)	13,994
Closing net carrying amount, 30 June	802,872	827,070



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 INVESTMENT PROPERTIES

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Opening net carrying amount, 1 January	83,004	65,341
Acquisition of a subsidiary	31,566	–
Fair value gains	75	9,162
Exchange realignment	(88)	29
Closing net carrying amount, 30 June	114,557	74,532

The Group obtains independent valuations for its investment properties at least annually. For the current 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/(losses), net” in the unaudited 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 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	–	–	114,557

	Fair value measurements at 31 December 2013		
	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	–	–	83,004

There were no transfers among Level 1, Level 2 and Level 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade receivables	329,878	404,463
Provision for impairment of trade receivables	(8,849)	(8,158)
	321,029	396,305

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 provision for doubtful debts, is as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Current and within payment terms	255,352	335,425
1 – 3 months past due	47,706	45,544
4 – 6 months past due	11,005	13,837
7 – 12 months past due	6,345	1,376
Over 1 year past due	621	123
	321,029	396,305



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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade payables:		
1 – 3 months	155,061	88,199
4 – 6 months	56,992	54,244
7 – 12 months	21,542	10,081
Over 1 year	6,331	11,044
	239,926	163,568
Bills payables	25,083	21,308
	265,009	184,876

20 BANK LOANS

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Non-current	428,216	337,022
Current	435,185	536,776
	863,401	873,798

Movement in bank loans is analysed as follows:

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Audited) HK\$'000
Opening balance, 1 January	873,798	1,050,883
New borrowings	341,334	100,000
Repayments of borrowings	(349,889)	(255,287)
Exchange realignment	(1,842)	–
Closing balance, 30 June	863,401	895,596



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 SHARE CAPITAL

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (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 2013: 479,089,534) ordinary shares of HK\$0.10 each	47,924	47,909

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

	Number of shares in issue	Issued capital HK\$'000	Share premium HK\$'000	Total HK\$'000
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
	Number of shares in issue	Issued capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2013 and 30 June 2013	479,089,534	47,909	167,707	215,616

Note:

Employee share option scheme: options exercised during the 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 Corresponding 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 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 an available-for-sale investment	-	-	-	-	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
2014 interim dividend	-	-	-	-	-	-	-	-	(7,189)	(7,189)
Balance at 30 June 2014	168,158	2,932	2,800	67,779	769	353,204	(162)	54,844	841,516	1,491,842



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 2013	167,707	5,420	2,800	60,541	356	303,198	157	53,362	785,251	1,378,792
Profit for the period	-	-	-	-	-	-	-	-	34,302	34,302
Other comprehensive income: Items that may be reclassified subsequently to profit or loss										
- Change in fair value of an available-for-sale investment	-	-	-	-	114	-	-	-	-	114
- Currency translation differences	-	-	-	-	-	32,807	-	-	-	32,807
Total comprehensive income for the period ended 30 June 2013	-	-	-	-	114	32,807	-	-	34,302	67,223
Employee share option scheme - Share options forfeited	-	(1,931)	-	-	-	-	-	-	-	(1,931)
2012 final dividend	-	-	-	-	-	-	-	-	(11,977)	(11,977)
2013 interim dividend	167,707	3,489	2,800	60,541	470	336,005	157	53,362	807,576	1,432,107
	-	-	-	-	-	-	-	-	(9,582)	(9,582)
Balance at 30 June 2013	167,707	3,489	2,800	60,541	470	336,005	157	53,362	797,994	1,422,525



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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Contracted, but not provided for:		
Plant and machinery	46,659	33,352
Buildings	736	743
Land	1,284	1,296
	48,679	35,391

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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	15,758	15,866
In the second to fifth years, inclusive	4,299	6,095
	20,057	21,961



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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	3,616	2,683
In the second to fifth years, inclusive	189	1,188
	3,805	3,871

25 RELATED PARTY TRANSACTIONS

As at 30 June 2014, 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 associate:

		For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
	Notes		
Purchase of raw materials from joint ventures	(i)	34,028	44,381
Purchase of finished goods from an associate	(i)	1,678	–
Sales of raw materials to an associate	(i)	30,353	1,998
Sales of finished goods to an associate	(i)	3,199	–
Rental expenses to a joint venture	(ii)	7,578	7,472
Interest income received from a joint venture	(iii)	2,138	2,107



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 associate: (Continued)

Notes:

- (i) The above purchases and sales of raw materials were determined on basis 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 5.81% (for the six months ended 30 June 2013: 6.19%) per annum.

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Loans to a joint venture ⁽ⁱ⁾	102,791	104,076
Due from joint ventures ⁽ⁱⁱ⁾	29,504	47,562
Due to joint ventures ⁽ⁱⁱ⁾	15,265	47,273
Due from an associate ⁽ⁱⁱ⁾	30,794	33,214
Due to an associate ⁽ⁱⁱ⁾	1,676	–

Notes:

- (i) Except for the loans amounting to HK\$73,971,000 (31 December 2013: HK\$75,256,000), which are interest-bearing at a rate of 5.81% (2013: 5.81%) 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, 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Salaries and allowances	7,968	8,348
Pension scheme contributions	70	78
Total remuneration for key management personnel	8,038	8,426



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.

The following table summarises the consideration paid for the acquisition, 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	<u>(28,389)</u>
Negative goodwill	<u>(7,622)</u>

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	<u>(209)</u>
Net assets	<u>28,389</u>



SUPPLEMENTARY INFORMATION

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

As at 30 June 2014, 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 directors	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 2014, 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 2014, 2,960,000 (2013: 3,110,000) 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 2014	Exercised during the period	As at 30 June 2014	Date of grant of share options	Exercise period of share options ¹	Exercise price of share options ² HK\$ per share
Directors						
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	100,000	(100,000)	-	8.8.2006	8.8.2006 to 25.5.2016	1.6
In aggregate	250,000	-	250,000	8.8.2006	8.8.2007 to 25.5.2016	1.6
In aggregate	1,140,000	(26,000)	1,114,000	15.9.2010	15.9.2011 to 14.9.2020	2.262
In aggregate	1,120,000	(24,000)	1,096,000	15.9.2010	15.9.2012 to 14.9.2020	2.262
	2,610,000	(150,000)	2,460,000			
	3,110,000	(150,000)	2,960,000			

Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- 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 2014, 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	38,312,000	7.99%
Dr. Jens Ehrhardt Kapital AG ("DJE AG")	1, 2 & 3	Corporate/Interest of controlled corporation	38,312,000	7.99%
Dr. Jens Alfred Karl Ehrhardt ("Dr. Ehrhardt")	2 & 3	Corporate/Interest of controlled corporation	38,312,000	7.99%
Rays Capital Partners Limited ("Rays Capital")	4 & 5	Investment manager	27,530,000	5.74%

Notes:

- DJE AG holds an 81% interest in DJE and is accordingly deemed to have interests in the shares held by DJE.
- Dr. Ehrhardt holds a 68.5% interest in DJE AG and is accordingly deemed to have interests in the shares held by DJE or deemed to be interested by DJE AG.
- The interests of DJE, DJE AG and Dr. Ehrhardt are in respect of the same 38,312,000 shares and duplicated each other.
- Rays Capital is held by two shareholders, namely Yip, Yok Tak Amy and Ruan, Ching Chi David, in equal proportion.
- On 11 July 2014, Rays Capital reduced its shareholding below 5% and ceased to be a substantial shareholder of the Company.

Save as disclosed above, as at 30 June 2014, 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 2013 annual report of the Company, there was a change in Directors' information which is reported as follows:

Mr. Mar, Selwyn had been a partner of Nexia Charles Mar Fan & Co. until 31 March 2014. He is currently a Director of Nexia Charles Mar Fan Limited.

Save as disclosed above, as at 30 June 2014, 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 provision in the Corporate Governance Code 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 and all of them are the 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) to determine 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) to make recommendations to the Board of the remuneration of non-executive Directors; and (iii) to establish a transparent procedure for developing policy on such remuneration. The Remuneration Committee comprises two INEDs and one executive Director. 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) to assist the Board to run effectively and the Company can go through a formal, fair and transparent process of reviewing the structure, size, composition and balance and effectiveness of the Board in light of the Board Diversity Policy, identifying the skills needed and appointing those who can provide them to the Board; (ii) to lead the process for the appointment of the Directors; and (iii) to identify and nominate suitable candidates for appointment to the Board. The Nomination Committee comprises three INEDs and two executive Directors 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 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 the Group's interim results announcement 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 has resolved to declare the payment of an interim dividend for the Period of 1.5 HK cents (2013: 2.0 HK cents) per ordinary share, totalling HK\$7,189,000, payable on or around Thursday, 25 September 2014 to shareholders whose names appear on the register of members of the Company on Friday, 12 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 11 September 2014 to Friday, 12 September 2014, both dates inclusive, during which period no transfer of shares and no share of the Company will be issued upon exercise of any subscription right attaching to the outstanding options issued by the Company will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 September 2014.

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 2014



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 and Corporate Governance Report 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 2013
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
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 2014
Polymer Caps	Conductive Polymer Aluminum Solid Capacitors
R&D	research and development
Rays Capital	Rays Capital Partners Limited
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