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INTERIM REPORT

2017



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

(Stock Code: 00894)

SAMXON®
Aluminum Electrolytic Capacitors

X-CON®
Conductive Polymer
Aluminum Solid Capacitors

XLPC®
Multilayer X-Ray 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*)
Chan Tat Cheong, Alan
Wong Ching Ming, Stanley

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Ng Sui Yin

Auditor

KPMG

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
China CITIC Bank International Limited
The 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

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

(before 11 May 2017:
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

www.manyue.com

Investor Relations Contact

E-mail: ir@manyue.com

Stock Code

00894



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS HIGHLIGHTS

- Revenue increased to HK\$538,466,000 from HK\$403,448,000 for the Corresponding Period
- Gross profit margin was 21.3%, compared with 15.4% for the Corresponding Period
- EBITDA was HK\$74,012,000, representing an EBITDA margin of 13.7%, compared with 6.2% for the Corresponding Period
- Profit for the Period was HK\$19,537,000, compared with a loss of HK\$28,552,000 for the Corresponding Period
- Net gearing ratio was 40.5%, compared with 41.8% as at 31 December 2016
- Net assets per share was HK\$2.91, compared with HK\$2.76 per share as at 31 December 2016

FINANCIAL RESULTS

The Group's revenue for the six months ended 30 June 2017 had recorded a strong growth of 33.5% to HK\$538,466,000 as compared with the Corresponding Period in last year. The increase was mainly attributable to a successful change in the Group's business strategy as well as the gradual recovery of the global economy which had a positive impact on the electronics industry.

Benefiting from the economies of scale in production resulting from the surge in revenue, gross profit for the Period amounted to HK\$114,770,000, representing an increase of 84.2% when compared with that of the Corresponding Period of HK\$62,321,000. Gross profit margin had also improved significantly to 21.3% from 15.4% of the Corresponding Period.

Following the sharp rise in gross profit as well as fair value gains on investment properties, the Group had a turnaround financial performance for the Period with a profit for the Period of HK\$19,537,000 in contrast with a loss of HK\$28,552,000 for the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Market overview

In the first half of 2017, the global economy showed signs of recovery and in particular, the PRC, had undergone a solid economic growth leading to a good sentiment in the electronics market. Well-known for its high quality products and well-established customer network, the Group has remained as one of the major global suppliers in the electronic components' segment. The Group's major products, E-Caps, Polymer Caps, MLPC and EDLC, have been widely used in various electronic products and energy saving applications. This year, the Group has further implemented its global supply chain diversification and customer-orientated product development strategy, and successfully achieved a strong growth in revenue.

Following the PRC government's strong commitment in environmental protection, the Group believes that the development of new energy related industries will continue to be an inevitable trend in the Mainland China. Since the Group is one of the very few suppliers with the capability to produce ESS products comprising EDLC and EDLC modules, and related solutions for energy-saving and storage applications, the Group is therefore well positioned to capture the business opportunities in this market sector.

Operation review

Over all these years, the Group has been recognized as a major global supplier of several critical electronic components, namely E-Caps, Polymer Caps, EDLC, EDLC modules, Power Film Capacitors and MLPC. During the Period, revenue of the Group surged by over 33% mainly due to its change in business strategy by focusing on potential emerging market sectors as well as customers with market leadership. This allows the Group to keep abreast of the latest market trend for its product development and thus enabling it to capture larger and more sizable orders. In addition, the Group has also focused more on advanced high value-added products in order to enhance profitability as well as the research, development and promotion of new innovative products which can suit the forthcoming market need in terms of emerging high volume.

In view of the booming new energy related industries in both the global and the PRC market, the Group has been committed in developing its ESS product series and applications. The Group's ESS product series are applicable in areas including new energy vehicles, smart grid, wind turbine and energy regeneration system for rail transportation and port crane. Trial orders have already been placed by various industry leaders to test the products on site. The Group is currently working diligently on each customer's specifications for longer term collaborations.

MANAGEMENT DISCUSSION AND ANALYSIS

On 3 January 2017, the Group further increased its equity shareholding in a non-wholly owned Taiwanese subsidiary, Luminous Town, by 3.99% at a consideration of TWD26,680,000. As a result, the Group has currently an effective shareholding in Luminous Town of 62.89% as at 30 June 2017.

On 8 May 2017, Searange Investment Limited, a wholly-owned subsidiary of the Group, sold an investment property at China Aerospace Centre, No. 143 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong at a consideration of HK\$75,000,000. The disposal would provide a good opportunity for the Group to realize its investment at a gain, and to further enhance its financial position with more working capital and other possible investment opportunities.

On 19 June 2017, the Group entered into a non-legally binding memorandum of understanding with an independent third party which is a company whose shares are listed on the Shenzhen Stock Exchange in respect of a possible disposal of assets held by its wholly-owned subsidiary used for the production of aluminum foil in China in return for an issue of shares by the latter party. Further announcement in relation to this transaction will be made to the public as and when necessary.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group has cash and cash equivalents of HK\$231,637,000 (31 December 2016: HK\$283,116,000) and time deposits over three months to maturity when placed of HK\$5,464,000 (31 December 2016: HK\$7,775,000), most of which were either denominated in United States dollars, Renminbi or Hong Kong dollars. Total outstanding bank borrowings of the Group amounted to HK\$769,714,000 (31 December 2016: HK\$809,748,000) which comprised mainly bank loans and trade finance facilities. The bank borrowings with maturities falling due within one year and in the second to the fifth year amounted to HK\$584,136,000 and HK\$185,578,000 respectively (31 December 2016: HK\$559,815,000 and HK\$249,933,000 respectively).

Total interest-bearing borrowings of the Group as at 30 June 2017 comprising bank loans and trade finance facilities were HK\$769,714,000 (31 December 2016: HK\$809,748,000). Most of these borrowings were either denominated in United States dollars or Hong Kong dollars to which the interest rates applied were primarily subject to floating interest rate.

As at 30 June 2017, the net gearing ratio (a ratio of the sum of total bank borrowings less cash and cash equivalents and time deposits with banks then divided by total equity) of the Group was 40.5% (31 December 2016: 41.8%).

As at 30 June 2017, the net current assets of the Group were HK\$532,005,000 (31 December 2016: HK\$480,048,000), which comprised of current assets of HK\$1,450,658,000 (31 December 2016: HK\$1,345,713,000) and current liabilities of HK\$918,653,000 (31 December 2016: HK\$865,665,000), representing a current ratio of 1.58 (31 December 2016: 1.55).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's financial statements are presented in Hong Kong dollars. However, most of the Group's transactions were conducted in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. The Group is aware of the potential foreign exchange currency risk that may arise from the fluctuation of exchange rates between Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. In order to mitigate this risk, the Group had entered into foreign currency forward contracts to manage its foreign currency exposure.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2017, the Group employed 56 staff in Hong Kong (31 December 2016: 62) and employed a total work force of 2,645 (31 December 2016: 2,574) 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 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

Continuing the modest growth trend in the first half of 2017, global and China economies are expected to keep on an upturn path in the second half. Noticing the robust market demand of certain electronic products, the Group will, on one hand, continue to penetrate the global supply chain of those emerging markets while remaining its focus on the international leading electronic brands, in order to boost sales volume and profitability. On the other hand, the Group will pursue its strong commitment in research and development so as to uphold its product innovation and competitiveness. In order to optimise its operating efficiency, the Group will continuously re-assess its business structure and resource allocation.

The PRC government has shown great determination in environmental protection via energy saving and reduction of carbon emission. The Group shares the same vision with the central government and invested in the development of ESS product series over the past years. The Group is delighted that several applications of EDLC and EDLC modules have been well-received by the market and entered the stage of commercialisation. As a result, the Group is optimistic that it is well positioned to capture the ample business opportunities arising from this emerging market sector.

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 45, which comprises the consolidated statement of financial position of Man Yue Technology Holdings Limited (the "Company") as of 30 June 2017 and the related consolidated income statement, statement of comprehensive income and condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of 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 enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 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, 18 August 2017

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenue	6 & 7	538,466	403,448
Cost of sales		(423,696)	(341,127)
Gross profit		114,770	62,321
Other income	8	3,772	3,172
Other gains, net	9	17,004	3,743
Selling and distribution costs		(28,080)	(23,057)
Administrative expenses		(61,869)	(61,386)
Impairment loss on trade and other receivables		(1,915)	(1,340)
Operating profit/(loss)	10	43,682	(16,547)
Changes in fair values of derivative financial instruments	11	(3,554)	(3,216)
Finance costs	12	(15,028)	(13,286)
Interest revenue	12	2,000	2,661
Share of results of joint ventures		153	6,977
Share of results of an associate		-	(2,646)
Profit/(loss) before tax		27,253	(26,057)
Income tax	13	(7,716)	(2,495)
Profit/(loss) for the period		19,537	(28,552)
Profit/(loss) attributable to:			
– Equity holders of the Company		18,859	(28,513)
– Non-controlling interests		678	(39)
Profit/(loss) for the period		19,537	(28,552)
Profit/(loss) per share attributable to equity holders of the Company	14		
– Basic		3.97 HK cents	(6.00) HK cents
– Diluted		3.97 HK cents	(6.00) HK cents

The notes on pages 16 to 45 form an integral part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Profit/(loss) for the period	19,537	(28,552)
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss:		
– Changes in fair values of available-for-sale investments	–	(274)
– Currency translation differences	63,866	(41,329)
Other comprehensive income/(loss) for the period, net of tax	63,866	(41,603)
Total comprehensive income/(loss) for the period	83,403	(70,155)
Total comprehensive income/(loss) attributable to:		
– Equity holders of the Company	79,512	(70,032)
– Non-controlling interests	3,891	(123)
Total comprehensive income/(loss) for the period	83,403	(70,155)

The notes on pages 16 to 45 form an integral part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	16	580,984	625,220
Prepaid land premium		66,949	65,699
Investment properties	17	134,054	150,396
Intangible assets		2,429	2,401
Investments in joint ventures		100,473	96,461
Prepayments on purchases of property, plant and equipment		58,448	56,570
Financial assets at fair value through profit or loss		18,256	14,462
Loans to a joint venture	25	104,017	100,077
Other prepayments		1,793	1,768
Deferred tax assets		16,170	16,400
Total non-current assets		1,083,573	1,129,454
Current assets			
Inventories		540,710	456,560
Trade receivables	18	489,998	480,920
Prepayments, deposits and other receivables		162,999	86,715
Due from joint ventures	25	18,100	26,782
Financial assets at fair value through profit or loss		39	45
Net defined benefit retirement assets		934	879
Tax recoverable		777	2,921
Time deposits with banks		5,464	7,775
Cash and cash equivalents		231,637	283,116
Total current assets		1,450,658	1,345,713
Current liabilities			
Trade and bills payables	19	207,708	183,419
Other payables and accrued liabilities		89,460	93,429
Due to joint ventures	25	28,574	19,751
Derivative financial instruments		4,440	3,875
Tax payable		4,292	5,333
Bank loans	20	584,136	559,815
Dividends payable		43	43
Total current liabilities		918,653	865,665

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Net current assets		532,005	480,048
Total assets less current liabilities		1,615,578	1,609,502
Non-current liabilities			
Bank loans	20	185,578	249,933
Derivative financial instruments		4,924	4,119
Provision for long service payments		188	188
Deferred tax liabilities		32,309	32,084
Deferred income		10,776	10,603
Total non-current liabilities		233,775	296,927
Net assets		1,381,803	1,312,575
Equity			
Share capital	21	47,555	47,555
Reserves	22	1,266,653	1,194,855
Equity attributable to equity holders of the Company		1,314,208	1,242,410
Non-controlling interests		67,595	70,165
Total equity		1,381,803	1,312,575

The notes on pages 16 to 45 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				
	Share capital	Reserves and proposed dividend (Note 22)	Total	Non- controlling interests	Total equity
		HK\$'000			
Balance at 1 January 2017	47,555	1,194,855	1,242,410	70,165	1,312,575
Adjustment on initial application of HKFRS 9	-	(7,714)	(7,714)	-	(7,714)
Adjusted balance at 1 January 2017	47,555	1,187,141	1,234,696	70,165	1,304,861
Profit for the period	-	18,859	18,859	678	19,537
Other comprehensive income: Items that may be reclassified subsequently to profit or loss: - Currency translation differences	-	60,653	60,653	3,213	63,866
Total comprehensive income for the period ended 30 June 2017	-	79,512	79,512	3,891	83,403
Acquisition of non-controlling interest without a change in control	-	-	-	(6,461)	(6,461)
Balance at 30 June 2017	47,555	1,266,653	1,314,208	67,595	1,381,803

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the Company				
	Share capital	Reserves and proposed dividend (Note 22)	Total	Non- controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2016	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 value of an available-for-sale investment	-	(274)	(274)	-	(274)
- Currency translation differences	-	(41,245)	(41,245)	(84)	(41,329)
Total comprehensive loss for the period ended 30 June 2016	-	(70,032)	(70,032)	(123)	(70,155)
Acquisition of a subsidiary	-	-	-	66,098	66,098
Shares repurchased	(69)	(404)	(473)	-	(473)
Balance at 30 June 2016	47,555	1,273,918	1,321,473	70,257	1,391,730

The notes on pages 16 to 45 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(78,352)	2,360
Net cash inflow from investing activities	69,723	87,675
Net cash (outflow)/inflow from financing activities	(55,516)	169,373
Net (decrease)/increase in cash and cash equivalents	(64,145)	259,408
Cash and cash equivalents at beginning of period	283,116	347,797
Effects of foreign exchange rate changes, net	12,666	(2,793)
Cash and cash equivalents at end of period	231,637	604,412
Analysis of balances of cash and cash equivalents		
Cash and bank balances	187,971	556,883
Time deposits with original maturity of less than three months when acquired	43,666	47,529
Cash and cash equivalents	231,637	604,412

The notes on pages 16 to 45 form an integral part of this interim financial report.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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 incorporated in Bermuda with limited liability. 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 of Directors on 18 August 2017.

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

This interim financial information for the six months ended 30 June 2017 has been prepared in accordance with applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with HKAS 34 *Interim Financial Reporting* issued by the HKICPA.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the early adoption of HKFRS 9 issued in July 2014 and accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 3.

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGE IN ACCOUNTING POLICY

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial information.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for early adoption of HKFRS 9 *Financial Instruments*.

HKFRS 9 *Financial Instruments*

The Group has early adopted HKFRS 9 *Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2017. The requirements of HKFRS 9 represent a significant change from HKAS 39 *Financial instruments: Recognition and Measurement*.

The key changes to the Group's accounting policies resulting from its adoption of HKFRS 9 are summarised below.

As a result of the adoption of HKFRS 9, the Group adopted consequential amendments to HKAS 1 *Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the income statement and statement of comprehensive income. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted consequential amendments to HKFRS 7 *Financial instruments: Disclosures* that are applied to disclosures about 2017 but generally have not been applied to comparative information.

i Classification of financial assets and financial liabilities

HKFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under HKFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous HKAS 39 categories of held to maturity, loans and receivables and available for sale. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of HKFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGE IN ACCOUNTING POLICY (Continued)

HKFRS 9 *Financial Instruments* (Continued)

ii **Impairment of financial assets**

HKFRS 9 replaces the 'incurred loss' model in HKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, lease receivables and debt investments at FVOCI, but not to investments in equity instrument. Under HKFRS 9, credit losses are recognised earlier than under HKAS 39.

iii **Transition**

The general principle of HKFRS 9 is to apply the standard retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. For the new classification and measurement requirements, the Group has elected for the exception from the requirement to restate comparative information as set out in the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Changes in accounting policies resulting from the adoption of HKFRS 9 (2014) have been applied retrospectively, as described below.

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings as at 1 January 2017. Also, the available-for-sale investments revaluation reserve was transferred to retained earnings as a result of adopting HKFRS 9. Accordingly, the information presented for 2016 does not generally reflect the requirements of HKFRS 9 and therefore is not comparable to the information presented for 2017 under HKFRS 9.
- As an exception, the following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGE IN ACCOUNTING POLICY (Continued)

HKFRS 9 *Financial Instruments* (Continued)

iii *Transition (Continued)*

The following table summarises the impact, net of tax, of transition to HKFRS 9 on reserves and retained earnings at 1 January 2017.

	Impact of adopting HKFRS 9 at 1 January 2017 HK\$'000
Available-for-sale investments revaluation reserve	
Closing balance under HKAS 39 (31 December 2016)	1,879
Reclassification of available-for-sale investments revaluation reserve under HKFRS 9	(1,879)
	<hr/>
Opening balance under HKFRS 9 (1 January 2017)	–
Retained earnings	
Closing balance under HKAS 39 (31 December 2016)	792,985
Recognition of expected credit losses under HKFRS 9	(7,714)
Reclassification of available-for-sale investments revaluation reserve under HKFRS 9	1,879
	<hr/>
Opening balance under HKFRS 9 (1 January 2017)	787,150

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGE IN ACCOUNTING POLICY (Continued)

HKFRS 9 Financial Instruments (Continued)

iv Classification of financial assets and financial liabilities on the date of initial application of HKFRS 9

The following table shows the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2017.

	Note	Original classification under HKAS 39	New classification under HKFRS 9	Original carrying amount under HKAS 39 HK\$'000	New carrying amount under HKFRS 9 HK\$'000
Financial assets					
Loans to a joint venture		Loans and receivables	Amortised cost	100,077	100,077
Unlisted equity securities		Available-for-sale	FVTPL	1,177	1,177
Insurance policy investments		Available-for-sale	FVTPL	13,285	13,285
Trade receivables	18	Loans and receivables	Amortised cost	480,920	473,206
Prepayment, deposits and other receivables		Loans and receivables	Amortised cost	18,550	18,550
Due from joint ventures		Loans and receivables	Amortised cost	26,782	26,782
Listed equity securities		FVTPL	FVTPL	45	45
Time deposits with banks		Loans and receivables	Amortised cost	7,775	7,775
Cash and cash equivalents		Loans and receivables	Amortised cost	283,116	283,116
Total financial assets				931,727	924,013

	Note	Original classification under HKAS 39	New classification under HKFRS 9	Original carrying amount under HKAS 39 HK\$'000	New carrying amount under HKFRS 9 HK\$'000
Financial liabilities					
Trade and bills payables	19	Other financial liabilities	Other financial liabilities	(183,419)	(183,419)
Other payables and accrual liabilities		Other financial liabilities	Other financial liabilities	(93,429)	(93,429)
Due to joint venture	25	Other financial liabilities	Other financial liabilities	(19,751)	(19,751)
Interest rate swaps		FVTPL	FVTPL	(7,994)	(7,994)
Bank loans	20	Other financial liabilities	Other financial liabilities	(809,748)	(809,748)
Dividends payables		Other financial liabilities	Other financial liabilities	(43)	(43)
Total financial liabilities				(1,114,384)	(1,114,384)

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGE IN ACCOUNTING POLICY (Continued)

HKFRS 9 *Financial Instruments* (Continued)

iv *Classification of financial assets and financial liabilities on the date of initial application of HKFRS 9 (Continued)*

The application of HKFRS 9 resulted in the reclassification set out in the table above and explained below.

The unlisted equity securities and insurance policy investments were categorised as available-for-sale under HKAS 39. These have been classified as measured at FVTPL under HKFRS 9.

The following table reconciles the carrying amounts of financial assets under HKAS 39 to the carrying amounts under HKFRS 9 on transition to HKFRS 9 on 1 January 2016.

	HKAS 39			HKFRS 9	
	carrying amount			carrying amount	
	at 31 December			at 1 January	
	2016	Reclassification	Remeasurement	2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Financial assets					
Amortised cost					
Loans to a joint venture	100,077	-	-	100,077	
Trade receivables:					
Opening balance: Loans and receivables	480,920				
Remeasurement		-	(7,714)		
Closing balance				473,206	
Deposit and other receivables	18,550	-	-	18,550	
Due from joint ventures	26,782	-	-	26,782	
Time deposits with banks	7,775	-	-	7,775	
Cash and cash equivalents	283,116	-	-	283,116	
Total amortised cost	917,220	-	(7,714)	909,506	
Available-for-sale					
Unlisted equity securities					
Opening balance:	1,177	-	-	-	
To FVTPL	-	(1,177)	-	-	
Closing balance	-	-	-	-	
Insurance policy investments					
Opening balance:	13,285	-	-	-	
To FVTPL	-	(13,285)	-	-	
Closing balance	-	-	-	-	
Total available-for-sale	14,462	(14,462)	-	-	

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGE IN ACCOUNTING POLICY (Continued)

HKFRS 9 Financial Instruments (Continued)

iv Classification of financial assets and financial liabilities on the date of initial application of HKFRS 9 (Continued)

	HKAS 39			HKFRS 9
	carrying amount			carrying amount
	at 31 December	Reclassification	Remeasurement	at 1 January
	2016	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
FVTPL				
Listed equity securities	45	-	-	45
Unlisted equity securities				
Opening balance:	-	-	-	-
From available-for-sale	-	1,177	-	-
Closing balance	-	-	-	1,177
Insurance policy investments				
Opening balance:	-	-	-	-
From available-for-sale	-	13,285	-	-
Closing balance	-	-	-	13,285
Total FVTPL	45	14,462	-	14,507
Financial liabilities				
FVTPL				
Interest rate swaps	(7,994)	-	-	(7,994)
Total FVTPL	(7,994)	-	-	(7,994)
Other financial liabilities				
Other financial liabilities				
Trade and bills payables	(183,419)	-	-	(183,419)
Other payables and accrual liabilities	(93,429)	-	-	(93,429)
Due to joint venture	(19,751)	-	-	(19,751)
Bank loans	(809,748)	-	-	(809,748)
Dividends payables	(43)	-	-	(43)
Total other financial liabilities	(1,106,390)	-	-	(1,106,390)

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

4 ESTIMATES

The preparation of interim financial information in conformity with HKAS 34 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 on a year to date basis. 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 2016.

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 2016.

(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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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 2017		
	Within 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Due to joint ventures	28,574	–	28,574
Trade and bills payables	207,708	–	207,708
Other payables and accrued liabilities	89,460	–	89,460
Derivative financial instruments	4,440	4,924	9,364
Bank loans	598,498	191,850	790,348
Dividends payable	43	–	43
	928,723	196,774	1,125,497

	31 December 2016		
	Within 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Due to joint ventures	19,751	–	19,751
Trade and bills payables	183,419	–	183,419
Other payables and accrued liabilities	86,204	–	86,204
Derivative financial instruments	3,875	4,258	8,133
Bank loans	579,084	264,857	843,941
Dividends payable	43	–	43
	872,376	269,115	1,141,491

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value hierarchy

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

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

The following table presents the Group's financial assets and liabilities that were measured at fair value at 30 June 2017.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at FVTPL	39	-	18,256	18,295
Total assets	39	-	18,256	18,295
Liabilities				
Derivative financial instruments: - Interest rate swaps	-	9,364	-	9,364
Total liabilities	-	9,364	-	9,364

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value hierarchy (Continued)

The following table presents the Group's financial assets and liabilities that were measured at fair value at 31 December 2016.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale investments	-	-	14,462	14,462
Financial assets at FVTPL	45	-	-	45
Total assets	45	-	14,462	14,507
Liabilities				
Derivative financial instruments:				
- Interest rate swaps	-	7,994	-	7,994
Total liabilities	-	7,994	-	7,994

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 were measured at fair value using forward interest rates extracted from observable yield curves.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value hierarchy (Continued)

Level 3 financial assets at fair value through profit or loss were measured at fair value using a discounted cash flow approach. The movement of the investments are as below:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
At 1 January	14,462	12,701
Additions	–	1,579
Changes in fair value recognised in profit or loss during the period	3,700	–
Change in fair value recognised in other comprehensive income	–	(274)
Exchange realignment	94	(17)
At 30 June	18,256	13,989

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair value as at 30 June 2017 and 31 December 2016.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

6 SEGMENT INFORMATION

As substantial business operations of the Group relate to the manufacturing, selling and distribution of electronic components, the Group's executive team, which is considered as the Chief Operating Decision Maker (the "CODM", comprising all Executive Directors and being headed by the Managing Director of the Company), makes decisions about resources allocation and performance assessment based on the entity-wide financial information. Accordingly, there is only one single reportable segment for the Group. Set out below is a summary list of key performance indicators reviewed by the CODM on a regular basis:

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Revenue	538,466	403,448
Gross profit	114,770	62,321
Gross profit margin(%)	21.3%	15.4%
EBITDA ⁽ⁱ⁾	74,012	25,093
EBITDA margin(%)	13.7%	6.2%
Operating expenses ⁽ⁱⁱ⁾	91,864	85,783
Operating expenses/Revenue(%)	17.1%	21.3%
Profit/(loss) for the period	19,537	(28,552)
Net profit/(loss) margin(%)	3.6%	(7.1%)
	At	At
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
Total assets	2,534,231	2,475,167
Equity attributable to equity holders of the Company	1,314,208	1,242,410
Inventories (finished goods only)	187,420	164,258
Inventory turnover days (finished goods only)	76	73
Trade receivables	489,998	480,920
Trade receivables turnover days	159	178
Trade and bills payables	207,708	183,419
Trade and bills payables turnover days	84	81
Total interest-bearing debt	769,714	809,748
Cash and cash equivalents	231,637	283,116
Time deposits over three months to maturity when placed	5,464	7,775
Net debt	532,613	518,857
Net gearing ratio(%)	40.5%	41.8%

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

6 SEGMENT INFORMATION (Continued)

Notes:

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

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Revenue from external customers by geographical locations		
Hong Kong	42,323	54,125
The PRC	283,252	225,286
Taiwan	130,808	55,225
Southeast Asia	10,105	11,514
Korea	2,569	1,742
United States	17,149	17,725
Europe	27,285	16,331
Other countries	24,975	21,500
	538,466	403,448
	At	At
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
Non-current assets by physical locations (excluded deferred tax assets and financial instruments)		
Hong Kong	75,779	136,065
The PRC	973,041	962,328
Other countries	327	199
	1,049,147	1,098,592

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

7 REVENUE

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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Manufacturing and trading of electronic components	538,466	402,919
Trading of raw materials	–	529
	538,466	403,448

8 OTHER INCOME

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Subsidies from the government	859	298
Scrap sales	131	47
Rental income generated from investment properties	2,331	2,338
Others	451	489
	3,772	3,172

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

9 OTHER GAINS, NET

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Dividend income	1,134	–
Fair value gains on financial assets at fair value through profit or loss	3,706	–
Fair value gain/(loss) on investment properties	15,669	(497)
Write-off of other payable	–	4,698
Foreign exchange differences, net	(3,505)	(458)
	17,004	3,743

10 OPERATING PROFIT/(LOSS)

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	30,879	36,688
Amortisation of prepaid land premium	752	788
Amortisation of intangible assets	100	388

11 CHANGES IN FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Fair value losses on interest rate swaps	3,554	3,216

At 30 June 2017, the Group held certain interest rate swap contracts entered into in 2009 and 2010 for a contracted period of ten years each. These contracts were entered into to stabilise the Group's overall interest expenses for the periods covered by these contracts.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 FINANCE COSTS AND INTEREST REVENUE

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Interest expenses on bank loans	(13,525)	(11,913)
Others	(1,503)	(1,373)
	(15,028)	(13,286)
Interest revenue from loan to a joint venture	1,728	2,174
Interest revenue from time deposits and bank balances	272	487
	2,000	2,661

13 INCOME TAX

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	784	614
Outside Hong Kong	6,761	2,098
	7,545	2,712
Deferred tax	171	(217)
	7,716	2,495

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on assessable profits 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 of the Company's subsidiaries in the PRC enjoy tax exemptions. All subsidiaries in the PRC are subject to income taxes at applicable rates ranging from 15% to 25%.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

14 PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share is based on the profit for the Period attributable to equity holders of the Company of HK\$18,859,000 (for the Corresponding Period: loss of HK\$28,513,000), and the weighted average number of 475,548,000 (for the Corresponding Period: 475,566,000) ordinary shares in issue during the Period.

Diluted profit/(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 profit/(loss) per share for the Period and the Corresponding Period were the same as the basic profit/(loss) per share as the Company's share options outstanding during the Period and the period ended 30 June 2016 did not have dilutive potential ordinary shares.

15 DIVIDEND

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

16 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Opening net carrying amount, 1 January	625,220	711,069
Additions	7,206	4,138
Transfer to investment properties	(40,301)	–
Acquisition of a subsidiary	–	20,627
Disposals	(581)	(157)
Depreciation	(30,879)	(36,688)
Exchange realignment	20,319	(12,833)
Closing net carrying amount, 30 June	580,984	686,156

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(Expressed in Hong Kong dollars unless otherwise indicated)

17 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Opening net carrying amount, 1 January	150,396	141,530
Transfer from property, plant and equipment	40,301	–
Disposals	(74,209)	–
Fair value gains/(losses)	15,669	(497)
Exchange realignment	1,897	(1,075)
Closing net carrying amount, 30 June	134,054	139,958

The Group obtains independent valuations for its investment properties at least annually. During the Period, the valuations were performed by Ravia Global Appraisal Advisory Limited, an independent professionally qualified valuer using the same valuation techniques as were used by the valuers when carrying out the valuations at 31 December 2016. 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 revaluation gain is included in "Other gains, net" in the consolidated income statement (Note 9).

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

17 INVESTMENT PROPERTIES (Continued)

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

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

	Fair value measurements at 30 June 2017		
	Unadjusted 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	–	–	134,054
	Fair value measurements at 31 December 2016		
	Unadjusted 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	–	–	150,396

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

18 TRADE RECEIVABLES

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Trade receivables	523,596	504,047
Provisions for impairment of trade receivables	(33,598)	(23,127)
	489,998	480,920

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 days, extending up to 150 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing. Credit risk was hedged mainly through credit insurance policies.

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

An ageing analysis of the trade receivables as at the end of the Period, based on the payment due date and net of provisions for impairment, is as follows:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Current and within payment terms:	396,278	352,154
1-3 months past due	64,856	102,278
4-6 months past due	15,078	11,144
7-12 months past due	3,844	3,496
Over 1 year past due	9,942	11,848
	489,998	480,920

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

18 TRADE RECEIVABLES (Continued)

Movements in the provision for impairment of trade receivables

The movements in the provision for impairment of trade receivables during the period were as follows. Comparative amounts at 31 December 2016 represent the provision for impairment losses under HKAS 39.

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Balance at 1 January per HKAS 39	23,127	9,138
Adjustment on initial application of HKFRS 9	7,714	–
Balance at 1 January per HKFRS 9	30,841	9,138
Acquisition of a subsidiary	–	6,018
Impairment losses recognised	3,485	1,646
Impairment losses reversed	(1,588)	(331)
Exchange realignment	860	(126)
Balance at 30 June	33,598	16,345

19 TRADE AND BILLS PAYABLES

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

	At	At
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
Trade payables:		
1-3 months	147,258	141,491
4-6 months	24,096	21,968
7-12 months	7,561	3,381
Over 1 year	14,078	10,438
	192,993	177,278
Bills payables	14,715	6,141
	207,708	183,419

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

20 BANK LOANS

	At 30 June 2017 <i>HK\$'000</i>	At 31 December 2016 <i>HK\$'000</i>
Analysed into:		
Bank loans, unsecured, repayable:		
Within one year, with reference to the repayment schedule	584,136	544,815
Within one year, related to borrowings with breached covenants	–	15,000
In the second year	118,609	224,218
In the third to fifth years, inclusive	66,969	25,715
	769,714	809,748
Portion classified as current liabilities	(584,136)	(559,815)
Non-current portion	185,578	249,933

Movement in bank loans is analysed as follows:

	Six months ended 30 June 2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Opening balance, 1 January	809,748	813,575
Acquisition of a subsidiary	–	22,315
New borrowings	316,032	481,061
Repayments of borrowings	(356,520)	(297,929)
Exchange realignment	454	167
Closing balance, 30 June	769,714	1,019,189

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21 SHARE CAPITAL

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of \$0.10 each	100,000	100,000
Issued and fully paid:		
475,547,534 (31 December 2016: 475,547,534) ordinary shares of \$0.10 each	47,555	47,555

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

	Number of shares in issue	Issued capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2017 and 30 June 2017	475,547,534	47,555	165,458	213,013
At 1 January 2016	476,239,534	47,624	165,862	213,486
Shares repurchased	(692,000)	(69)	(404)	(473)
At 30 June 2016	475,547,534	47,555	165,458	213,013

No share options were exercised during the Period.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

22 RESERVES

	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	PRC reserve funds HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2017	165,458	1,971	2,800	75,151	1,879	98,354	(182)	(56,419)	792,985	1,194,855
Adjustment on initial application of HKFRS 9	-	-	-	-	(1,879)	-	-	-	(5,835)	(7,714)
Adjusted balance at 1 January 2017	165,458	1,971	2,800	75,151	-	98,354	(182)	(56,419)	787,150	1,187,141
Profit for the period	-	-	-	-	-	-	-	-	18,659	18,659
Other comprehensive income: Items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-	-	-
- Currency translation differences	-	-	-	-	-	60,653	-	-	-	60,653
Total comprehensive income for the period ended 30 June 2017	-	-	-	-	-	60,653	-	-	18,659	79,512
Employee share option scheme - Share options forfeited	-	(95)	-	-	-	-	-	-	95	-
Balance at 30 June 2017	165,458	1,876	2,800	75,151	-	159,007	(182)	(56,419)	806,104	1,266,653

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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	PRC reserve funds HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2016	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 income:										
Items that may be reclassified subsequently to profit or loss										
- Changes in fair value of available-for-sale investments	-	-	-	-	(274)	-	-	-	-	(274)
- Currency translation differences	-	-	-	-	-	(41,245)	-	-	-	(41,245)
Total comprehensive income for the period ended 30 June 2016	-	-	-	-	(274)	(41,245)	-	-	(28,513)	(70,032)
Employee share option scheme										
- Share options expired	-	(364)	-	-	-	-	-	-	364	-
Shares repurchased	(404)	-	-	-	-	-	-	-	-	(404)
Balance at 30 June 2016	165,458	2,161	2,800	76,537	1,351	190,938	(162)	55,930	778,905	1,273,918

23 COMMITMENTS

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

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Contracted, but not provided for:		
Plant and machinery	8,434	9,433
Buildings	673	653
Land	1,174	1,140
	10,281	11,226

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within one year	17,432	16,047
In the second to fifth years, inclusive	763	2,815
	18,195	18,862

(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:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within one year	381	1,899
In the second to fifth years, inclusive	14	-
	395	1,899

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

25 RELATED PARTY TRANSACTIONS

As at 30 June 2017, 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:

	Note	Six months ended 30 June	
		2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Purchases of raw materials from joint ventures	(i)	28,963	9,442
Sales of raw materials to an associate	(i)	–	529
Sales of finished goods to an associate	(i)	–	1,384
Rental expenses to a joint venture	(ii)	6,804	7,074
Interest income received from a joint venture	(iii)	1,728	2,174

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 4.90% (for the Corresponding Period: 6.15%) per annum.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

25 RELATED PARTY TRANSACTIONS (Continued)

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

	Note	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Loans to a joint venture	(i)	104,017	100,077
Due from joint ventures	(ii)	18,100	26,782
Due to joint ventures	(ii)	(28,574)	(19,751)

Notes:

- (i) Except for the loans amounting to \$75,197,000 (31 December 2016: \$71,257,000), which are interest-bearing at a rate of 4.90% (2016: 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 2017 HK\$'000	2016 HK\$'000
Salaries and allowances	8,011	6,879
Pension scheme contributions	81	72
Total remuneration for key management personnel	8,092	6,951

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; except for early adoption of HKFRS 9 Financial Instruments as discussed in Note 3, the Group has not early adopted any other new or amended standards in preparing this interim financial report.

The Group does not have any update to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18 *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11 *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group is not likely to be affected.

Currently, revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract.

The Group recognises revenue for the sale of good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

HKFRS 16 Leases

Under HKFRS 16, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As disclosed in Note 24, at 30 June 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to HK\$18,195,000. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2017, 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:

Capacity, nature of interest and number of shares and underlying shares held					
Directors	Capacity	Nature of interest	Interests in shares	Interest in share options	Approximate percentage of the Company's issued share capital
Kee Chor Lin ⁽ⁱ⁾	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	0.10%

Note:

- (i) 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 2017, none of the Directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

As at 30 June 2017, 1,980,000 (31 December 2016: 2,080,000) share options remained outstanding under the Share Option Scheme and the details of the movements of the said outstanding share options were as follows:

Name and category of participants	As at 1 January 2017	Forfeited during the Period	As at 30 June 2017	Date of grant of share options	Exercise period of share options ⁽ⁱ⁾	Exercise price of share options ⁽ⁱⁱ⁾ HK\$ per share
Director						
Wong Ching Ming, Stanley	250,000	-	250,000	15.9.2010	15.9.2011 to 14.9.2020	2.262
	250,000	-	250,000	15.9.2010	15.9.2012 to 14.9.2020	2.262
	500,000	-	500,000			
Other employees						
In aggregate	796,000	(50,000)	746,000	15.9.2010	15.9.2011 to 14.9.2020	2.262
In aggregate	784,000	(50,000)	734,000	15.9.2010	15.9.2012 to 14.9.2020	2.262
	1,580,000	(100,000)	1,480,000			
	2,080,000	(100,000)	1,980,000			

Notes:

- (i) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (ii) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEME" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2017, the interests and short positions of persons, other than Directors or chief executive of the Company, being 5% or more in the interest in the issued share capital of the Company as recorded in the register of interests required to be kept under Section 336 of Part XV of the SFO are set out as below:

Long positions:

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 2017, 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, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

OTHER CHANGES IN DIRECTORS' INFORMATION

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

1. Mr Mar, Selwyn was appointed as an independent non-executive director, and a member of each of the audit committee, remuneration committee, nomination committee and independent committee of PanAsialum Holdings Company Limited ("PanAsialum") with effect from 8 February 2017. He was re-designated as the chairman of the audit committee of PanAsialum with effect from 11 February 2017; and
2. Mr Chan Yu Ching, Eugene was appointed as a director of Zhu Hai Higrand Electronics Technology Co. Ltd. (stock code: 871447) which was listed on the National Equities Exchange and Quotations on 16 May 2017.

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 AND OTHER INFORMATION

CHANGE OF ADDRESS OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The address of head office and principal place of business of the Company in Hong Kong was changed to Unit 03, 6/F., Harbour Centre Tower 2, 8 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong with effect from 11 May 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Pursuant to Code Provision A.4.1, non-executive directors and independent non-executive directors should be appointed for a specific term. Currently, all the Independent Non-executive Directors of the Company are not appointed for a specific term but are subject to the requirement of retirement by rotation at the annual general meeting of the Company under Bye-law 87 of the 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 as set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. After having made specific enquiries by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the Period.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed this interim results 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 DIVIDEND

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

PUBLICATION OF INTERIM REPORT

This interim report is printed in both English and Chinese, and is available for electronic and print format. Electronic copy is available for download, at no charge, on our website at www.manyue.com. Existing shareholders of the Company will receive a free printed report by post by our Company's branch share registrar and transfer office. Potential shareholders 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 and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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, 18 August 2017



GLOSSARY

Audit Committee	audit committee of the Company
Board	board of directors of the Company
Bye-laws	bye-laws of the Company
Corporate Governance Code	the Corporate Governance Code
CODM	Chief Operating Decision Maker
Company	Man Yue Technology Holdings Limited
Corresponding Period	six months ended 30 June 2016
Director(s)	director(s) of the Company
EBITDA	earnings before interest expenses, 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
HKFRSs	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	Hong Kong Special Administrative Region of the PRC
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Luminous Town	Luminous Town Electric Co., Ltd
MLPC	Multi-layer Polymer Capacitors

GLOSSARY

Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
Period	six months ended 30 June 2017
Polymer Caps	Conductive Polymer Aluminum Solid Capacitors
PRC	People's Republic of China
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

