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

(Incorporated in Bermuda with limited liability)

(Stock Code: 00894)

Save Oil, Save Minerals, Fresh Air, Green Future
Tomorrow Starts Here

2019 INTERIM REPORT

SAMXON® Aluminum Electrolytic Capacitors

X-CON® Conductive Polymer Aluminum Solid Capacitors

XLPC® Aluminum Multilayer Polymer Capacitors

RoHS Compliant

Halogen Free

This report is printed on environmentally friendly paper

CONTENTS

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 (resigned on 10 January 2019) **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 MUFG Bank, Ltd. DBS Bank (Hong Kong) Limited CTBC Bank Co., Ltd.
Registered Office	Clarendon House, 2 Church Street Hamilton HM 11, Bermuda
Principal Place of Business	Unit 03, 6/F., Harbour Centre Tower 2 8 Hok Cheung Street, Hung Hom Kowloon, Hong Kong

Corporate Information

Principal Share Registrar and Transfer Office	MUFG Fund Services (Bermuda) Limited 4th floor North, Cedar House 41 Cedar Avenue Hamilton HM 12, Bermuda (before 19 July 2019: The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda)
Branch Share Registrar and Transfer Office	Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong (before 11 July 2019: 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

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	
	HK$'000	HK$'000	Change
Revenue	**566,503**	690,616	-18.0%
Gross profit	**112,125**	143,350	-21.8%
EBITDA	**87,046**	78,656	+10.7%
Profit for the period	**24,536**	25,443	-3.6%
Earnings per share	**5.69 HK cents**	6.14 HK cents	-7.3%

FINANCIAL RESULTS

The impact of the continuing trade war between China and the United States in the first half of 2019 had led the Group's revenue for the Period dropped by 18% to HK$566,503,000 as compared with that in the corresponding period. Resulting from the decline in revenue, gross profit for the Period also dropped to HK$112,125,000, representing a decrease of 21.8% when compared with that of the corresponding period of HK$143,350,000.

During the Period, the Group recognised a gain arising from changes in fair value of investment properties of HK$13,379,000. Together with the effectiveness of stringent cost control measures as well as the adoption of HKFRS 16, the Group's EBITDA amounted to HK$87,046,000, representing an increase of 10.7% as compared with that in the corresponding period.

Profit of the Period was HK$24,536,000, compared with HK$25,443,000 for the corresponding period, representing a decline of 3.6%.

BUSINESS REVIEW

Market overview

The first half of 2019 represented an exceptionally challenging environment for the global economy due to the growing uncertainties created by the ongoing and fluctuating trade dispute between China and the United States as well as other geopolitical developments around the world. Due to the prolonged trade dispute and the concern of economic recession, consumers' sentiment was worsened during the first half of 2019 and the prudent purchase behaviour seen in consumers' sectors and businesses had led to stagnant product replacements and delays in the launch of new products. As a result, the overall demand for capacitors, which are the crucial components for all electronic products, was relatively weak and the Group's revenue was inevitably affected.

As nowadays more and more applications require the use of capacitors, the Group has remained as a major supplier of several critical electronic components. Amid a challenging global market environment, the Group's primary business focus on diversified market sectors as well as customers with market leadership would help to overcome this rough tide.

Management Discussion and Analysis

Operation review

Amid all the uncertainties in the global market, the Group was in no exception of suffering from a 18% decrease in revenue for the first half of 2019 as the buyers of electronic products were prudent to make new orders and tended to maintain a low level of inventory. Nevertheless, resulting from the Group's diversified customer and product mix, the decline in revenue for the first half of 2019 was relatively mild. During the period under review, the Group was able to maintain strong business relationships with its market-leading customers as well as to constantly support their new product developments. The Group's multi-product platforms, including but not limited to E-Caps, Polymer Caps, MLPC, EDLC and EDLC modules, continued to be the essential components for the use in a wide range of electronic products and applications for efficient energy storage and saving. From artificial intelligence (AI), Internet of Things (IoT), cloud computing, 5G mobile networks to conventional household products, the Group has endlessly devoted all its effort in R&D of new innovative components and materials with an aim to stay at the forefront of technology and the industry.

Internally, the Group has adopted a series of more stringent cost control measures so as to maintain its financial strength for the possibly lasting global trade and political disputes. In addition, the Group has further streamlined its business structure and operations in order to enhance its operating efficiency and competitiveness. For the new production facility in Qingyuan High-tech Industrial Development Zone in Guangdong, the Group has decided to slow down its construction temporarily in view of the increasingly uncertain business environment. Towards this, the Group will closely monitor the market situation and react swiftly in a prudent manner.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group's cash and cash equivalents amounted to HK$237,281,000 (31 December 2018: HK$202,338,000), 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$931,675,000 (31 December 2018: HK$889,355,000) 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$833,979,000 and HK$97,696,000 respectively (31 December 2018: HK$800,019,000 and HK$89,336,000 respectively).

Total interest-bearing borrowings of the Group as at 30 June 2019 comprising bank loans and trade finance facilities were HK$931,675,000 (31 December 2018: HK$889,355,000). 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 2019, 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 48.3% (31 December 2018: 48.3%).

As at 30 June 2019, the net current assets of the Group were HK$351,058,000 (31 December 2018: HK$372,886,000), which comprised current assets of HK$1,548,749,000 (31 December 2018: HK$1,535,496,000) and current liabilities of HK$1,197,691,000 (31 December 2018: HK$1,162,610,000), representing a current ratio of 1.29 (31 December 2018: 1.32).

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. The Group will closely monitor its overall foreign exchange exposure with a view to safeguarding the Group from exchange rate risks.

OUTLOOK AND PROSPECTS

Looking into the upcoming second half of 2019, economic and political challenges will still remain. More trade uncertainties will likely further dampen business investment and disrupt global supply chains. However, the changes in supply chain also open up new opportunities to the market. Due to the national security concerns of the United States, some technology companies in Japan (an ally of the United States) are under pressure and have started to be selective in supplying certain electronic components to Chinese enterprises. Being one of the largest suppliers of capacitors outside Japan, the Group has the competitive edge of attaining a greater market share in the growing niche markets.

Undoubtedly, the global economy is less predictable these days. The Group, however, remains cautiously positive in its business prospect as it is well-equipped with strong R&D capability, decades of operational excellence, solid global presence as well as diversified customer base and product portfolio. The Group will continue to closely monitor the changes in the operating environment and grasp the opportunities arisen from the market changes. Lastly, the Group will maintain its financial discipline to cope with the ever-changing global economic cycle and sustain its on-going business development.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2019, the Group employed 46 staff in Hong Kong (31 December 2018: 54) and employed a total work force of 2,832 (31 December 2018: 3,011) 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

KPMG

REVIEW REPORT TO THE BOARD OF DIRECTORS OF MAN YUE TECHNOLOGY HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 8 to 42, which comprises the consolidated statement of financial position of Man Yue Technology Holdings Limited (the "Company") as of 30 June 2019 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 30 June 2019 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 2019

Unaudited Consolidated Statement of Profit or Loss

	Note	Six months ended 30 June **2019** **HK$'000**	 2018 (Note) HK$'000
Revenue	6 & 7	**566,503**	690,616
Cost of sales		**(454,378)**	(547,266)
Gross profit		**112,125**	143,350
Other income	8	**8,552**	3,214
Other net gains/(losses)	9	**10,666**	(4,702)
Selling and distribution costs		**(27,759)**	(39,911)
Administrative expenses		**(71,503)**	(70,055)
Impairment loss on trade and other receivables		**–**	(3,558)
Operating profit	10	**32,081**	28,338
Changes in fair values of derivative financial instruments	11	**(179)**	1,255
Finance costs	12	**(18,787)**	(14,465)
Finance income	13	**2,664**	2,471
Share of results of joint ventures		**14,733**	16,579
Profit before tax		**30,512**	34,178
Income tax	14	**(5,976)**	(8,735)
Profit for the period		**24,536**	25,443
Profit/(loss) attributable to:			
Equity holders of the Company		**27,071**	29,215
Non-controlling interests		**(2,535)**	(3,772)
Profit for the period		**24,536**	25,443
Earnings per share attributable to equity holders of the Company:	15		
Basic		**5.69 HK cents**	6.14 HK cents
Diluted		**5.69 HK cents**	6.14 HK cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 15 to 42 form part of these interim financial statements.

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2019	2018
		(Note)
	HK$'000	HK$'000
Profit for the period	**24,536**	25,443
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of prepaid land premium	**–**	6,920
Item that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(9,428)**	(19,890)
Other comprehensive income for the period, net of tax	**(9,428)**	(12,970)
Total comprehensive income for the period	**15,108**	12,473
Total comprehensive income attributable to:		
Equity holders of the Company	**18,219**	17,245
Non-controlling interests	**(3,111)**	(4,772)
Total comprehensive income for the period	**15,108**	12,473

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 15 to 42 form part of these interim financial statements.

Unaudited Consolidated Statement of Financial Position

	Note	At 30 June 2019 (Unaudited) HK$'000	At 31 December 2018 (Audited) (Note) HK$'000
Non-current assets			
Property, plant and equipment	3 & 17	**647,111**	575,604
Prepaid land premium	18	**60,837**	61,858
Investment properties	19	**160,759**	147,778
Intangible assets		**1,566**	1,783
Investments in joint ventures		**154,298**	140,474
Prepayments on purchases of property, plant and equipment		**82,591**	99,540
Financial assets at fair value through profit or loss		**23,781**	23,936
Loans to a joint venture	27	**131,868**	118,501
Other prepayments		**5,512**	5,530
Deferred tax assets		**13,823**	14,173
Total non-current assets		**1,282,146**	1,189,177
Current assets			
Inventories		**595,477**	608,425
Trade receivables	20	**560,551**	585,226
Prepayments, deposits and other receivables	20	**127,151**	108,342
Due from joint ventures	27	**24,725**	28,823
Financial assets at fair value through profit or loss		**20**	20
Net defined benefit retirement assets		**671**	689
Tax recoverable		**2,873**	1,633
Cash and cash equivalents		**237,281**	202,338
Total current assets		**1,548,749**	1,535,496
Current liabilities			
Trade and bills payables	21	**180,406**	201,160
Other payables and accrued liabilities and contract liabilities		**115,101**	106,629
Due to joint ventures	27	**41,530**	43,781
Derivative financial instruments		**1,113**	1,989
Tax payable		**9,372**	8,989
Bank loans	22	**833,979**	800,019
Dividends payable		**43**	43
Lease liabilities		**16,147**	–
Total current liabilities		**1,197,691**	1,162,610

Unaudited Consolidated Statement of Financial Position

	Note	At 30 June 2019 (Unaudited) HK$'000	At 31 December 2018 (Audited) (Note) HK$'000
Net current assets		**351,058**	372,886
Total assets less current liabilities		**1,633,204**	1,562,063
Non-current liabilities			
Bank loans	22	**97,696**	89,336
Derivative financial instruments		**–**	284
Provision for long service payments		**77**	77
Deferred tax liabilities		**40,758**	39,614
Deferred income		**10,034**	10,224
Lease liabilities		**47,003**	–
Total non-current liabilities		**195,568**	139,535
Net assets		**1,437,636**	1,422,528
Capital and reserves			
Share capital	23	**47,555**	47,555
Reserves	24	**1,351,315**	1,333,096
Equity attributable to equity holders of the Company		**1,398,870**	1,380,651
Non-controlling interests		**38,766**	41,877
Total equity		**1,437,636**	1,422,528

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 15 to 42 form part of these interim financial statements.

Unaudited Consolidated Statement of Changes in Equity

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

Unaudited Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company				
	Share capital HK$'000	Reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018	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:					
Item that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of prepaid land premium	–	6,920	6,920	–	6,920
Item 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)
Balance at 30 June 2018 (Note)	47,555	1,386,197	1,433,752	47,788	1,481,540

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 15 to 42 form part of these interim financial statements.

Unaudited Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2019	2018
		(Note)
	HK$'000	HK$'000
Operating activities		
Cash generated from operations	**59,188**	(19,873)
Tax paid	**(3,592)**	(3,980)
Net cash inflow/(outflow) from operating activities	**55,596**	(23,853)
Investing activities		
Purchases of property, plant and equipment	**(19,617)**	(8,933)
Prepayments on purchases of property, plant and equipment	**(5,300)**	(50,793)
Other cash flows arising from investing activities	**(10,765)**	(6,986)
Net cash outflow from investing activities	**(35,682)**	(66,712)
Financing activities		
Proceeds from new bank loans	**766,318**	519,102
Repayment of bank loans	**(722,907)**	(529,987)
Capital element of lease rentals paid	**(6,869)**	–
Interest element of lease rentals paid	**(1,558)**	–
Interest paid	**(17,229)**	(14,465)
Other cash flows arising from financing activities	**(1,339)**	(2,121)
Net cash inflow/(outflow) from financing activities	**16,416**	(27,471)
Net increase/(decrease) in cash and cash equivalents	**36,330**	(118,036)
Cash and cash equivalents at beginning of period	**202,338**	312,702
Effect of foreign exchange rate changes	**(1,387)**	(9,608)
Cash and cash equivalents at end of period	**237,281**	185,058
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**237,281**	185,058
Cash and cash equivalents at end of period	**237,281**	185,058

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 15 to 42 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 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 2019.

2 BASIS OF PREPARATION

These interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with the 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 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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 new HKFRS, HKFRS 16 *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16 *Leases*, none of the developments have had a material effect on how 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 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, and the related interpretations, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives*, and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the Accounting Policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the Accounting Policies (Continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 26(a).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out certain properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Notes to the Unaudited Consolidated Financial Statements

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Critical Accounting Judgements and Sources of Estimation Uncertainty in Applying the Above Accounting Policies

(i) Classification of interest in leasehold land and buildings held for own use

In accordance with HKAS 16 *Property, Plant and Equipment*, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with the above accounting policies. Specifically, registered ownership interests are carried under the revaluation model, while rights to use properties under tenancy agreements are carried at depreciated cost.

In making this judgement, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents. In contrast, the shorter term tenancy agreements are typically for periods of no more than 10 years and are subject to other restrictions, in particular on transferability of the Group's tenancy rights to others. These shorter term tenancy agreements are executed in order to retain operational flexibility and to reduce the Group's exposure to the property market fluctuation. They may contain termination or extension clauses and are typically subject to market rent reviews every 2 to 5 years.

(ii) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal and termination options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options or not exercising the termination options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the options, including favourable terms, leasehold improvements undertaken, the importance of that underlying asset to the Group's operation and the costs relating to terminating the leases. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional Impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.67%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to leases for similar class of underlying asset in a similar economic environment.

The following table reconciles the operating lease commitments as disclosed in Note 26(a) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 HK$'000
Operating lease commitments at 31 December 2018	24,238
Less: commitments relating to leases exempt from capitalisation:	
Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(8,282)
Leases of low-value assets	(14)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options or will not exercise the termination options	62,326
	78,268
Less: total future interest expenses	(8,098)
Total lease liabilities recognised at 1 January 2019	70,170

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

Notes to the Unaudited Consolidated Financial Statements

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional Impact (Continued)

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 HK$'000	Capitalisation of operating lease contracts HK$'000	Carrying amount at 1 January 2019 HK$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	575,604	70,170	645,774
Total non-current assets	**1,189,177**	**70,170**	**1,259,347**
Lease liabilities (current)	–	15,308	15,308
Total current liabilities	**1,162,610**	**15,308**	**1,177,918**
Net current assets	**372,886**	**(15,308)**	**357,578**
Total assets less current liabilities	**1,562,063**	**54,862**	**1,616,925**
Lease liabilities (non-current)	–	54,862	54,862
Total non-current liabilities	**139,535**	**54,862**	**194,397**
Net assets	**1,422,528**	**–**	**1,422,528**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 HK$'000	At 1 January 2019 HK$'000
Included in "property, plant and equipment":		
Properties leased for own use, carried at depreciated cost	**62,438**	70,170

Notes to the Unaudited Consolidated Financial Statements

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) Impact on the Financial Result and Segment Results of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported operating profit in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the period.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result and segment results for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

Notes to the Unaudited Consolidated Financial Statements

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) Impact on the Financial Result and Segment Results of the Group (Continued)

	2019				2018
	Amounts reported under HKFRS 16 (A)	Add back: HKFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (Note) (C)	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C)	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Operating profit	**32,081**	**7,592**	**(8,427)**	**31,246**	**28,338**
Finance costs	(18,787)	1,558	–	(17,229)	(14,465)
Profit before tax	**30,512**	**9,150**	**(8,427)**	**31,235**	**34,178**
Profit for the period	**24,536**	**9,150**	**(8,427)**	**25,259**	**25,443**
Reportable segment profit for the six months ended 30 June 2019 (Note 6) impacted by the adoption of HKFRS 16	**24,536**	**9,150**	**(8,427)**	**25,259**	**25,443**

Note: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Notes to the Unaudited Consolidated Financial Statements

4 ESTIMATES

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

In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2018.

5 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), liquidity risk and credit risk.

These interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018.

(b) Liquidity Risk

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity Risk (Continued)

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

	Contractual undiscounted cash outflow at 30 June 2019			
	Within 1 year or on demand HK$'000	**Over 1 year HK$'000**	**Total HK$'000**	**Carrying amount at 30 June 2019 HK$'000**
Derivative financial instruments	**1,113**	**–**	**1,113**	**1,113**
Trade and bills payables	**180,406**	**–**	**180,406**	**180,406**
Other payables and accrued liabilities	**86,749**	**–**	**86,749**	**86,749**
Due to joint ventures	**41,530**	**–**	**41,530**	**41,530**
Bank loans	**848,710**	**100,426**	**949,136**	**931,675**
Dividends payable	**43**	**–**	**43**	**43**
	1,158,551	**100,426**	**1,258,977**	**1,241,516**

	Contractual undiscounted cash outflow at 31 December 2018			
	Within 1 year or on demand HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amount at 31 December 2018 HK$'000
Derivative financial instruments	2,005	291	2,296	2,273
Trade and bills payables	201,160	–	201,160	201,160
Other payables and accrued liabilities	97,585	–	97,585	97,585
Due to joint ventures	43,781	–	43,781	43,781
Bank loans	811,673	92,641	904,314	889,355
Dividends payable	43	–	43	43
	1,156,247	92,932	1,249,179	1,234,197

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 2019.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss – non-current	–	–	23,781	23,781
Financial assets at fair value through profit or loss – current	20	–	–	20
Total assets	20	–	23,781	23,801
Liabilities				
Derivative financial instruments: Interest rate swaps	–	1,113	–	1,113
Total liabilities	–	1,113	–	1,113

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 2018.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss – non-current	–	–	23,936	23,936
Financial assets at fair value through profit or loss – current	20	–	–	20
Total assets	20	–	23,936	23,956
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	2,273	–	2,273
Total liabilities	–	2,273	–	2,273

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.

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

	Six months ended 30 June	
	2019 **HK$'000**	2018 HK$'000
At 1 January	**23,936**	23,374
Changes in fair value recognised in profit or loss during the period	**(126)**	250
Exchange realignment	**(29)**	(80)
At 30 June	**23,781**	23,544

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair Value Hierarchy (Continued)

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 2019 and 31 December 2018.

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	
	2019	2018
	HK$'000	HK$'000
Revenue	**566,503**	690,616
Gross profit	**112,125**	143,350
Gross profit margin (%)	**19.8%**	20.8%
EBITDA [1]	**87,046**	78,656
EBITDA margin (%)	**15.4%**	11.4%
Operating expenses [2]	**99,262**	113,524
Operating expenses/revenue (%)	**17.5%**	16.4%
Profit for the period	**24,536**	25,443
Net profit margin (%)	**4.3%**	3.7%

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 impairment loss on trade and other receivables.

6 SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Revenue from external customers by geographical locations		
Hong Kong	**40,808**	33,320
Mainland China	**372,249**	480,271
Taiwan	**85,640**	110,884
Southeast Asia	**18,302**	9,370
Korea	**1,422**	2,074
United States	**10,183**	15,666
Europe	**27,671**	27,232
Other countries	**10,228**	11,799
	566,503	690,616

	At 30 June	At 31 December
	2019	2018
	HK$'000	HK$'000
Non-current assets by physical locations (excluding deferred tax assets and financial assets at fair value through profit or loss)		
Hong Kong	**85,704**	75,474
Mainland China	**1,158,600**	1,075,323
Other countries	**238**	271
	1,244,542	1,151,068

Notes to the Unaudited Consolidated Financial Statements

7 REVENUE

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

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

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Manufacturing and trading of electronic components	**566,503**	690,179
Trading of raw materials	**–**	437
	566,503	690,616

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

8 OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Scrap sales	**2,293**	374
Subsidies from the Central People's Government	**2,863**	332
Rental income generated from investment properties	**1,175**	1,166
Others	**2,221**	1,342
	8,552	3,214

9 OTHER NET GAINS/(LOSSES)

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Dividend income	**2**	901
Fair value gains on investment properties	**13,379**	344
Net foreign exchange losses	**(2,589)**	(6,197)
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(126)**	250
	10,666	(4,702)

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	
	2019	2018
		(Note)
	HK$'000	HK$'000
Depreciation charge:		
Owned property, plant and equipment	**29,189**	29,010
Right-of-use assets	**7,592**	–
Amortisation of prepaid land premium	**791**	782
Amortisation of intangible assets	**175**	221
Write-down of inventories	**–**	783
Reversal of write-down of inventories	**–**	(1,997)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

11 CHANGES IN FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Fair value (losses)/gains on interest rate swaps	**(179)**	1,255

At 30 June 2019, 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	
	2019	2018
		(Note)
	HK$'000	HK$'000
Interest expense on bank loans	**16,696**	13,848
Interest expense on lease liabilities	**1,558**	–
Others	**533**	617
	18,787	14,465

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

Notes to the Unaudited Consolidated Financial Statements

13 FINANCE INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interest income from loan to a joint venture	**2,332**	2,141
Interest income from time deposits and bank balances	**332**	330
	2,664	2,471

14 INCOME TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current tax:		
Hong Kong	**96**	5
Outside Hong Kong	**2,657**	3,709
	2,753	3,714
Deferred tax	**3,223**	5,021
Total tax charge for the period	**5,976**	8,735

Hong Kong Profits Tax has been provided at the rate of 16.5% (30 June 2018: 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, two (30 June 2018: one) of the Group's subsidiaries in Mainland China enjoy a preferential tax rate of 15% (30 June 2018: 15%). Other subsidiaries of the Group in Mainland China are subject to income taxes at a statutory rate of 25% (30 June 2018: 25%).

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

Notes to the Unaudited Consolidated Financial Statements

15 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$27,071,000 (30 June 2018: HK$29,215,000), and the weighted average number of 475,548,000 (30 June 2018: 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 2018 were anti-dilutive ordinary shares.

16 DIVIDENDS

The Board has resolved not to declare interim dividend for the Period (30 June 2018: Nil).

17 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Opening net carrying amount at 1 January	**575,604**	602,264
Impact on initial application of HKFRS 16 (Note)	**70,170**	–
Opening net carrying amount at 1 January per HKFRS 16	**645,774**	602,264
Additions:		
Owned property, plant and equipment	**41,714**	10,344
Disposals	**(635)**	(1,980)
Depreciation:		
Owned property, plant and equipment	**(29,189)**	(29,010)
Right-of-use assets	**(7,592)**	–
Exchange realignment	**(2,961)**	(3,091)
Closing net carrying amount at 30 June	**647,111**	578,527

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 3.

Notes to the Unaudited Consolidated Financial Statements

18 PREPAID LAND PREMIUM

	Six months ended 30 June 2019 HK$'000	2018 HK$'000
Opening net carrying amount at 1 January	**61,858**	68,718
Surplus on revaluation	**–**	9,226
Transfer to investment properties	**–**	(11,580)
Amortisation	**(791)**	(782)
Exchange realignment	**(230)**	(540)
Closing net carrying amount at 30 June	**60,837**	65,042

19 INVESTMENT PROPERTIES

	Six months ended 30 June 2019 HK$'000	2018 HK$'000
Opening net carrying amount at 1 January	**147,778**	136,522
Transfer from prepaid land premium	**–**	11,580
Gain on fair value adjustment	**13,379**	344
Exchange realignment	**(398)**	(682)
Closing net carrying amount at 30 June	**160,759**	147,764

The Group obtains independent valuations for its investment properties at least twice annually. During the Period, the valuations were performed by Ravia Global Appraisal Advisory Limited, an independent professionally qualified valuer using the same valuation techniques as were used by the valuers when carrying out the valuations at 31 December 2018. At the end of each reporting period, the Directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The Directors determine a property's value within a range of reasonable fair value estimates.

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

19 INVESTMENT PROPERTIES (CONTINUED)

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements at 30 June 2019 categorised into		
	Level 1	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**
Recurring fair value measurements			
Investment properties	**–**	**–**	**160,759**

	Fair value measurements at 31 December 2018 categorised into		
	Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000
Recurring fair value measurements			
Investment properties	–	–	147,778

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

20 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Trade receivables	**592,594**	618,631
Loss allowance	**(32,043)**	(33,405)
	560,551	585,226
Prepayments, deposits and other receivables	**127,151**	108,342
	687,702	693,568

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.

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

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
1-3 months	**463,287**	413,578
4-6 months	**62,633**	149,402
7-12 months	**20,441**	12,926
Over 1 year	**14,190**	9,320
	560,551	585,226

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21 TRADE AND BILLS PAYABLES

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

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Trade payables:		
1-3 months	**121,078**	117,733
4-6 months	**26,372**	66,993
7-12 months	**6,494**	5,715
Over 1 year	**11,639**	5,369
	165,583	195,810
Bills payables	**14,823**	5,350
	180,406	201,160

22 BANK LOANS

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Bank loans, unsecured, repayable:		
Within one year or on demand	**833,979**	800,019
In the second year	**60,883**	56,503
In the third to fifth years, inclusive	**36,813**	32,833
	931,675	889,355
Portion classified as current liabilities	**(833,979)**	(800,019)
Non-current portion	**97,696**	89,336

Notes to the Unaudited Consolidated Financial Statements

22 BANK LOANS (CONTINUED)

Movement in bank loans is analysed as follows:

	Six months ended 30 June 2019 HK$'000	2018 HK$'000
Opening balance at 1 January	**889,355**	847,079
New borrowings	**766,318**	519,102
Repayments of borrowings	**(722,907)**	(529,987)
Exchange realignment	**(1,091)**	(1,259)
Closing balance at 30 June	**931,675**	834,935

23 SHARE CAPITAL

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
475,547,534 (31 December 2018: 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 2019 and 30 June 2019	**475,547,534**	**47,555**	**165,458**	**213,013**
At 1 January 2018 and 30 June 2018	475,547,534	47,555	165,458	213,013

No share options were exercised during the Period.

24 RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Other reserve HK$'000	Mainland China reserve funds HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2019	165,458	1,782	2,800	100,074	128,425	(162)	62,755	871,964	1,333,096
Profit for the period	-	-	-	-	-	-	-	27,071	27,071
Other comprehensive income:									
Item that may be reclassified subsequently to profit or loss:									
Currency translation differences	-	-	-	-	(8,852)	-	-	-	(8,852)
Total comprehensive income for the period ended 30 June 2019	-	-	-	-	(8,852)	-	-	27,071	18,219
Balance at 30 June 2019	165,458	1,782	2,800	100,074	119,573	(162)	62,755	899,035	1,351,315

Notes to the Unaudited Consolidated Financial Statements

24 RESERVES (CONTINUED)

	Share premium HK$'000	Share option reserve HK$'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
Balance at 1 January 2018	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:									
Item that will not be reclassified subsequently to profit or loss:									
Gain on revaluation of prepaid land premium	–	–	–	6,920	–	–	–	–	6,920
Item 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
Balance at 30 June 2018 (Note)	165,458	1,876	2,800	86,676	208,487	(162)	59,024	862,038	1,386,197

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

25 CAPITAL COMMITMENTS

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

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Contracted, but not provided for:		
Plant and machinery	**42,186**	43,530
Buildings	**18,555**	27,187
Land	**1,159**	1,163
	61,900	71,880

26 OPERATING LEASE ARRANGEMENTS

(a) Operating Lease Commitments (As Lessee)

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 December 2018 HK$'000
Within one year	21,173
After one year but within five years	3,065
	24,238

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 3.

(b) Operating Lease Commitments (As Lessor)

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 2019 HK$'000	At 31 December 2018 HK$'000
Within one year	**908**	1,822

The Group leases out certain properties under leases which previously as operating leases under HKAS 17. The accounting policies applicable to the Group as a lessor under HKFRS 16 remain substantially unchanged from those under HKAS 17.

27 RELATED PARTY TRANSACTIONS

As at 30 June 2019, 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:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Purchases of raw materials [1]	**14,006**	35,596
Rental expenses [2]	**–**	7,367
Interest income received [3]	**2,332**	2,141

Notes:

1. The above purchases of raw materials were determined on basis as agreed by both parties and were conducted in the normal course of business.

2. The Group entered into a lease in respect of the factory premises in Mainland China from a joint venture. The amount of rental payable by the Group under the lease is RMB1,000,330 per month, which was determined with reference to mark-to-market yield. At 1 January 2019, the Group recognised a right-of-use asset and a lease liability of HK$61,222,000.

3. The interest was charged at a rate of 4.90% (30 June 2018: 4.90%) per annum.

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

	At 30 June	At 31 December
	2019	2018
	HK$'000	HK$'000
Loans to a joint venture [1]	**131,868**	118,501
Due from joint ventures [2]	**24,725**	28,823
Due to joint ventures [2]	**41,530**	43,781

Notes:

1. Except for the loans amounting to HK$103,048,000 (31 December 2018: HK$89,681,000), which are interest-bearing at a rate of 4.90% (30 June 2018: 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.

2. The amounts due from and due to joint ventures are unsecured, interest-free and have no fixed terms of repayment.

27 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Salaries and allowances	**8,201**	8,203
Pension scheme contributions	**90**	81
Total remuneration for key management personnel	**8,291**	8,284

28 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2019

A number of amendments, new standards and interpretations are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing these interim financial statements.

Corporate Governance and Other Information

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

As at 30 June 2019, 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 [1]	Interest of controlled corporation	Corporate	209,689,667	–	44.09%
Kee Chor Lin	Beneficial owner	Personal	51,006,334	–	10.73%
			260,696,001	–	54.82%
Chan Yu Ching, Eugene	Beneficial owner	Personal	4,716,666	–	0.99%
Wong Ching Ming, Stanley [2]	Beneficial owner	Personal	–	500,000	0.11%

Notes:

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.

2. Mr Wong Ching Ming, Stanley resigned from the office of Executive Director of the Company with effect from 10 January 2019 but will remain as the Business Development Director of the Group. The share options that granted to him remain valid and have been calculated in combination with other employees from the date of his resignation from the office of Executive Director of the Company.

Save as disclosed above and as disclosed under the Section "Directors' Rights to Acquire Shares or Debentures" as at 30 June 2019, 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 2019, 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 2019, 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 2019, 1,830,000 (31 December 2018: 1,880,000) 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 2019	As at 10 January 2019 [3]	Lapsed during the Period	As at 30 June 2019	Date of grant of share options	Exercise period of share options [1]	Exercise price of share options [2] HK$ per share
Director							
Wong Ching Ming, Stanley [3]	250,000	–	–	–	15.9.2010	15.9.2011 to 14.9.2020	2.262
	250,000	–	–	–	15.9.2010	15.9.2012 to 14.9.2020	2.262
Other employees [3]							
In aggregate	696,000	946,000	(26,000)	920,000	15.9.2010	15.9.2011 to 14.9.2020	2.262
In aggregate	684,000	934,000	(24,000)	910,000	15.9.2010	15.9.2012 to 14.9.2020	2.262
	1,880,000	1,880,000	(50,000)	1,830,000			

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.

3. Mr Wong Ching Ming, Stanley resigned from the office of Executive Director of the Company with effect from 10 January 2019 but will remain as the Business Development Director of the Group. The share options that granted to him remain valid and have been calculated in combination with other employees from the date of his resignation from the office of Executive Director of the Company.

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 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Corporate Governance and Other Information

BOARD CHANGES

There was a change in the Board during the Period which is reported as below:

- Mr Wong Ching Ming, Stanley resigned from the office of Executive Director of the Company due to health reasons with effect from 10 January 2019 but remains as the Business Development Director of the Group.

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.

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 2019 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 2019 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 2018: 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 the website of the Company at 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 form 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 54, 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 2019

Glossary

Audit Committee	audit committee of the Company
Board	board of directors of the Company
Bye-laws	bye-laws of the Company
Company	Man Yue Technology Holdings Limited
Corporate Governance Code	Corporate Governance Code
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
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
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 2019
Polymer Caps	Conductive Polymer Aluminum Solid Capacitors
RMB	Renminbi
R&D	research and development
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited
%	per cent