



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

(Stock Code: 00894)

**SAVE OIL, SAVE MINERALS, FRESH AIR,  
GREEN FUTURE, TOMORROW STARTS HERE**

**INTERIM REPORT 2016**



**SAMXON®**  
Aluminum Electrolytic Capacitors

**X-CON®**  
Conductive Polymer  
Aluminum Solid Capacitors

**XIPC®**  
Aluminum-Manganese 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 (resigned on 12 April 2016)

#### 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 (resigned on 12 April 2016)  
 Ng Sui Yin (appointed on 12 April 2016)

### Auditor

PricewaterhouseCoopers (retired on 12 May 2016)  
 KPMG (appointed on 12 May 2016)

### Principal Bankers

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

### Registered Office

Clarendon House, 2 Church Street  
 Hamilton HM 11, Bermuda

### Principal Place of Business

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



## CORPORATE INFORMATION

**Principal Share Registrar and  
Transfer Office**

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

**Branch Share Registrar and  
Transfer Office**

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

**Corporate Website**

<http://www.manyue.com>

**Investor Relations Contact**

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

**Stock Code**

00894



## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS HIGHLIGHTS

- Revenue dropped to HK\$403,448,000 from HK\$445,604,000 for the Corresponding Period
- Gross profit margin was 15.4%, compared with 15.3% for the Corresponding Period
- EBITDA of HK\$25,093,000, representing an EBITDA margin of 6.2%, compared with 5.5% for the Corresponding Period
- Loss for the Period was HK\$28,552,000, compared with HK\$46,800,000 for the Corresponding Period, representing a reduction of 39%
- Net debt to equity ratio was 31.4%, compared with 32.6% as at 31 December 2015
- Net assets per share was HK\$2.93, compared with HK\$2.93 per share as at 31 December 2015

### FINANCIAL RESULTS

The revenue of the Group for the Period dropped to HK\$403,448,000, representing a decrease of 9.5% compared with that in the Corresponding Period. This was mainly attributable to the intense pricing pressure imposed by our competitors as well as the weak demand of electronic components during the Period.

Gross profit for the Period amounted to HK\$62,321,000, representing a gross profit margin of 15.4%, compared with 15.3% for the Corresponding Period. Despite the decline in revenue, the Group's gross profit margin managed to maintain at the same level as the Corresponding Period mainly due to the implementation of stringent cost control measures during the Period.

The Group's EBITDA amounted to HK\$25,093,000, representing an EBITDA margin of 6.2%, compared with 5.5% for the Corresponding Period.

Loss for the Period was HK\$28,552,000, compared with HK\$46,800,000 for the Corresponding Period, representing a reduction of 39%. The Board has resolved not to declare interim dividend for the Period (for the Corresponding Period: Nil).



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Market overview

As essential components of electronic products, the Group's major products, E-Caps and Polymer Caps are extensively used in various electronic products' industries. Our global clientele includes leading brands in the consumer electronic and industrial sectors as well as home appliances, lightings and energy saving applications. For the six months ended 30 June 2016, the operating environment for capacitors continued to be challenging. Amid the slowdown of the global and China economy, the overall demand of electronic products remained weak. As a result, the Group's sales were inevitably affected. However, leveraging on our long-term relationship with customers and high-quality products, the Group's flagship brands – SAMXON® and X-CON® still maintain a very strong market position in the niche market segment. As such, the Group continues to be one of the key global suppliers in the electronic components' segment and expects a recovery of sales momentum in the consumer electronic and industrial sectors in the forthcoming future.

Development on the use of new energy remains a top agenda item for discussion in the international environmental and climatic summit. As one of the advocates in promoting new energy usage, the PRC government has been devoted in implementing various environmental policies and providing enormous support to take forward the development of new energies and related industries in the past decade. Following the success achieved in the 12th 5-Year Plan, green development continues to be the primary focus in the 13th 5-Year Plan. Within the plan, the PRC government has a target to further boost the investment in new energy businesses and related applications. Being one of the very few suppliers in the world with the ability to produce ESS products comprising EDLC and EDLC modules, the Group aims to provide a total solution for energy saving and storage applications. The Group is well-prepared to capture the phenomenal growth opportunities in this blue ocean new energy market.

### Operation review

The Group has successfully transformed from a single-product platform into a key global supplier of several critical electronic components, including E-Caps, Polymer Caps, EDLC, EDLC modules, Powerfilm and MLPC over the years. The Group currently consists of two main business pillars, namely the power based business and the energy storage based business (ESS product series). E-Caps, Polymer Caps, Powerfilm and MLPC are currently the four major products of the Group which belong to the power based business. During the period under review, the global economy stayed stagnant and directly hampered the demand of electronic sector in which E-Caps and Polymer Caps are the crucial components. Hence, the market demand of the power based business was unavoidably encumbered.

In view of the buoyant growth prospect of the new energy related industries in the global and the PRC market, the Group has been persistently committed in the R&D of the ESS product series which mainly comprise EDLC and EDLC modules. The Group's ESS product series can provide a total solution for industrial power management and energy-storage applications, effectively saving energy and lowering carbon emission for engine-operated machines. In the past few years, the Group's R&D department has successfully developed over 40 applications for the ESS product series in areas such as new energy vehicles, idling start-stop system, micro-grid, smart grid, wind turbine, elevator automatic rescue and energy saving device, energy regeneration system for rail transportation and port crane energy regeneration system. Most of the applications are currently undergoing customers' authentication and are in the preparatory stage for mass production with the objective of opening up new markets and capturing the first-mover advantage. The management believes that the ESS product series will become the Group's business growth driver in the years to come.



## MANAGEMENT DISCUSSION AND ANALYSIS

Resulting from the uncertain and unstable market conditions ahead, the Group has employed a two-pronged approach to maintain its profitability. On one hand, the Group has continued to streamline its production processes as well as to adjust its sales strategy by focusing on niche customers and eliminating low-margin products. On the other hand, the Group has exerted extra efforts in improving the competitiveness of its pioneering and high-quality products together with the bolstering R&D capabilities with an aim to enhance its market share and maintain a long-term relationship with its customers.

On 21 June 2016, the Group had completed increasing the shareholding in an associate - Luminous Town Electric Co., Ltd., a company incorporated in Taiwan, in which its principal businesses are the trading and manufacture of electrolytic capacitors. And the company became a non-wholly owned subsidiary of the Group. The Group believes that it will be benefited from this acquisition by extending its geographical footprint in Taiwan capacitors' market and at the same time creating positive synergy effect between the subsidiary company and the Group.

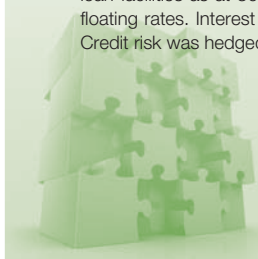
### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's total outstanding bank borrowings amounted to HK\$1,019,189,000 (31 December 2015: HK\$813,575,000), which comprised mainly bank loans and trade finance facilities. Despite the classification of HK\$48,333,000 as current loan portion due to the breach of financial covenant requirements of certain banking facilities, the Group has obtained one-off waivers from strict compliance with the financial covenant requirements in relation to all the outstanding bank borrowings, and the maturity profile of the bank borrowings in accordance with repayment terms stipulated in the loan agreements falling due within one year and in the second to the fifth year amounted to HK\$635,058,000 and HK\$384,131,000 respectively (31 December 2015: HK\$505,477,000 and HK\$308,098,000, respectively).

After deducting cash and cash equivalents of HK\$604,412,000 (31 December 2015: HK\$347,797,000 and time deposits over three months of HK\$11,936,000), the Group's net borrowings amounted to HK\$414,777,000 (31 December 2015: HK\$453,842,000). Shareholders' equity as at 30 June 2016 was HK\$1,321,473,000 (31 December 2015: HK\$1,391,978,000). Accordingly, the Group's net gearing ratio was 31.4% (31 December 2015: 32.6%).

As at 30 June 2016, the net current assets of the Group were HK\$691,685,000 (31 December 2015: HK\$574,453,000), which consisted of current assets of HK\$1,684,896,000 (31 December 2015: HK\$1,365,249,000) and current liabilities of HK\$993,211,000 (31 December 2015: HK\$790,796,000), representing a current ratio of 1.70 (31 December 2015: 1.73).

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 Hong Kong dollars remains pegged to the United States dollars, there is no material exchange risk in this respect. To manage the fluctuation of Renminbi, the Group has increased its revenue in the PRC in order to hedge against Renminbi payments. The Group is continuously monitoring its foreign exchange exposure in Japanese Yen and Renminbi mainly by entering into forward contracts. The Group's long-term bank loan facilities as at 30 June 2016 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2016, the Group employed 64 staff in Hong Kong (31 December 2015: 70) and employed a total work force of 2,602 (31 December 2015: 2,720) inclusive of all its staff in the PRC and overseas offices. The Group's remuneration policy is built on the principle of equitability with incentive-based, motivating, performance oriented and market-competitive remuneration packages for its employees. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses.

## OUTLOOK AND PROSPECTS

Facing with the political and economic uncertainties, the global economy will remain challenging in the second half of 2016. The Group anticipates that the power based business will be confronted with several key challenges, including continuous sluggish demand due to weak consumer sentiments and business environment as well as intense international confrontation resulting from currency fluctuations. To encounter these uncertainties, the Group will work diligently and implement the two-pronged approach – tightening cost control and upholding its product quality and R&D capabilities. Together with the contribution from the newly acquired subsidiary in Taiwan, the Group is confident that it will gradually ameliorate its profitability.

Despite the foreseeable economic uncertainty, new energy related industries are still an irreversible global trend. The PRC government shares the same vision with all leading national governments on protecting the environment by saving energy and reducing carbon emission. It has demonstrated its commitment and determination by boosting the investment in new energy related business development in the 13th 5-Year Plan. While the national policies are progressively in place, the Group has its competitive edge by having a well established and unique ESS product series platform ready to seize these enormous market opportunities. The Group expects the business growth from this segment will be ample upon the completion of its products' authentication by customers and is cautiously optimistic that the return from the ESS product platform will be materialised in the very near future.





# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



## 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 information set out on pages 9 to 38, which comprises the consolidated statement of financial position of Man Yue Technology Holdings Limited (the “Company”) as at 30 June 2016 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 other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report 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 report 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 report 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.

### CONCLUSION

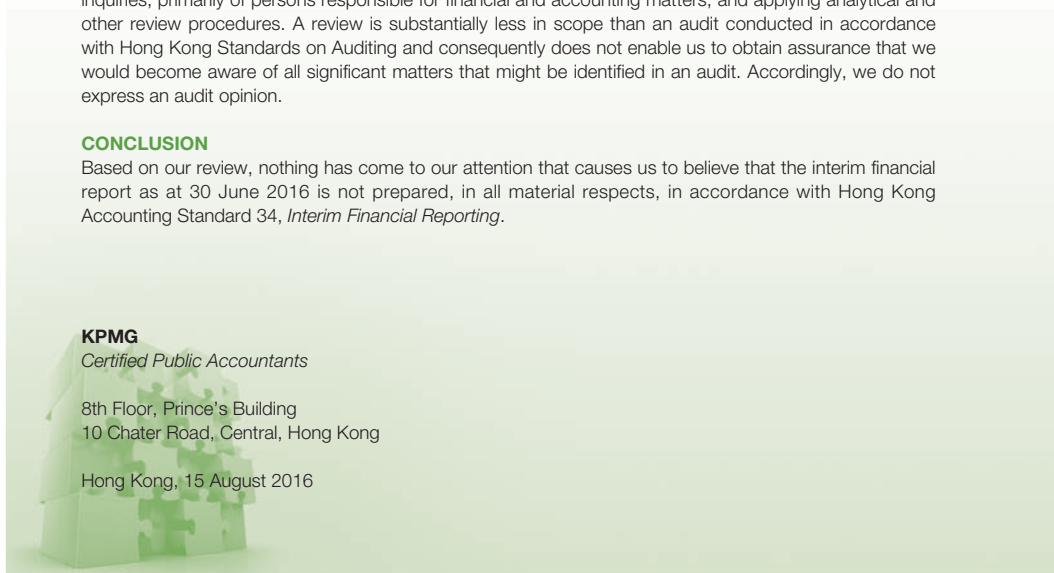
Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting*.

### KPMG

*Certified Public Accountants*

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

Hong Kong, 15 August 2016



# UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	Note	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>			
Revenue	6 & 7	<b>403,448</b>	445,604
Cost of sales		<b>(341,127)</b>	(377,443)
<b>Gross profit</b>		<b>62,321</b>	68,161
Other income	8	<b>3,172</b>	3,055
Other gains, net	9	<b>3,743</b>	3,900
Selling and distribution costs		<b>(23,057)</b>	(25,886)
Administrative expenses		<b>(62,726)</b>	(71,265)
<b>Operating loss</b>	10	<b>(16,547)</b>	(22,035)
Change in fair values of derivative financial instruments	11	<b>(3,216)</b>	(3,027)
Finance costs	12	<b>(13,286)</b>	(16,533)
Finance income	12	<b>2,661</b>	4,392
Share of results of joint ventures		<b>6,977</b>	(1,895)
Share of results of an associate		<b>(2,646)</b>	(1,450)
<b>Loss before tax</b>		<b>(26,057)</b>	(40,548)
Tax	13	<b>(2,495)</b>	(6,252)
<b>Loss for the period</b>		<b>(28,552)</b>	(46,800)
<b>Loss attributable to:</b>			
– Equity holders of the Company		<b>(28,513)</b>	(46,784)
– Non-controlling interests		<b>(39)</b>	(16)
		<b>(28,552)</b>	(46,800)
<b>Loss per share attributable to the equity holders of the Company</b>	14		
– Basic		<b>(6.00) HK cents</b>	(9.76) HK cents
– Diluted		<b>(6.00) HK cents</b>	(9.76) HK cents

The notes on pages 16 to 38 form an integral part of this interim financial report.



## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

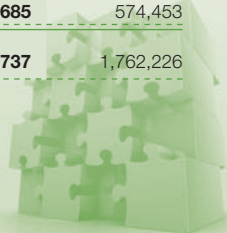
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period	<b>(28,552)</b>	(46,800)
<b>Other comprehensive (loss)/income:</b>		
Items that may be reclassified subsequently to profit or loss		
– Change in fair values of available-for-sale investments	<b>(274)</b>	49
– Currency translation differences	<b>(41,329)</b>	(3,445)
Other comprehensive loss for the period, net of tax	<b>(41,603)</b>	(3,396)
Total comprehensive loss for the period	<b>(70,155)</b>	(50,196)
Total comprehensive loss attributable to:		
– Equity holders of the Company	<b>(70,032)</b>	(50,196)
– Non-controlling interests	<b>(123)</b>	–
	<b>(70,155)</b>	(50,196)

The notes on pages 16 to 38 form an integral part of this interim financial report.



## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	686,156	711,069
Prepaid land premium		69,534	71,728
Investment properties	17	139,958	141,530
Intangible assets		2,894	1,113
Investments in joint ventures		100,309	95,916
Investment in an associate		–	72,438
Prepayments on purchases of property, plant and equipment		63,379	66,060
Available-for-sale investments		13,989	12,701
Other prepayments		1,805	1,822
Deferred tax assets		16,028	13,396
Total non-current assets		1,094,052	1,187,773
<b>Current assets</b>			
Inventories		457,175	463,518
Trade receivables	18	394,170	343,785
Prepayments, deposits and other receivables		82,314	62,140
Pledged deposits		13,988	–
Loans to a joint venture	25	101,969	96,989
Due from joint ventures	25	29,885	34,438
Due from an associate	25	–	3,651
Financial assets at fair value through profit or loss		45	51
Tax recoverable		938	944
Time deposits over three months		–	11,936
Cash and cash equivalents		604,412	347,797
Total current assets		1,684,896	1,365,249
<b>Current liabilities</b>			
Trade and bills payables	19	177,367	191,786
Other payables and accrued liabilities		105,777	64,045
Due to joint ventures	25	17,424	19,780
Derivative financial instruments		4,250	5,040
Tax payable		4,959	4,625
Bank loans	20	683,391	505,477
Dividends payable		43	43
Total current liabilities		993,211	790,796
<b>Net current assets</b>		691,685	574,453
<b>Total assets less current liabilities</b>		1,785,737	1,762,226



## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
<b>Total assets less current liabilities</b>		<b>1,785,737</b>	1,762,226
<b>Non-current liabilities</b>			
Bank loans	20	335,798	308,098
Derivative financial instruments		11,940	10,724
Provision for long service payments		593	554
Deferred tax liabilities		34,425	34,955
Deferred income		11,251	11,635
Total non-current liabilities		394,007	365,966
<b>Net assets</b>		<b>1,391,730</b>	1,396,260
<b>Equity</b>			
Share capital	21	47,555	47,624
Reserves	22	1,273,918	1,344,354
<b>Equity attributable to equity holders of the Company</b>		<b>1,321,473</b>	1,391,978
<b>Non-controlling interests</b>		<b>70,257</b>	4,282
<b>Total equity</b>		<b>1,391,730</b>	1,396,260

The notes on pages 16 to 38 form part of this interim financial report.



## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	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 2016</b>		47,624	1,344,354	1,391,978	4,282	1,396,260
Loss for the period		-	(28,513)	(28,513)	(39)	(28,552)
Other comprehensive loss:						
Items that may be reclassified subsequently to profit or loss						
- Change in fair values of available-for- sale investments	22	-	(274)	(274)	-	(274)
- Currency translation differences	22	-	(41,245)	(41,245)	(84)	(41,329)
<b>Total comprehensive loss for the period ended 30 June 2016</b>		-	(70,032)	(70,032)	(123)	(70,155)
Acquisition of a subsidiary	26	-	-	-	66,098	66,098
Shares repurchased	21	(69)	(404)	(473)	-	(473)
<b>Balance at 30 June 2016</b>		47,555	1,273,918	1,321,473	70,257	1,391,730



## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company			Non- controlling interests HK\$'000	Total equity HK\$'000
		Share capital HK\$'000	Reserves and proposed dividend HK\$'000	Total HK\$'000		
<b>Balance at 1 January 2015</b>		47,924	1,515,930	1,563,854	5,291	1,569,145
Loss for the period		-	(46,784)	(46,784)	(16)	(46,800)
Other comprehensive income/(loss):						
Items that may be reclassified subsequently to profit or loss						
– Change in fair values of available-for-sale investments	22	-	49	49	-	49
– Currency translation differences	22	-	(3,461)	(3,461)	16	(3,445)
<b>Total comprehensive loss for the period ended 30 June 2015</b>		-	(50,196)	(50,196)	-	(50,196)
Employee share option scheme:						
– Share options lapsed		-	(265)	(265)	-	(265)
2014 final dividend	22	-	(4,792)	(4,792)	-	(4,792)
<b>Balance at 30 June 2015</b>		47,924	1,460,677	1,508,601	5,291	1,513,892

The notes on pages 16 to 38 form part of this interim financial report.



## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow from operating activities	<b>2,360</b>	22,988
Net cash inflow from investing activities	<b>87,675</b>	1,700
Net cash inflow from financing activities	<b>169,373</b>	70,460
<b>Net increase in cash and cash equivalents</b>	<b>259,408</b>	95,148
Cash and cash equivalents at beginning of the period	<b>347,797</b>	400,839
Effects of foreign exchange rate changes, net	<b>(2,793)</b>	(935)
<b>Cash and cash equivalents at end of the period</b>	<b>604,412</b>	495,052
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>556,883</b>	234,681
Time deposits with original maturity of less than three months when acquired	<b>47,529</b>	260,371
<b>Cash and cash equivalents</b>	<b>604,412</b>	495,052

Note:

As a result of the reclassification of interest received and interest paid from cashflow from operating activities to cashflow from investing activities and cashflow from financing activities respectively, certain comparative figures have been adjusted to conform to current period's presentation.

The notes on pages 16 to 38 form an integral part of this interim financial report.





# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

## 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 the Stock Exchange.

This interim financial report is presented in Hong Kong dollars, unless otherwise stated. It was approved for issue by the Board on 15 August 2016.

The interim financial report is unaudited, but has 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.

## 2 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2016 has been prepared in accordance with HKAS 34, "Interim Financial Reporting". This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, 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 2015, as described in the annual financial statements except for the accounting policy changes that are expected to be reflected in the 2016 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.

The HKICPA has issued a number of amendments to HKFRS that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to HKFRS 2012-2014 Cycle
- Amendments to HKAS 1, Presentation of Financial Statements: Disclosure initiative

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods be prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

## 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 2016 and have not been early adopted:

- HKAS 12 Amendments – Recognition of deferred tax assets for unrealised losses<sup>1</sup>
- HKAS 7 Amendments – Statement of Cash Flows – Disclosure initiative<sup>1</sup>
- HKFRS 9 – Financial Instruments<sup>2</sup>
- HKFRS 15 – Revenue from Contracts with Customers<sup>2</sup>
- HKFRS 16 – Leases<sup>3</sup>

<sup>1</sup> Changes effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Changes effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Changes effective for annual periods beginning on or after 1 January 2019

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

## 4 ESTIMATES

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

In preparing this interim financial report, 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 2015.

## 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.

The interim financial report 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 2015.

There have been no changes in the risk management policies of the Group since the year ended 31 December 2015.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### (b) 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 end of the reporting period, based on the contractual undiscounted payments, was as follows:

	30 June 2016		
	Within 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Due to joint ventures	17,424	–	17,424
Trade and bills payables	177,367	–	177,367
Other payables and accrued liabilities	105,777	–	105,777
Derivative financial instruments	4,250	11,940	16,190
Bank loans	703,744	354,126	1,057,870
Dividends payable	43	–	43
	<b>1,008,605</b>	<b>366,066</b>	<b>1,374,671</b>

	31 December 2015		
	Within 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Due to joint ventures	19,780	–	19,780
Trade and bills payables	191,786	–	191,786
Other payables and accrued liabilities	63,730	–	63,730
Derivative financial instruments	5,040	10,724	15,764
Bank loans	523,129	317,899	841,028
Dividends payable	43	–	43
	<b>803,508</b>	<b>328,623</b>	<b>1,132,131</b>



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### (c) 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 were measured at fair value at 30 June 2016.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Available-for-sale investments	–	–	13,989	13,989
Financial assets at fair value through profit or loss	45	–	–	45
Total assets	45	–	13,989	14,034
<b>Liabilities</b>				
Derivative financial instruments:				
– Interest rate swaps	–	16,190	–	16,190
Total liabilities	–	16,190	–	16,190



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that were measured at fair value at 31 December 2015.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>				
Available-for-sale investments	–	–	12,701	12,701
Financial assets at fair value through profit or loss	51	–	–	51
<b>Total assets</b>	<b>51</b>	<b>–</b>	<b>12,701</b>	<b>12,752</b>
<b>Liabilities</b>				
Derivative financial instruments: – Interest rate swaps	–	15,764	–	15,764
<b>Total liabilities</b>	<b>–</b>	<b>15,764</b>	<b>–</b>	<b>15,764</b>

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 interest rate swaps. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### (c) 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:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>12,701</b>	13,881
Addition	<b>1,579</b>	–
Change in fair values transfer to equity	<b>(274)</b>	49
Exchange realignment	<b>(17)</b>	(3)
Unrealised losses recognised in consolidated statement of profit or loss	–	(1,698)
At 30 June	<b>13,989</b>	12,229

For majority of level 2 and level 3 financial instruments, the Group obtains independent valuations from independent professionally qualified valuers and banks 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 REPORT

## 6 SEGMENT INFORMATION (Continued)

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Revenue	<b>403,448</b>	445,604
Gross profit	<b>62,321</b>	68,161
Gross profit margin (%)	<b>15.4%</b>	15.3%
EBITDA <sup>(i)</sup>	<b>25,093</b>	24,505
EBITDA margin (%)	<b>6.2%</b>	5.5%
Operating expenses <sup>(ii)</sup>	<b>85,783</b>	97,151
Operating expenses/revenue (%)	<b>21.3%</b>	21.8%
Loss for the period	<b>(28,552)</b>	(46,800)
Net loss margin (%)	<b>(7.1%)</b>	(10.5%)
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Total assets	<b>2,778,948</b>	2,553,022
Equity attributable to equity holders of the Company	<b>1,321,473</b>	1,391,978
Inventories (Finished goods only)	<b>210,245</b>	187,514
Inventory turnover days (Finished goods only)	<b>101</b>	86
Trade receivables	<b>394,170</b>	343,785
Trade receivables turnover days	<b>154</b>	129
Trade and bills payables	<b>177,367</b>	191,786
Trade and bills payables turnover days	<b>85</b>	88
Total interest-bearing debt	<b>1,019,189</b>	813,575
Cash and cash equivalents	<b>604,412</b>	347,797
Time deposits over three months	<b>–</b>	11,936
Net debt	<b>414,777</b>	453,842
Net debt to equity ratio (%)	<b>31.4%</b>	32.6%

### Notes:

<sup>(i)</sup> EBITDA represents earnings before interest expenses, tax, depreciation and amortisation.

<sup>(ii)</sup> 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 REPORT

### 6 SEGMENT INFORMATION (Continued)

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Hong Kong	54,125	56,702
The PRC	225,286	221,451
Taiwan	55,225	83,097
Southeast Asia	11,514	20,092
Korea	1,742	2,687
United States	17,725	16,973
Europe	16,331	27,609
Other countries	21,500	16,993
	<b>403,448</b>	<b>445,604</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets (exclude deferred tax assets and financial instruments)</b>		
Hong Kong	132,120	133,843
The PRC	931,710	955,182
Other countries	205	72,651
	<b>1,064,035</b>	<b>1,161,676</b>





## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

### 7 REVENUE

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

An analysis of revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Manufacturing and trading of electronic components	<b>402,919</b>	438,414
Trading of raw materials	<b>529</b>	7,190
	<b>403,448</b>	445,604

### 8 OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Subsidies from the PRC government	<b>298</b>	316
Scrap sales	<b>47</b>	57
Rental income generated from investment properties	<b>2,338</b>	2,262
Others	<b>489</b>	420
	<b>3,172</b>	3,055



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

### 9 OTHER GAINS, NET

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fair value gains on derivative financial instruments	–	584
Fair value (losses)/gains on investment properties	<b>(497)</b>	1,290
Reversal of other payable	<b>4,698</b>	2,456
Impairment loss on available-for-sale investments	–	(1,698)
Foreign exchange differences, net	<b>(458)</b>	1,268
	<b>3,743</b>	3,900

### 10 OPERATING LOSS

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Operating items</b>		
Depreciation of property, plant and equipment	<b>36,688</b>	47,292
Amortisation of prepaid land premium	<b>788</b>	839
Amortisation of intangible assets	<b>388</b>	389

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fair value losses on interest rate swap	<b>(3,216)</b>	(3,027)

At 30 June 2016, 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 REPORT

## 12 FINANCE COSTS AND FINANCE INCOME

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Interest expenses on bank loans repayable within five years	(11,913)	(13,989)
Others	(1,373)	(2,544)
	<b>(13,286)</b>	<b>(16,533)</b>
Interest income from loan to a joint venture	2,174	2,142
Interest income from time deposits and bank balances	487	2,250
	<b>2,661</b>	<b>4,392</b>

## 13 TAX

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Current tax:		
Hong Kong	614	1,758
The PRC	2,098	1,803
	<b>2,712</b>	<b>3,561</b>
Deferred tax	(217)	2,691
	<b>2,495</b>	<b>6,252</b>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 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 the PRC, certain Company's subsidiaries in the PRC enjoy tax exemptions. And certain subsidiaries in the PRC are subject to income taxes at applicable rates ranging from 20% to 25%.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

### 14 LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the Period attributable to equity holders of the Company of HK\$28,513,000 (for the Corresponding Period: HK\$46,784,000), and the weighted average number of 475,566,000 (for the Corresponding Period: 479,240,000) in issue during the Period.

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

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

### 15 DIVIDENDS

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

### 16 PROPERTY, PLANT AND EQUIPMENT

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	<i>HK\$'000</i>
Opening net carrying amount, 1 January	<b>711,069</b>	793,139
Additions	<b>4,138</b>	24,443
Acquisition of a subsidiary	<b>20,627</b>	–
Disposals	<b>(157)</b>	(2)
Depreciation	<b>(36,688)</b>	(47,292)
Exchange realignment	<b>(12,833)</b>	238
Closing net carrying amount, 30 June	<b>686,156</b>	770,526



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

## 17 INVESTMENT PROPERTIES

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Opening net carrying amount, 1 January	<b>141,530</b>	138,872
Fair value (losses)/gains	<b>(497)</b>	1,290
Exchange realignment	<b>(1,075)</b>	26
Closing net carrying amount, 30 June	<b>139,958</b>	140,188

The Group obtains independent valuations for its investment properties at least annually. In the Period, the valuations were performed by Memfus Wong Surveyors Limited and Roma Appraisals Limited, independent professionally qualified valuers using the same valuation techniques as were used by these valuers when carrying out the December 2015 valuations. At the end of each reporting period, the directors updated their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determined a property's value within a range of reasonable fair value estimates.

The fair value of investment properties are generally derived using the direct comparison approach, which basically uses the comparable sales transactions as available in the relevant market to derive fair value of the 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.

For the investment property under development, its fair value is derived using the residual approach. Thus valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs, land premium, together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

### 17 INVESTMENT PROPERTIES (Continued)

The valuation (losses)/gains is included in "Other gains, net" in the consolidated statement of profit or loss (Note 9). The following table analyses the investment properties carried at fair value by valuation method.

	Fair value measurements at 30 June 2016		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements Investment properties	-	-	139,958

	Fair value measurements at 31 December 2015		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements Investment properties	-	-	141,530

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

### 18 TRADE RECEIVABLES

	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Trade receivables	410,515	352,923
Provisions for impairment of trade receivables	(16,345)	(9,138)
	<b>394,170</b>	<b>343,785</b>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

### 18 TRADE RECEIVABLES (Continued)

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 end of the reporting period, based on the payment due date and net of provisions for doubtful debts, is as follows:

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Current and within payment terms:	<b>289,250</b>	240,797
1-3 months past due	<b>83,668</b>	82,967
4-6 months past due	<b>7,362</b>	2,908
7-12 months past due	<b>2,902</b>	773
Over 1 year past due	<b>10,988</b>	16,340
	<b>394,170</b>	343,785

### 19 TRADE AND BILLS PAYABLES

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

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Trade payables:		
1-3 months	<b>106,800</b>	98,048
4-6 months	<b>39,101</b>	35,176
7-12 months	<b>8,908</b>	1,239
Over 1 year	<b>9,404</b>	8,197
	<b>164,213</b>	142,660
Bills payables	<b>13,154</b>	49,126
	<b>177,367</b>	191,786



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

### 20 BANK LOANS

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Bank loans, repayable:		
Within one year, with reference to the repayment schedule	<b>635,058</b>	505,477
Within one year, related to borrowings with breached covenants In the second year	<b>48,333</b>	–
In the third to fifth years, inclusive	<b>234,824</b>	262,970
	<b>100,974</b>	45,128
	<b>1,019,189</b>	813,575
Portion classified as current liabilities	<b>(683,391)</b>	(505,477)
Non-current portion	<b>335,798</b>	308,098

As at 30 June 2016, the Group breached the covenant requirements of certain banking facilities. HK\$1,019 million (30 June 2015: HK\$945 million) of such banking facilities has been utilised as at 30 June 2016, of which HK\$48 million (30 June 2015: HK\$438 million) has been reclassified from non-current liabilities to current liabilities as a result of the breach. The Group has obtained one-off waivers from strict compliance with the covenant requirements in relation to all the outstanding bank borrowings classified as non-current liabilities at the period end.

Movement in bank loans is analysed as follows:

	<b>Six months ended 30 June 2016 HK\$'000</b>	2015 HK\$'000
Opening balance, 1 January	<b>813,575</b>	857,865
Acquisition of a subsidiary	<b>22,315</b>	–
New borrowings	<b>481,061</b>	355,435
Repayments of borrowings	<b>(297,929)</b>	(268,178)
Exchange realignment	<b>167</b>	(96)
Closing balance, 30 June	<b>1,019,189</b>	945,026





# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

## 21 SHARE CAPITAL

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
<b>Authorised:</b>		
1,000,000,000 ordinary shares of \$0.10 each	<b>100,000</b>	100,000
<b>Issued and fully paid:</b>		
475,547,534 (31 December 2015: 476,239,534) ordinary shares of \$0.10 each	<b>47,555</b>	47,624

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

	<b>Number of shares in issue</b>	<b>Issued capital HK\$'000</b>	<b>Share premium HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2016	<b>476,239,534</b>	<b>47,624</b>	<b>165,862</b>	<b>213,486</b>
Shares repurchased	<b>(692,000)</b>	<b>(69)</b>	<b>(404)</b>	<b>(473)</b>
At 30 June 2016	<b>475,547,534</b>	<b>47,555</b>	<b>165,458</b>	<b>213,013</b>
At 1 January 2015 and 30 June 2015	<b>479,239,534</b>	<b>47,924</b>	<b>168,158</b>	<b>216,082</b>

No share options were exercised during the Period.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

## 22 RESERVES

	Share premium	Share option	Contributed surplus	Asset revaluation reserve	Available-for-sale investments revaluation reserve	Exchange fluctuation reserve	Other reserve	PRC reserve funds	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2016</b>	165,862	2,525	2,800	76,537	1,625	232,183	(162)	55,930	807,054	1,344,354
Loss for the period	-	-	-	-	-	-	-	-	(28,513)	(28,513)
Other comprehensive loss:										
Items that may be reclassified subsequently to profit or loss										
- Change in fair values of available-for-sale investments	-	-	-	-	(274)	-	-	-	-	(274)
- Currency translation differences	-	-	-	-	-	(41,245)	-	-	-	(41,245)
<b>Total comprehensive loss for the period ended 30 June 2016</b>	-	-	-	-	(274)	(41,245)	-	-	(28,513)	(70,032)
Employee share option scheme										
- Share options expired	-	(364)	-	-	-	-	-	-	364	-
Share repurchased	(404)	-	-	-	-	-	-	-	-	(404)
<b>Balance at 30 June 2016</b>	165,458	2,161	2,800	76,537	1,351	190,938	(162)	55,930	778,905	1,273,918



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

## 22 RESERVES (Continued)

	Share premium HK\$'000	Share option HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Available-for-sale investments revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Other reserve HK\$'000	PPC reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Balance at 1 January 2015</b>	168,158	2,932	2,800	72,855	1,049	381,344	(162)	55,479	851,475	1,515,930
Loss for the period	-	-	-	-	-	-	-	-	(46,784)	(46,784)
Other comprehensive income/(loss):										
Items that may be reclassified subsequently to profit or loss										
- Change in fair values of available-for-sale investments	-	-	-	-	49	-	-	-	-	49
- Currency translation differences	-	-	-	-	-	(3,461)	-	-	-	(3,461)
Total comprehensive income/(loss) for the period ended					49	(3,461)	-	-	(46,784)	(50,196)
30 June 2015	-	-	-	-	49	(3,461)	-	-	(46,784)	(50,196)
Employee share option scheme										
- Share options lapsed	-	(265)	-	-	-	-	-	-	-	(265)
2014 final dividend	-	-	-	-	-	-	-	-	(4,792)	(4,792)
<b>Balance at 30 June 2015</b>	168,158	2,667	2,800	72,855	1,098	357,883	(162)	55,479	799,899	1,460,677



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

### 23 COMMITMENTS

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

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
<b>Authorised, but not contracted for:</b>		
Building, plant and machinery	<b>396,105</b>	404,095
<b>Contracted, but not provided for:</b>		
Plant and machinery	<b>17,281</b>	18,473
Buildings	<b>683</b>	697
Land	<b>1,193</b>	1,217
	<b>19,157</b>	20,387

### 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 end of the reporting period:

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Within one year	<b>12,807</b>	12,974
In the second to fifth years, inclusive	<b>40</b>	–
	<b>12,847</b>	12,974



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

## 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:

	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Within one year	3,556	3,927
In the second to fifth years, inclusive	293	1,894
	<b>3,849</b>	5,821

## 25 RELATED PARTY TRANSACTIONS

As at 30 June 2016, Man Yue Holdings Inc. had a 44.09% equity interest in the Company as the single largest shareholder. The ultimate controlling party of the 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 and an associate:

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Purchases of raw materials from joint ventures	(i)	9,442	19,264
Sales of raw materials to an associate	(i)	529	7,190
Sales of finished goods to an associate	(i)	1,384	3,818
Rental expenses to a joint venture	(ii)	7,074	7,593
Interest income received from a joint venture	(iii)	2,174	2,142

Notes:

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



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

## 25 RELATED PARTY TRANSACTIONS (Continued)

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

	Note	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Loans to a joint venture	(i)	101,969	96,989
Due from joint ventures	(ii)	29,885	34,438
Due to joint ventures	(ii)	(17,424)	(19,780)
Due from an associate	(ii)	–	3,651

Notes:

- (i) Except for the loans amounting to HK\$73,150,000 (31 December 2015: HK\$68,169,000), which are interest-bearing at a rate of 6.15% (2015: 6.15%) per annum, the remaining loans to the joint venture are interest-free. Loans to a joint venture are unsecured and have no fixed terms of repayment.
- (ii) The amounts due from and due 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:

	Six months ended 30 June 2016 HK\$'000	2015 HK\$'000
Salaries and allowances	6,879	7,381
Pension scheme contributions	72	73
Total remuneration for key management personnel	6,951	7,454



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

### 26 BUSINESS COMBINATION

The Group acquired the 15.74% equity interest of Luminous Town Electric Co., Ltd., with goodwill of HK\$3,000 in the Period.

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

	As at 21 June 2016 HK\$'000
Purchase consideration to be settled in cash	25,318
Forfeited share of an associate as purchase consideration	69,411
Total purchase consideration	94,729
Fair value of net assets acquired – shown as below	(94,726)
Goodwill	3

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

	Fair value on date of acquisition HK\$'000
Property, plant and equipment	20,627
Intangible assets	2,165
Prepayments on purchases of property, plant and equipment	283
Deferred tax assets	2,599
Inventories	27,780
Trade receivables	82,272
Prepayments, deposits and other receivables	20,443
Pledged deposits	13,988
Cash and cash equivalents	83,436
Trade and bills payables	(37,640)
Other payables and accrued liabilities	(32,745)
Tax payable	(30)
Bank loans – current portion	(21,112)
Bank loans – non current portion	(1,203)
Provision for long service payments	(39)
	(160,824)
Non-controlling interests	(66,098)
Net assets	94,726



## SUPPLEMENTARY INFORMATION

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

As at 30 June 2016, the interests and short positions of the Directors or chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Name of director	Note	Capacity, nature of interest and number of shares and underlying shares held				Approximate percentage of the Company's issued share capital
		Capacity	Nature of interest	Interest in shares	Interest in share options	
Kee Chor Lin	1	Interest of controlled corporation	Corporate	209,689,667	-	44.09%
Kee Chor Lin		Beneficial owner	Personal	51,006,334	-	10.73%
				260,696,001	-	54.82%
Chan Yu Ching, Eugene		Beneficial owner	Personal	4,716,666	-	0.99%
Wong Ching Ming, Stanley		Beneficial owner	Personal	-	500,000	0.11%

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 2016, 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 2016, 2,280,000 (31 December 2015: 2,530,000) share options remained outstanding under the Share Option Scheme and the details of the movements of the said outstanding share options are as follows:

Name or category of participants	As at 1 January 2016	Expired during the Period	As at 30 June 2016	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
<b>Director</b>						
Wong Ching Ming, Stanley	250,000	-	250,000	15.9.2010	15.9.2011 to 14.9.2020	2.262
	250,000	-	250,000	15.9.2010	15.9.2012 to 14.9.2020	2.262
	500,000	-	500,000			
<b>Other employees</b>						
In aggregate <sup>3</sup>	250,000	(250,000)	-	8.8.2006	8.8.2007 to 25.5.2016	1.6
In aggregate	896,000	-	896,000	15.9.2010	15.9.2011 to 14.9.2020	2.262
In aggregate	884,000	-	884,000	15.9.2010	15.9.2012 to 14.9.2020	2.262
	2,030,000	(250,000)	1,780,000			
	2,530,000	(250,000)	2,280,000			

#### 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.
- 250,000 share options at an exercise price of HK1.60 per share were expired on 25 May 2016 due to the expiry of the share option scheme which was adopted by the Company on 26 May 2006.



## SUPPLEMENTARY INFORMATION

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

As at 30 June 2016, 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	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	44.09%

Save as disclosed above, as at 30 June 2016, 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.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company repurchased a total of 692,000 shares on the Stock Exchange at an aggregate consideration of HK\$473,560 for the Period. All the repurchased shares were cancelled subsequently pursuant to Rule 10.06 of the Listing Rules. Particulars of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price		Aggregate consideration paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2016	692,000	0.70	0.68	473,560

Save as disclosed above, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.



## SUPPLEMENTARY INFORMATION

### OTHER CHANGES IN DIRECTORS' INFORMATION

There have been some changes in Directors' information during the Period which are reported as follows:

- 1) Mr. Yeung Yuk Lun resigned from the offices of executive director, chief financial officer and company secretary of the Company with effect from 12 April 2016; and
- 2) Mr. Lo Kwok Kwei, David retired from the offices of independent non-executive director and member of audit committee of ENM Holdings Limited with effect from 3 June 2016.

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

### CORPORATE GOVERNANCE PRACTICES

The Group has complied with the applicable code provisions in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules throughout the Period with the exception of the following deviations:

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

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

### COMPLIANCE WITH THE MODEL CODE

The Group has adopted the Model Code to govern securities transactions by the Directors. After having made specific enquiry by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the Period.

### AUDIT COMMITTEE

The Audit Committee comprises three members, namely Mr. Mar Selwyn, Dr. Li Sau Hung, Eddy and Mr. Lo Kwok Kwei, David and all of them are INEDs. None of them is employed by or otherwise affiliated with the former or existing auditors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the internal control of the Group in the interim financial report for the Period.



## SUPPLEMENTARY INFORMATION

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

Although, an internal audit department has been established to provide assurance to the Board and management on the effectiveness of internal controls. In order to further enhance independence and competency, the Company is in the course of considering outsourcing internal audit functions.

### REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed this interim report for the Period and the Company's external auditor, KPMG, 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 HKICPA.

### 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 free printed report 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 not to declare interim dividend for the Period (for the Corresponding Period: nil).

### APPRECIATION

The Board would like to take this opportunity to express its gratitude to all our employees 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, 15 August 2016



## GLOSSARY

Audit Committee	audit committee of the Company
Board	the board of directors of the Company
Board Diversity Policy	board diversity policy of the Company
Bye-laws	bye-laws of the Company
CODM	Chief Operating Decision Maker
Company	Man Yue Technology Holdings Limited
Corporate Governance Code	the Corporate Governance Code as contained in Appendix 14 to the Listing Rules
Corresponding Period	six months ended 30 June 2015
Director(s)	director(s) of the Company
EBITDA	earnings before interest expense, tax, depreciation and amortisation
E-Caps	Aluminum Electrolytic Capacitors
EDLC	Electric Double Layer Capacitors
ESS	Energy Storage System
Group	Company and its subsidiaries
HK cents	Hong Kong cents
HK\$	Hong Kong dollar
HKAS	Hong Kong Accounting Standard
HKFRS	Hong Kong Financial Reporting Standard
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	Hong Kong Special Administrative Region of the PRC
INED(s)	Independent non-executive director(s) of the Company



## GLOSSARY

Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
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	nomination committee of the Company
Period	six months ended 30 June 2016
Polymer Caps	Conductive Polymer Aluminum Solid Capacitors
PRC	People's Republic of China, which for the purpose of this report does not include Hong Kong, Macau and Taiwan
R&D	research and development
Remuneration Committee	remuneration committee of the Company
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Share Option Scheme	share option scheme adopted by the Company on 26 May 2006 and revised on 27 May 2010
Stock Exchange	The Stock Exchange of Hong Kong Limited

