



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**

**2018**

Interim Report

**SAMXON®**  
Aluminum Electrolytic Capacitors

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

**XLPC®**  
Aluminum Multilayer Polymer 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  
MUFG Bank, 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

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

**Investor Relations Contact**

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

**Stock Code**

00894

# Management Discussion and Analysis

## FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2018 HK\$'000	2017 HK\$'000	
Revenue	<b>690,616</b>	538,466	+28.3%
Gross profit	<b>143,350</b>	114,770	+24.9%
EBITDA	<b>78,656</b>	74,012	+6.3%
Profit for the period	<b>25,443</b>	19,537	+30.2%
Earnings per share	<b>6.14 HK cents</b>	3.97 HK cents	+54.7%

## FINANCIAL RESULTS

The recovery of the global economy has been continued and led the electronics market to stay boom in the first half of 2018. Because of this, the Group's revenue for the six months ended 30 June 2018 has recorded a strong growth of 28.3% to HK\$690,616,000 as compared with the corresponding period last year.

Resulting from the increase in revenue, gross profit for the Period amounted to HK\$143,350,000, representing an increase of 24.9% as compared with the first half of 2017. However, the overall gross profit margin fell slightly from 21.3% to 20.8% for the first half of 2018 which was mainly caused by the appreciation of Renminbi bringing a negative impact to the cost of sales.

Benefiting from the increase in revenue as well as gross profit, profit for the Period has simultaneously achieved a continuous growth of 30.2% to HK\$25,443,000 as compared with the same period last year.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Market Overview

In the 21st century, the technology of artificial intelligence, internet of things, cloud computing, blockchain, 5G mobile network, as well as the concept of energy saving have been revolutionising the world and the way of people's daily life. More and more electronic products, which are associated with every single part of the livings of human beings, are upgraded and intellectualised. This creates an expanding market size and surging demand for capacitors, which are essential components for all electronic products. Being one of the major global suppliers in the electronic components' segment, the Group's major products such as E-Caps, Polymer Caps, MLPC and EDLC are widely used in this spectrum of applications. As a result, the Group is able to stay tune with the market trend and outperform the market with its state-of-the-art technology together with its diversified product mix.

The global economy continued its recovery and revitalised the electronics market and its supply chain in the first half of 2018. During the Period, the Group's primary focus on fast-growing emerging markets as well as customers with market leadership continued to lead the Group towards the right direction by capturing a robust growth in sales revenue. With this, the Group was able to achieve another set of satisfactory financial results with enhanced production efficiency, better customer portfolio and higher profitability.

### Operation Review

The Group's core business is the manufacture and sale of high technological electronic components, namely E-Caps, Polymer Caps, MLPC, EDLC and EDLC modules. Benefiting from the revitalisation of the electronics market as a result of robust global economic growth, the Group has successfully achieved an increase in sales revenue of 28.3% for the six months ended 30 June 2018.

One of the Group's high-technological products, MLPC, is now widely used in central processing unit related products and, has already penetrated into the specialty server market in which efficient power use is required to support massive and around the-clock data computing. In order to cater for the surging market demand of MLPC products in the forthcoming years, the Group has already embarked on the construction of a new manufacturing facility in Qingyuan High-tech Industrial Development Zone in Guangdong for a production capacity expansion of the MLPC business. This new production facility will be expected to commence operation in the first half of 2019.

## Management Discussion and Analysis

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group's cash and cash equivalents amounted to HK\$185,058,000 (31 December 2017: HK\$312,702,000), 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\$834,935,000 (31 December 2017: HK\$847,079,000) 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\$692,808,000 and HK\$142,127,000 respectively (31 December 2017: HK\$718,795,000 and HK\$128,284,000 respectively).

Total interest-bearing borrowings of the Group as at 30 June 2018 comprising bank loans and trade finance facilities were HK\$834,935,000 (31 December 2017: HK\$847,079,000). 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 2018, the net current assets of the Group were HK\$484,452,000 (31 December 2017: HK\$509,822,000), which comprised current assets of HK\$1,551,028,000 (31 December 2017: HK\$1,610,825,000) and current liabilities of HK\$1,066,576,000 (31 December 2017: HK\$1,101,003,000), representing a current ratio of 1.45 (31 December 2017: 1.46).

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. As such, the Group is aware of the potential foreign exchange currency risk that may arise from the fluctuation of exchange rates between Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. The Group will closely monitor its overall foreign exchange exposure with a view to safeguarding the Group from exchange rate risks.

## Management Discussion and Analysis

### OUTLOOK AND PROSPECTS

In the upcoming second half of 2018 and beyond, the Group believes that the global trend of intellectualisation and energy saving will continue to dominate the development of electronic products and drive the market demand of capacitors. Although the trade war between Mainland China and the United States would cast shadow on the global economy, the Group's diversified product mix and clientele would help to mitigate this risk of uncertainty. Nevertheless, the Group will remain cautious and react swiftly to any changes to the macro environment.

In view of the robust demand of electronic components driven by the latest emerging market sectors, the Group has expedited its capacity expansion plan by the construction of a new production plant in Qingyuan in Guangdong. This new manufacturing plant will be expected to come into operation in the first half of 2019. Furthermore, the Group will exert extra efforts in improving the competitiveness of its pioneering and high quality products by means of enhancing the efficiency of production processes as well as tightening the control over production costs with an aim to boost its market share and profitability.

The Group will strive to maintain its prominent market position in the electronic component industry and remain as a key global supplier of capacitors. In order to do so, the Group will pursue a strong commitment in research and development of new innovative components and materials in order to enable the Group to stay at the forefront of technology and the industry.

### EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2018, the Group employed 57 staff in Hong Kong (31 December 2017: 60) and employed a total work force of 3,474 (31 December 2017: 3,254) inclusive of all staff in Mainland China and overseas offices. The Group's remuneration policy is built on the principle of equitability with incentive-based, motivating, performance oriented and market competitive remuneration packages for its employees. Remuneration packages are reviewed on a regular basis. Apart from salary, other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses.



# Report on Review of Interim Financial Statements



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

(Incorporated in Bermuda with limited liability)

## INTRODUCTION

We have reviewed the interim financial statements set out on pages 9 to 38, which comprise the consolidated statement of financial position of Man Yue Technology Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) as of 30 June 2018 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on these interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of these statements.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 30 June 2018 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

## KPMG

*Certified Public Accountants*

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

Hong Kong, 15 August 2018

# Unaudited Consolidated Statement of Profit or Loss

		<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
	Note	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	6 & 7	<b>690,616</b>	538,466
Cost of sales		<b>(547,266)</b>	(423,696)
<b>Gross profit</b>		<b>143,350</b>	114,770
Other income	8	<b>3,214</b>	3,772
Other net (losses)/gains	9	<b>(4,702)</b>	17,004
Selling and distribution costs		<b>(39,911)</b>	(28,080)
Administrative expenses		<b>(70,055)</b>	(61,869)
Provision for impairment loss of trade and other receivables		<b>(3,558)</b>	(1,915)
<b>Operating profit</b>	10	<b>28,338</b>	43,682
Changes in fair values of derivative financial instruments	11	<b>1,255</b>	(3,554)
Finance costs	12	<b>(14,465)</b>	(15,028)
Finance income	13	<b>2,471</b>	2,000
Share of results of joint ventures		<b>16,579</b>	153
<b>Profit before tax</b>		<b>34,178</b>	27,253
Income tax	14	<b>(8,735)</b>	(7,716)
<b>Profit for the period</b>		<b>25,443</b>	19,537
Profit/(loss) attributable to:			
Equity holders of the Company		<b>29,215</b>	18,859
Non-controlling interests		<b>(3,772)</b>	678
<b>Profit for the period</b>		<b>25,443</b>	19,537
<b>Earnings per share attributable to equity holders of the Company:</b>	15		
Basic		<b>6.14 HK cents</b>	3.97 HK cents
Diluted		<b>6.14 HK cents</b>	3.97 HK cents

The notes on pages 16 to 38 form part of these interim financial statements.

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>25,443</b>	19,537
<b>Other comprehensive income:</b>		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of prepaid land premium	<b>6,920</b>	–
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	<b>(19,890)</b>	63,866
<b>Other comprehensive income for the period, net of tax</b>	<b>(12,970)</b>	63,866
<b>Total comprehensive income for the period</b>	<b>12,473</b>	83,403
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>17,245</b>	79,512
Non-controlling interests	<b>(4,772)</b>	3,891
<b>Total comprehensive income for the period</b>	<b>12,473</b>	83,403

The notes on pages 16 to 38 form part of these interim financial statements.

# Unaudited Consolidated Statement of Financial Position

		At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	17	578,527	602,264
Prepaid land premium	18	65,042	68,718
Investment properties	19	147,764	136,522
Intangible assets		1,986	2,254
Investments in joint ventures		131,147	116,371
Prepayments on purchases of property, plant and equipment		113,605	66,428
Financial assets at fair value through profit or loss		23,544	23,374
Loans to a joint venture		113,846	108,903
Other prepayments		965	965
Deferred tax assets		11,454	16,463
Total non-current assets		1,187,880	1,142,262
<b>Current assets</b>			
Inventories		606,429	535,553
Trade receivables	20	625,440	640,594
Prepayments, deposits and other receivables	20	103,410	96,894
Due from joint ventures	27	29,694	22,609
Financial assets at fair value through profit or loss		36	36
Net defined benefit retirement assets		946	971
Tax recoverable		15	1,466
Cash and cash equivalents		185,058	312,702
Total current assets		1,551,028	1,610,825
<b>Current liabilities</b>			
Trade and bills payables	21	235,391	225,069
Other payables and accrued liabilities		108,952	105,320
Due to joint ventures	27	20,730	39,465
Derivative financial instruments		1,738	3,680
Tax payable		6,914	8,631
Bank loans	22	692,808	718,795
Dividends payable		43	43
Total current liabilities		1,066,576	1,101,003

## Unaudited Consolidated Statement of Financial Position (Continued)

	Note	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
<b>Net current assets</b>		<b>484,452</b>	509,822
<b>Total assets less current liabilities</b>		<b>1,672,332</b>	1,652,084
<b>Non-current liabilities</b>			
Bank loans	22	142,127	128,284
Derivative financial instruments		1,042	2,476
Provision for long service payments		77	77
Deferred tax liabilities		36,765	34,677
Deferred income		10,781	11,031
Total non-current liabilities		190,792	176,545
<b>Net assets</b>		<b>1,481,540</b>	1,475,539
<b>Capital and reserves</b>			
Share capital	23	47,555	47,555
Reserves	24	1,386,197	1,368,952
<b>Equity attributable to equity holders of the Company</b>		<b>1,433,752</b>	1,416,507
<b>Non-controlling interests</b>		<b>47,788</b>	59,032
<b>Total equity</b>		<b>1,481,540</b>	1,475,539

The notes on pages 16 to 38 form part of these interim financial statements.

## Unaudited Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company			Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
<b>Balance at 1 January 2018</b>	47,555	1,368,952	1,416,507	59,032	1,475,539
Profit/(loss) for the period	–	29,215	29,215	(3,772)	25,443
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of prepaid land premium	–	6,920	6,920	–	6,920
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences	–	(18,890)	(18,890)	(1,000)	(19,890)
Total comprehensive income for the period ended 30 June 2018	–	17,245	17,245	(4,772)	12,473
Acquisition of non-controlling interest without a change in control	–	–	–	(6,472)	(6,472)
<b>Balance at 30 June 2018</b>	47,555	1,386,197	1,433,752	47,788	1,481,540

## Unaudited Consolidated Statement of Changes in Equity (Continued)

	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 2017</b>	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)
<b>Balance at 30 June 2017</b>	47,555	1,266,653	1,314,208	67,595	1,381,803

The notes on pages 16 to 38 form part of these interim financial statements.

## Unaudited Condensed Consolidated Cash Flow Statement

	Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Net cash outflow from operating activities	(23,853)	(78,352)
Net cash (outflow)/inflow from investing activities	(66,712)	69,723
Net cash outflow from financing activities	(27,471)	(55,516)
<b>Net decrease in cash and cash equivalents</b>	<b>(118,036)</b>	<b>(64,145)</b>
Cash and cash equivalents at beginning of period	312,702	283,116
Effects of foreign exchange rate changes	(9,608)	12,666
<b>Cash and cash equivalents at end of period</b>	<b>185,058</b>	<b>231,637</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	185,058	187,971
Time deposits within three months to maturity when placed	–	43,666
<b>Cash and cash equivalents at end of period</b>	<b>185,058</b>	<b>231,637</b>

The notes on pages 16 to 38 form part of these interim financial statements.



# Notes to the Unaudited Consolidated Financial Statements

## 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.

These interim financial statements are presented in Hong Kong dollars, unless otherwise stated. These interim financial statements have been approved for issue by the Board on 15 August 2018.

## 2 BASIS OF PREPARATION

These interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with applicable disclosure provisions of the Listing Rules including compliance with HKAS 34 *Interim Financial Reporting* issued by the HKICPA.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes those are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

These interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

# Notes to the Unaudited Consolidated Financial Statements

## 3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. The Group has early adopted HKFRS 9 *Financial Instruments* in the 2017 annual financial statements. The following developments are relevant to the Group's financial statements:

- HKFRS 15 *Revenue from Contracts with Customers*
- HK (IFRIC) 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of HKFRS 15 had no material impact on the Group's financial position and performance during the relevant periods. None of these developments has had a material effect on the Group's results and financial position for the current or prior periods have been prepared or presented in these interim financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **HKFRS 15 *Revenue from Contracts with Customers***

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11 *Construction Contracts*, which specified the accounting for construction contracts.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

- (i) **Timing of revenue recognition**  
Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.  
  
Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:
  - A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
  - B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
  - C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

## Notes to the Unaudited Consolidated Financial Statements

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that 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 is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of electronic components and raw materials.

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

There has been no impact on the Group as a result of this change in policy.

### 4 ESTIMATE

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

In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2017.

### 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 statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017.

# Notes to the Unaudited Consolidated Financial Statements

## 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 and readily realisable marketable securities and adequate committed lines of funding from major financial institutions 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:

Contractual undiscounted cash flow at 30 June 2018				Carrying amount at 30 June HK\$'000
	Within 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000	
Derivative financial instruments	1,738	1,076	2,814	2,780
Trade and bills payables	235,391	–	235,391	235,391
Other payables and accrued liabilities	101,864	–	101,864	101,864
Due to joint ventures	20,730	–	20,730	20,730
Bank loans	703,607	146,756	850,363	834,935
Dividends payable	43	–	43	43
	1,063,373	147,832	1,211,205	1,195,743

  

Contractual undiscounted cash flow at 31 December 2017				Carrying amount at 31 December HK\$'000
	Within 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000	
Derivative financial instruments	3,680	2,540	6,220	6,156
Trade and bills payables	225,069	–	225,069	225,069
Other payables and accrued liabilities	98,857	–	98,857	98,857
Due to joint ventures	39,465	–	39,465	39,465
Bank loans	728,167	131,980	860,147	847,079
Dividends payable	43	–	43	43
	1,095,281	134,520	1,229,801	1,216,669

# Notes to the Unaudited Consolidated Financial Statements

## 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 2018.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss – non-current	–	–	23,544	23,544
Financial assets at fair value through profit or loss – current	36	–	–	36
Total assets	36	–	23,544	23,580
<b>Liabilities</b>				
Derivative financial instruments: Interest rate swaps	–	2,780	–	2,780
Total liabilities	–	2,780	–	2,780

# Notes to the Unaudited Consolidated Financial Statements

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The following table presents the Group's financial assets and liabilities that were measured at fair value at 31 December 2017.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss – non-current	–	–	23,374	23,374
Financial assets at fair value through profit or loss – current	36	–	–	36
<b>Total assets</b>	<b>36</b>	<b>–</b>	<b>23,374</b>	<b>23,410</b>
<b>Liabilities</b>				
Derivative financial instruments:				
Interest rate swaps	–	6,156	–	6,156
<b>Total liabilities</b>	<b>–</b>	<b>6,156</b>	<b>–</b>	<b>6,156</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.

# Notes to the Unaudited Consolidated Financial Statements

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	<b>23,374</b>	14,462
Changes in fair value recognised in profit or loss during the period	<b>250</b>	3,700
Exchange realignment	<b>(80)</b>	94
At 30 June	<b>23,544</b>	18,256

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from fair values as at 30 June 2018 and 31 December 2017.

# Notes to the Unaudited Consolidated Financial Statements

## 6 SEGMENT INFORMATION

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Revenue	<b>690,616</b>	538,466
Gross profit	<b>143,350</b>	114,770
Gross profit margin (%)	<b>20.8%</b>	21.3%
EBITDA <sup>1</sup>	<b>78,656</b>	74,012
EBITDA margin (%)	<b>11.4%</b>	13.7%
Operating expenses <sup>2</sup>	<b>113,524</b>	91,864
Operating expenses/revenue (%)	<b>16.4%</b>	17.1%
Profit for the period	<b>25,443</b>	19,537
Net profit margin (%)	<b>3.7%</b>	3.6%

Notes:

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



# Notes to the Unaudited Consolidated Financial Statements

## 6 SEGMENT INFORMATION (CONTINUED)

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from external customers by geographical locations</b>		
Hong Kong	<b>33,320</b>	42,323
Mainland China	<b>480,271</b>	283,252
Taiwan	<b>110,884</b>	130,808
Southeast Asia	<b>9,370</b>	10,105
Korea	<b>2,074</b>	2,569
United States	<b>15,666</b>	17,149
Europe	<b>27,232</b>	27,285
Other countries	<b>11,799</b>	24,975
	<b>690,616</b>	538,466
	<b>At 30 June 2018</b>	<b>At 31 December 2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets by physical locations (excluding deferred tax assets and financial assets at fair value through profit or loss)</b>		
Hong Kong	<b>75,177</b>	75,872
Mainland China	<b>1,077,409</b>	1,026,230
Other countries	<b>296</b>	323
	<b>1,152,882</b>	1,102,425

# Notes to the Unaudited Consolidated Financial Statements

## 7 REVENUE

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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Manufacturing and trading of electronic components	690,179	538,466
Trading of raw materials	437	—
	<b>690,616</b>	<b>538,466</b>

## 8 OTHER INCOME

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Scrap sales	374	131
Subsidies from the Central People's Government	332	859
Rental income generated from investment properties	1,166	2,331
Others	1,342	451
	<b>3,214</b>	<b>3,772</b>

## 9 OTHER NET (LOSSES)/GAINS

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Dividend income	901	1,134
Fair value gain on investment properties	344	15,669
Net foreign exchange loss	(6,197)	(3,505)
Fair value gains on financial assets at fair value through profit or loss	250	3,706
	<b>(4,702)</b>	<b>17,004</b>

# Notes to the Unaudited Consolidated Financial Statements

## 10 OPERATING PROFIT

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	29,010	30,879
Amortisation of prepaid land premium	782	752
Amortisation of intangible assets	221	100
Write-down of inventories	783	1,837
Reversal of write-down of inventories	(1,997)	(115)

## 11 CHANGES IN FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Fair value gains/(losses) on interest rate swaps	1,255	(3,554)

As at 30 June 2018, 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.

## 12 FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Interest expense on bank loans	(13,848)	(13,525)
Others	(617)	(1,503)
	(14,465)	(15,028)

## 13 FINANCE INCOME

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Interest income from loan to a joint venture	2,141	1,728
Interest income from time deposits and bank balances	330	272
	2,471	2,000

# Notes to the Unaudited Consolidated Financial Statements

## 14 INCOME TAX

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax:		
Hong Kong	<b>5</b>	784
Outside Hong Kong	<b>3,709</b>	6,761
	<b>3,714</b>	7,545
Deferred tax	<b>5,021</b>	171
Total tax charge for the period	<b>8,735</b>	7,716

Hong Kong Profits Tax has been provided at the rate of 16.5% (30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In accordance with the relevant tax rules and regulations in Mainland China, one of the Group's subsidiaries in Mainland China enjoys a preferential tax rate of 15% (30 June 2017: 15%). Other subsidiaries of the Group in Mainland China are subject to income taxes at a statutory rate of 25% (30 June 2017: 25%).

## 15 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Period attributable to equity holders of the Company of HK\$29,215,000 (30 June 2017: HK\$18,859,000), and the weighted average number of 475,548,000 (30 June 2017: 475,548,000) ordinary shares in issue during the Period.

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

The diluted earnings per share is the same as the basic earnings per share as the Company's share options outstanding during the Period and the period ended 30 June 2017 were anti-dilutive ordinary shares.

## 16 DIVIDENDS

The Board has resolved not to declare interim dividend for the Period (30 June 2017: Nil).

# Notes to the Unaudited Consolidated Financial Statements

## 17 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Opening net carrying amount, 1 January	602,264	625,220
Additions	10,344	7,206
Transfer to investment properties	–	(40,301)
Disposals	(1,980)	(581)
Depreciation	(29,010)	(30,879)
Exchange realignment	(3,091)	20,319
Closing net carrying amount, 30 June	578,527	580,984

## 18 PREPAID LAND PREMIUM

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Opening net carrying amount, 1 January	68,718	65,699
Surplus on revaluation	9,226	–
Transfer to investment properties	(11,580)	–
Amortisation	(782)	(752)
Exchange realignment	(540)	2,002
Closing net carrying amount, 30 June	65,042	66,949

## 19 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Opening net carrying amount, 1 January	136,522	150,396
Transfer from prepaid land premium	11,580	–
Transfer from property, plant and equipment	–	40,301
Disposals	–	(74,209)
Fair value gain credited to profit or loss	344	15,669
Exchange realignment	(682)	1,897
Closing net carrying amount, 30 June	147,764	134,054

## Notes to the Unaudited Consolidated Financial Statements

### 19 INVESTMENT PROPERTIES (CONTINUED)

The Group obtains independent valuations for its investment properties twice annually. During the Period, the valuations were performed by Ravia Global Appraisal Advisory Limited, an independent professionally qualified valuer using the same valuation techniques as were used by the valuers when carrying out the valuations at 31 December 2017. 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 Net (Losses)/Gains" in the consolidated statement of profit or loss (Note 9).

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 2018 categorised into		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements			
Investment properties	-	-	147,764
Fair value measurements at 31 December 2017 categorised into			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements			
Investment properties	-	-	136,522

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

# Notes to the Unaudited Consolidated Financial Statements

## 20 TRADE AND OTHER RECEIVABLES

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Trade receivables	660,026	672,024
Provisions for impairment loss of trade receivables	(34,586)	(31,430)
	625,440	640,594
Prepayments, deposits and other receivables	103,410	96,894
	728,850	737,488

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

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 at the end of the reporting period, based on the invoice date and net of provisions for impairment loss of trade receivables, is as follows:

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
1-3 months	493,430	436,871
4-6 months	106,861	184,356
7-12 months	11,528	8,587
Over 1 year	13,621	10,780
	625,440	640,594

# Notes to the Unaudited Consolidated Financial Statements

## 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

The movements in the provision for impairment loss of trade receivables during the reporting period were as follows:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Balance at 1 January	<b>31,430</b>	23,127
Adjustment on initial application of HKFRS 9	<b>–</b>	7,714
Balance at 1 January per HKFRS 9	<b>31,430</b>	30,841
Impairment losses recognised	<b>4,888</b>	3,485
Impairment losses reversed	<b>(1,330)</b>	(1,588)
Exchange realignment	<b>(402)</b>	860
Balance at 30 June	<b>34,586</b>	33,598

## 21 TRADE AND BILLS PAYABLES

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

	<b>At 30 June</b>	At 31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Trade payables:		
1–3 months	<b>171,198</b>	172,177
4–6 months	<b>22,782</b>	31,645
7–12 months	<b>3,069</b>	3,795
Over 1 year	<b>8,246</b>	2,528
	<b>205,295</b>	210,145
Bills payables	<b>30,096</b>	14,924
	<b>235,391</b>	225,069



# Notes to the Unaudited Consolidated Financial Statements

## 22 BANK LOANS

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Bank loans, unsecured, repayable:		
Within one year or on demand, with reference to the repayment schedule	692,808	718,795
In the second year	91,068	82,619
In the third to fifth years, inclusive	51,059	45,665
	834,935	847,079
Portion classified as current liabilities	(692,808)	(718,795)
Non-current portion	142,127	128,284

As at 30 June 2018, the Group breached a covenant requirement with one bank. This covenant relates to a requirement in net debt to EBITDA ratio. The total carrying amount of this borrowing amounted to HK\$69,000,000 (31 December 2017: Nil) at 30 June 2018 and has already been classified as current liabilities. The Group has obtained a one-off waiver from the bank with an exemption of strict compliance with this covenant requirement after the end of the reporting period.

Movement in bank loans is analysed as follows:

	Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Opening balance, 1 January	847,079	809,748
New borrowings	519,102	316,032
Repayments of borrowings	(529,987)	(356,520)
Exchange realignment	(1,259)	454
Closing balance, 30 June	834,935	769,714

# Notes to the Unaudited Consolidated Financial Statements

## 23 SHARE CAPITAL

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
<b>Authorised:</b>		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
<b>Issued and fully paid:</b>		
475,547,534 (31 December 2017: 475,547,534) ordinary shares of HK\$0.10 each	47,555	47,555

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

	Number of shares in issue	Issued capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2018 and 30 June 2018	475,547,534	47,555	165,458	213,013
At 1 January 2017 and 30 June 2017	475,547,534	47,555	165,458	213,013

No share option was exercised during the Period.

# Notes to the Unaudited Consolidated Financial Statements

## 24 RESERVES

	Share premium HK\$'000	Share option HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Other reserve HK\$'000	Mainland China reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Balance at 1 January 2018</b>	165,458	1,876	2,800	79,756	227,377	(162)	59,024	832,823	1,368,952
Profit for the period	-	-	-	-	-	-	-	29,215	29,215
Other comprehensive income:									
Items that will not be reclassified subsequently to profit or loss:									
Gain on revaluation of prepaid land premium	-	-	-	6,920	-	-	-	-	6,920
Items that may be reclassified subsequently to profit or loss:									
Currency translation differences	-	-	-	-	(18,890)	-	-	-	(18,890)
Total comprehensive income for the period ended 30 June 2018	-	-	-	6,920	(18,890)	-	-	29,215	17,245
<b>Balance at 30 June 2018</b>	165,458	1,876	2,800	86,676	208,487	(162)	59,024	862,038	1,386,197

# Notes to the Unaudited Consolidated Financial Statements

## 24 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	Mainland China reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Balance at 1 January 2017</b>	165,458	1,971	2,800	75,151	1,879	98,354	(162)	56,419	792,985	1,194,855
Adjustment on initial application of HKFRS 9	-	-	-	-	(1,879)	-	-	-	(5,835)	(7,714)
<b>Adjusted balance at 1 January 2017</b>	165,458	1,971	2,800	75,151	-	98,354	(162)	56,419	787,150	1,187,141
Profit for the period	-	-	-	-	-	-	-	-	18,859	18,859
Other comprehensive income:										
Items that may be reclassified subsequently to profit or loss:										
Currency translation differences	-	-	-	-	-	60,653	-	-	-	60,653
<b>Total comprehensive income for the period ended 30 June 2017</b>	-	-	-	-	-	60,653	-	-	18,859	79,512
Employee share option scheme – share options forfeited	-	(95)	-	-	-	-	-	-	95	-
<b>Balance at 30 June 2017</b>	165,458	1,876	2,800	75,151	-	159,007	(162)	56,419	806,104	1,266,653

## 25 COMMITMENTS

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

	<b>At 30 June 2018 HK\$'000</b>	<b>At 31 December 2017 HK\$'000</b>
<b>Contracted, but not provided for:</b>		
Plant and machinery	<b>45,890</b>	72,844
Buildings	<b>36,097</b>	43,018
Land	<b>1,209</b>	1,219
	<b>83,196</b>	117,081

# Notes to the Unaudited Consolidated Financial Statements

## 26 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 1 to 20 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 2018 HK\$'000	At 31 December 2017 HK\$'000
Within 1 year	17,984	33,057
After 1 year but within 5 years	164	403
	<b>18,148</b>	<b>33,460</b>

### (b) Operating Lease Commitments (as Lessor)

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

The Group had total future minimum lease receivable under non-cancellable operating leases as follows at the end of the reporting period:

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Within 1 year	1,240	864
After 1 year but within 5 years	326	652
	<b>1,566</b>	<b>1,516</b>

# Notes to the Unaudited Consolidated Financial Statements

## 27 RELATED PARTY TRANSACTIONS

As at 30 June 2018, Man Yue Holdings Inc. had a 44.09% equity interest in the Company as the single largest shareholder. The ultimate controlling party of this company is Ms Kee Chor Lin, the Chairman of the Company.

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

	Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Purchases of raw materials from joint ventures <sup>1</sup>	35,596	28,963
Rental expenses to a joint venture <sup>2</sup>	7,367	6,804
Interest income received from a joint venture <sup>3</sup>	2,141	1,728

Notes:

- The above purchases and sales of raw materials were determined on basis as agreed by both parties and were conducted in the normal course of business.
- The rental was charged at rates with mark-to-market yield.
- The interest was charged at a rate of 4.90% (30 June 2017: 4.90%) per annum.

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

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Loans to a joint venture <sup>1</sup>	113,846	108,903
Due from joint ventures <sup>2</sup>	29,694	22,609
Due to joint ventures <sup>2</sup>	(20,730)	(39,465)

Notes:

- Except for the loans amounting to HK\$85,026,000 (31 December 2017: HK\$80,083,000), which are interest-bearing at a rate of 4.90% (30 June 2017: 4.90%) 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.
- The amounts due from and due to joint ventures are unsecured, interest-free and have no fixed terms of repayment.

# Notes to the Unaudited Consolidated Financial Statements

## 27 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Salaries and allowances	8,203	8,011
Pension scheme contributions	81	81
Total remuneration for key management personnel	8,284	8,092

## 28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing these interim financial statements.

### HKFRS 16 Leases

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, 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 26, at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to HK\$18,148,000, the majority of which is payable either within one year or between one and five years after the reporting date. Most of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

## Corporate Governance and Other Information

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

As at 30 June 2018, the interests and short positions of the Directors or chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Directors	Capacity	Nature of interest	Interests in shares	Interest in share options	Approximate percentage of the Company's issued share capital
Kee Chor Lin <sup>1</sup>	Interest of controlled corporation	Corporate	209,689,667	–	44.09%
Kee Chor Lin	Beneficial owner	Personal	51,006,334	–	10.73%
			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:

- 1 These shares are held by Man Yue Holdings Inc., a company wholly and beneficially owned by Ms Kee Chor Lin, the Chairman of the Company.

Save as disclosed above and as disclosed under the section "Directors' Rights to Acquire Shares or Debentures" as at 30 June 2018, none of the Directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## Corporate Governance and Other Information

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

As at 30 June 2018, 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 2018, no person, other than the Directors or chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### SHARE OPTION SCHEME

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

## Corporate Governance and Other Information

As at 30 June 2018, 1,980,000 (31 December 2017: 1,980,000) 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 2018	Forfeited during the Period	As at 30 June 2018	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	746,000	–	746,000	15.9.2010	15.9.2011 to 14.9.2020	2.262
In aggregate	734,000	–	734,000	15.9.2010	15.9.2012 to 14.9.2020	2.262
	1,480,000	–	1,480,000			
	1,980,000	–	1,980,000			

Notes:

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

## Corporate Governance and Other Information

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Saved as disclosed under the sections "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

### **CHANGES IN INFORMATION OF DIRECTORS**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company during the Period are reported as below:

- 1 Dr Li Sau Hung, Eddy resigned from the office of independent non-executive director of Midas International Holdings Limited with effect from 26 January 2018.
- 2 Mr Lo Kwok Kwei, David was appointed as an independent non-executive director of Futong Technology Development Holdings Limited with effect from 5 February 2018.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company 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 of the Company.

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

## Corporate Governance and Other Information

### COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 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.

### AUDIT COMMITTEE AND SCOPE OF WORK OF KPMG

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2018 have been reviewed by the Audit Committee of the Company. The unaudited consolidated financial statements of the Group for the six months ended 30 June 2018 have also been reviewed by the Group's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA.

### INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the Period (30 June 2017: Nil).

### PUBLICATION OF INTERIM REPORT

This interim report is printed in both English and Chinese, and is available for electronic and print format. Electronic copy is available for download, at no charge, on the website of the Company at [www.manyue.com](http://www.manyue.com). Existing shareholders of the Company will receive a free printed report by post by the Company's branch share registrar and transfer office. Potential shareholders who are interested in knowing more about the Company may download the interim report from the Company's website or to request a printed copy by giving a notice in writing to the Company or the Company's branch share registrar and transfer office, 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 loyalty and dedication and the continuing support from our customers, suppliers, banks and shareholders.

**Kee Chor Lin**

*Chairman*

Hong Kong, 15 August 2018

## Glossary

Audit Committee	audit committee of the Company
Board	the board of directors of the Company
Bye-laws	bye-laws of the Company
Company	Man Yue Technology Holdings Limited
Corporate Governance Code	the Corporate Governance Code as contained in Appendix 14 to the Listing Rules
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
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 People's Republic of China
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
Period	six months ended 30 June 2018
Polymer Caps	Conductive Polymer Aluminum Solid Capacitors
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited