WING LEE HOLDINGS LIMITED
永利控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 876)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended	
		30.6.2013	30.6.2012
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Continuing operation			
Turnover	3	**139,386**	174,756
Cost of goods sold		**(105,262)**	(118,549)
Gross profit		**34,124**	56,207
Other income		**2,801**	2,374
Selling and distribution costs		**(3,517)**	(3,724)
Administrative expenses		**(35,616)**	(29,667)
Other expenses		**(863)**	(5,493)
Impairment loss recognised in respect of property, plant and equipment		**(9,034)**	–
Changes in fair value of investment properties		**(533)**	161
Finance costs		**(116)**	(227)
Share of profit of an associate		**3,065**	–
(Loss) profit before taxation	4	**(9,689)**	19,631
Taxation	5	**(1,097)**	(4,322)
(Loss) profit for the period from continuing operation		**(10,786)**	15,309

* *for identification only*

	Notes	Six months ended **30.6.2013** ***HK$'000*** **(unaudited)**	30.6.2012 *HK$'000* (unaudited)
Discontinued operation			
Profit for the period from discontinued operation	7	**8,136**	125,479
(Loss) profit for the period		**(2,650)**	140,788
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**–**	(255)
Total comprehensive (expense) income for the period		**(2,650)**	140,533
(Loss) profit for the period attributable to owners of the Company:			
– from continuing operation		**(10,455)**	15,643
– from discontinued operation		**8,136**	125,479
		(2,319)	141,122
Loss for the period attributable to non-controlling interests:			
– from continuing operation		**(331)**	(334)
– from discontinued operation		**–**	–
		(331)	(334)
(Loss) profit for the period		**(2,650)**	140,788
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(2,319)**	140,867
Non-controlling interests		**(331)**	(334)
		(2,650)	140,533
(Loss) earnings per share	8		
From continuing and discontinued operations			
– Basic		**(0.72) HK cents**	44.03 HK cents
From continuing operation			
– Basic		**(3.26) HK cents**	4.88 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013

	Notes	**30.6.2013** *HK$'000* **(unaudited)**	31.12.2012 *HK$'000* (audited)
Non-current assets			
Investment properties		**36,958**	37,491
Property, plant and equipment		**180,934**	201,369
Prepaid lease payments		**13,682**	13,859
Interest in an associate	9	**65,761**	–
		297,335	252,719
Current assets			
Inventories		**39,143**	39,356
Trade and other receivables	10	**62,795**	57,131
Taxation recoverable		**15,720**	6,445
Fixed deposits		**5,194**	5,159
Bank balances and cash		**54,092**	66,254
		176,944	174,345
Disposal group classified as held for distribution to owners	7 &12	**–**	953,196
		176,944	1,127,541
Current liabilities			
Trade and other payables	11	**63,149**	55,224
Rental deposits received		**310**	346
Taxation payable		**12,529**	14,817
Bank loans – due within one year		**20,000**	30,000
		95,988	100,387
Liabilities associated with disposal group classified as held for distribution to owners	7 & 12	**–**	142,105
		95,988	242,492
Net current assets		**80,956**	885,049
Total assets less current liabilities		**378,291**	1,137,768
Non-current liabilities			
Deferred tax liabilities		**13,941**	14,091
		364,350	1,123,677
Capital and reserves			
Share capital		**160,263**	160,263
Reserves		**205,606**	964,602
Equity attributable to owners of the Company		**365,869**	1,124,865
Non-controlling interests		**(1,519)**	(1,188)
		364,350	1,123,677

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As discussed in more detail in notes 7 and 12, in 2012, the Group has committed to, and initiated an exercise for the distribution of its properties investment operation. The distribution was through the separate listing of Wing Lee Property Investments Limited ("Wing Lee Property") and its subsidiaries (collectively referred to as the "Property Group") on the Main Board of the Stock Exchange, which principally carries out the Group's properties investment operation in Hong Kong and the People's Republic of China (the "PRC"), by way of introduction, through a special dividend distribution satisfied by distribution in specie of approximately 83.0% of the issued share capital of Wing Lee Property to the Company's shareholders, the details of which are set out in the listing document of Wing Lee Property dated 28 February 2013 (the "Listing Document") (the "Spin-Off Exercise"). The Property Group was classified as disposal group held for distribution as at 31 December 2012 and presented as a discontinued operation in the annual financial statements for the year ended 31 December 2012. The Spin-Off Exercise was completed on 19 March 2013.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012. In addition, the Group has applied the following accounting policy for distribution in specie and investment in an associate during the current interim period:

Distribution of non-cash assets to owners

Upon loss of control of a subsidiary through distribution of shares in the subsidiary to the shareholders of the Company where the subsidiary is ultimately controlled by the same party both before and after the distribution, the Group (i) derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost; (ii) measures the distribution and the liability to distribute non-cash assets as a dividend to its owner at the carrying amount of the net assets to be distributed; and (iii) recognises its investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it as an associate. The difference between the carrying amount and the fair value of the retained interest is also recognised in equity.

Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under Hong Kong Financial Reporting Standards ("HKFRS") 5 "Non-current assets held for sale and discontinued operations"). The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate is initially recognised in the condensed consolidated statement of financial position at fair value of the retained interest on disposal of a subsidiary and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's condensed consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10	Consolidated financial statements;
HKFRS 11	Joint arrangements;
HKFRS 12	Disclosure of interests in other entities;
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance;
HKFRS 13	Fair value measurement;
HKAS 19 (as revised in 2011)	Employee benefits;
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures;
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities;
Amendments to HKAS 1	Presentation of items of other comprehensive income;
Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle; and
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine.

HKFRS 13 "Fair value measurement"

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. The application of HKFRS 13 has no material impact on fair value measurement of the Group's investment properties at 30 June 2013.

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of other items of other comprehensive income has been modified to reflect the changes.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate financial statements" that deal with consolidated financial statements and HK(SIC) -INT 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. The application of HKFRS 10 has no material impact on the amounts reported in the condensed consolidated financial statements.

Subsequent to the spin-off listing of Wing Lee Property on 19 March 2013 and at 30 June 2013, the Group has 17.0% ownership interest in Wing Lee Property which gives the Group the same percentage of the voting rights in Wing Lee Property. The directors of the Company made an assessment as at the date of the listing of Wing Lee Property as to whether or not the Group has control over Wing Lee Property in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the Group does not have control over Wing Lee Property since its separate listing on the Stock Exchange on 19 March 2013, but has significant influence in the Company's capacity in the power to participate in the financial and operating policy decision of Wing Lee Property but is not control or joint control over those policies. The directors of the Company have considered the relative voting rights of the shareholders of Wing Lee Property and are of the opinion that the Company can exercise significant influence and, therefore, Wing Lee Property has been treated as an associate company of the Company since its listing and accounted for using equity method of accounting.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

The Group's operations are organised into two operating divisions namely manufacture of and trading in electronic components and properties investment. These divisions are based on the information reported to the chief operating decision maker.

The executive directors of the Company (the "Executive Directors") have been identified as the chief operating decision maker. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources.

Manufacture of and trading in electronic components	–	manufacture of and trading in electronic components in the PRC and Hong Kong (continuing operation)
Properties investment	–	investments in properties in the PRC and Hong Kong (discontinued operation)

The Property Group engages in properties investment business, principally the leasing of completed commercial and residential properties in Hong Kong and the PRC. As discussed in note 7, after the spin-off and separate listing of Wing Lee Property on the Stock Exchange on 19 March 2013, the Group no longer carried on the business of properties investment and the properties investment division of the Group is classified a discontinued operation of the Group in the current interim period.

The following is an analysis of the Group's revenue and results by operating segment.

Segment revenues and results

	Continuing operation – Manufacture of and trading in electronic components *HK$'000*	**Discontinued operation – Properties investment** *HK$'000*
For the six months ended 30 June 2013		
TURNOVER		
External sales	**139,386**	**4,948**
Inter-segment sales	**–**	**634**
Eliminations	**–**	**(634)**
	139,386	**4,948**
RESULTS		
Segment results	**(8,113)**	**13,897**
Unallocated income	**2,801**	**86**
Unallocated expenses	**(7,326)**	**(4,956)**
Finance costs	**(116)**	**(400)**
Share of profit of an associate	**3,065**	**–**
(Loss) profit before taxation	**(9,689)**	**8,627**

	Continuing operation – Manufacture of and trading in electronic components *HK$'000*	Discontinued operation – Properties investment *HK$'000*
For the six months ended 30 June 2012		
TURNOVER		
External sales	174,756	10,010
Inter-segment sales	–	1,236
Eliminations	–	(1,236)
	174,756	10,010
RESULTS		
Segment results	20,779	129,793
Unallocated income	2,374	1,126
Unallocated expenses	(3,295)	(3,585)
Finance costs	(227)	(984)
Profit before taxation	19,631	126,350

Segment result represents the profit earned/(loss) incurred by each segment without allocation of central administration costs and other income, finance costs and share of profit of an associate. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

4. (LOSS) PROFIT BEFORE TAXATION

	Continuing operation Six months ended		Discontinued operation Six months ended	
	30.6.2013	30.6.2012	**30.6.2013**	30.6.2012
	HK$000	*HK$000*	***HK$000***	*HK$000*
(Loss) profit before taxation has been arrived at after charging (crediting):				
Reversal of allowance for inventories (included in cost of goods sold)	**(341)**	(1,329)	**–**	–
Amortisation of prepaid lease payments	**177**	175	**–**	–
Bad debts (recovered) written off (included in other expenses)	**(10)**	2,233	**–**	–
Depreciation of property, plant and equipment	**13,678**	12,729	**379**	897
Expenses in relation to the listing of Wing Lee Property (included in other expenses)	**–**	2,721	**3,993**	3,576
Gain on disposal of property, plant and equipment (included in other income)	**(1,461)**	(1,112)	**–**	(640)
Interest on bank deposits	**(162)**	(195)	**(82)**	(371)
Net exchange losses (gains) (included in other expenses/income)	**873**	539	**(17)**	–

5. TAXATION

	Continuing operation Six months ended		Discontinued operation Six months ended	
	30.6.2013	30.6.2012	**30.6.2013**	30.6.2012
	HK$000	*HK$000*	***HK$000***	*HK$000*
Current tax:				
Hong Kong	**–**	3,978	**439**	713
PRC Enterprise Income Tax	**1,247**	344	**8**	18
	1,247	4,322	**447**	731
Overprovision of Hong Kong Profits Tax in prior periods	**–**	–	**(20)**	–
Deferred tax	**(150)**	–	**64**	140
	1,097	4,322	**491**	871

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

In 2012, the Hong Kong Inland Revenue Department ("IRD") was conducting a tax audit to the Group for the years of assessment back from 2004/05. The IRD issued additional assessments for the years from 2004/05 to 2006/07 demand for an aggregate of approximately HK$18,375,000 (the "Assessments") to one of the Company's subsidiaries in connection with the pricing policy of its intergroup transactions of the trading and manufacturing operations in these years.

In 2012, the Group lodged objections to the IRD against the Assessments and had made partial payments in aggregate of HK$9,100,000 to the IRD temporarily (part of which was in the form of tax reserve certificate). The directors of the Company would propose to the IRD to adjust the pricing of the intercompany transactions and thus the assessable profits of its subsidiaries in Hong Kong and the PRC will be adjusted based on the proposal in these years (the "Proposal"). In the opinion of the directors of the Company, it should be a valid case to pursue, and the Group had made further provisions of HK$11,276,000 together with related potential tax penalty for the assessment years from 2004/05 to 2010/11 during the year ended 31 December 2012 and no additional tax provision was made in the current interim period with respect to the Proposal. During the current interim period, the Group has made further payments to the IRD of HK$9,275,000 based on the Assessments (recorded as tax recoverable at 30 June 2013) and paid a late payment surcharge of approximately HK$464,000 which had been charged to administrative expense.

Up to the date of these condensed consolidated financial statements, the negotiations on these tax assessments had not yet concluded. In the event where the settlement of the tax audit could be less than the amount aforementioned, the tax recoverable should be refundable to the Group. On the other hand, the tax recoverable including the tax reserve certificate purchased by the Group would be charged to profit or loss, if the IRD disagree with the above mentioned basis and the Group failed the objection.

The provision for PRC Enterprise Income Tax ("EIT") is based on the estimated taxable income for PRC taxation purpose at the rate of taxation applicable for the period.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

6. DIVIDENDS

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Dividends recognised as distribution during the period:		
2012 final dividend of nil HK cents (2011: 4 HK cents) per share	**–**	12,821
Special dividend, by way of a distribution in species of shares of Wing Lee Property *(note)*	**756,677**	–
	756,677	12,821

Note: On 19 February 2013, the board of directors of the Company declared a conditional special interim dividend by way of a distribution in respect of Wing Lee Property shares held by the Company in proportion of one Wing Lee Property share for every one share held by the shareholders of the Company, representing approximately 83.0% of the issued share capital of Wing Lee Property after the Capitalisation Issue, subject to the Spin-Off Condition (both Capitalisation Issue and Spin-Off Condition are defined in the Listing Document). On 19 March 2013, a total of 320,525,879 Wing Lee Property shares, representing approximately 83.0% of the shares of Wing Lee Property were distributed to the owners of the Company pursuant to the Distribution (as defined in note 7). The amount of distribution is determined in accordance with the Group's accounting policy as set out in note 2 above.

Other than the Distribution, no dividend were paid, declared or proposed for the six months ended 30 June 2013. The directors of the Company have determined that no dividend (2012: an interim dividend of 2 HK cents per share) will be paid to the owners of the Company in respect of the interim period.

7. DISCONTINUED OPERATION

On 19 March 2013, the Group spun off its properties investment business through the separate listing of the Property Group on the Stock Exchange by way of introduction, through a special interim dividend distribution satisfied by distribution in specie of approximately 83.0% of the issue share capital of Wing Lee Property to the Company's shareholders (the "Distribution").

The profit for the period from the discontinued operation is analysed as follows:

	1.1.2013 to 18.3.2013 *HK$'000*	1.1.2012 to 30.6.2012 *HK$'000*
Turnover	**4,948**	10,010
Direct operating expenses	**(337)**	(731)
Other income	**86**	1,126
Net changes in fair value of investment properties	**10,976**	127,934
Administrative expenses	**(2,653)**	(7,429)
Other expenses	**(3,993)**	(3,576)
Finance costs	**(400)**	(984)
Profit before taxation	**8,627**	126,350
Taxation	**(491)**	(871)
Profit for the period	**8,136**	125,479

During the current interim period, the discontinued operation contributed cash flows of HK$69,000 (six months ended 30 June 2012: paid HK$357,000) in respect of the Group's net operating activities, contributed HK$53,000 (six months ended 30 June 2012: paid HK$8,855,000) in respect of investing activities and paid HK$4,002,000 (six months ended 30 June 2012: contributed HK$1,135,000) in respect of financing activities.

8. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(2,319)**	141,122

Number of shares

	30.6.2013 & 30.6.2012
Number of ordinary shares for the purpose of basic (loss) earnings per share	320,525,879

From continuing operation

The calculation of the basic (loss) earnings per share from continuing operation attributable to owners of the Company is based on the following data:

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
(Loss) profit for the period attributable to owners of the Company	**(2,319)**	141,122
Less: Profit for the period from the discontinued operation attributable to owners of the Company	**(8,136)**	(125,479)
(Loss) earnings for the purpose of basic (loss) earnings per share from the continuing operation	**(10,455)**	15,643

The denominators used are the same as those above for basic (loss) earnings per share.

From discontinued operation

Basic earnings per share for discontinued operation is 2.54 HK cents per share (2012: 39.15 HK cents per share) based on the profit for the period from discontinued operation of HK$8,136,000 (2012: HK$125,479,000) and the denominator set out above for basic (loss) earnings per share.

No diluted earnings per share is presented as there were no potential dilutive shares in issue for both periods.

9. INTEREST IN AN ASSOCIATE

	30.6.2013
	HK$'000
Cost of investment in an associate *(note 12)*	**62,696**
Share of post-acquisition profit and other comprehensive income, net of dividend received	**3,065**
	65,761

10. TRADE AND OTHER RECEIVABLES

At 30 June 2013, included in trade and other receivables were trade receivables of HK$50,314,000 (31 December 2012: HK$50,281,000). Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 90 days after issuance, except for certain well-established customers, where the terms are extended to 120 days.

The following is an aged analysis of trade receivables, presented based on invoice dates (also approximates to revenue recognition date) at the end of the reporting period:

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
0 – 90 days	**48,809**	49,841
91 – 180 days	**1,139**	440
Over 180 days	**366**	–
	50,314	50,281

11. TRADE AND OTHER PAYABLES

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
Trade payables	**10,639**	5,222
Payable for acquisition of property, plant and equipment	**7,016**	7,824
Accrued expense	**19,862**	21,821
Other tax paybles	**17,051**	14,895
Other payables	**8,581**	5,462
	63,149	55,224

The following is an aged analysis of trade payables, presented based on the invoice date as at the end of the reporting period.

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
0 – 90 days	**10,611**	5,222
91 – 180 days	**28**	–
	10,639	5,222

12. DISPOSAL OF SUBSIDIARIES

As detailed in notes 1 and 7, the Company's shareholding in Property Group has decreased from 100% to 17.0% following the Distribution on 19 March 2013. The Group has lost control in Wing Lee Property upon completion of the Spin-Off Exercise, but retained the power to exercise significant influence over the Property Group. Wing Lee Property is therefore regarded as an associate of the Company and is accounted for by equity method. The net assets of the Property Group at the date of spin-off were as follows:

	19.3.2013
	HK$'000
Investment properties	895,130
Property, plant and equipment	6,549
Rental and other receivables	484
Taxation recoverable	19
Fixed deposits	30,079
Bank balances and cash	28,043
Other payables and rental deposits received	(13,187)
Taxation payable	(730)
Bank loans	(122,594)
Deferred tax liabilities	(4,420)
Net assets disposed of	819,373
Transferred to interest in an associate *(note 9)*	(62,696)
Total consideration	756,677
Satisfied by:	
Special interim dividend in specie	756,677
Net cash outflow on distribiution	(28,043)

The fair value of the Property Group's investment properties at the date of spin-off was arrived at on the basis of a valuation carried out on 19 March 2013 by RHL Appraisal Limited ("RHL"). The valuation was arrived at by using direct comparison method by making reference to the comparable market transactions as available.

13. CAPITAL COMMITMENTS

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**395**	–

14. RELATED PARTIES TRANSACTIONS

The Group had the following related party transactions:

(a) During the six months ended 30 June 2012, the Group sold a property to a related company which is owned by certain directors of the Company at a cash consideration of HK$850,000. The consideration was determined based on a valuation carried out by RHL with reference to market evidence of transaction prices for similar properties in similar location.

(b) During the six months ended 30 June 2013, the Group has rented certain properties from Extra Rich Development Limited, a wholly-owned subsidiary of Wing Lee Property, rentals of approximately HK$829,600 has been paid and recognised as an expense during the period from 19 March 2013 (the date of which Wing Lee Property became an associate of the Company) to 30 June 2013.

(c) During the six months ended 30 June 2013, the Group has rented a property at prevailing market rent to Mr. Lui Siu Fung, a director of Wing Lee Property and a rental income of approximately HK$34,000 has been received during the period from 1 January 2013 to 19 March 2013 (date of which Wing Lee Property became an associate of the Company).

DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 June 2013 (2012: 2 HK cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the "Board"), I would like to present to shareholders the interim results of the Group for the six months ended 30 June 2013 (the "Period").

RESULTS AND DIVIDEND

For the six months ended 30 June 2013, the Group's turnover was approximately HK$139 million (2012: HK$175 million), representing a decrease of approximately 20% as compared to the corresponding period of 2012.

The earnings before interest, tax, amortisation and depreciation (EBITDA) of the continuing operation was approximately HK$4 million (2012: earnings of HK$33 million), representing a decrease of HK$29 million as compared to the corresponding period of 2012.

Basic loss per share was 0.72 HK cents (2012: earnings of 44.03 HK cents)

The Board has resolved not to declare an interim dividend.

BUSINESS REVIEW

Electronic Manufacturing Services Business (the "EMS Business")

The ongoing European debt crisis still dampened the buying desires of the customers, and the demand from America did not rebound. The global demand on home electronic entertainment product decreased, which in turn affected the overall sales of the electronic and electrical component manufacturing sector. The sales of the EMS Business decreased by approximately 20% to HK$139 million, as compared to the corresponding period of 2012.

Sales to European & Japanese and Korean customers accounted for approximately 54% (2012: 57%) and 34% (2012: 29%) to the sales of the EMS Business for the six months ended 30 June 2013 respectively. To cope with the decreasing demand from European & Japanese market, the Group had exerted significant effort in establishing market share of Korean customers, customers mix changed over the period as compared to the corresponding period of 2012, sales to Korean customers rose by approximately 5% to the sales revenue of the Group. Facing the downward trend of demand from European & Japanese customers, the Directors had cautiously managed the market portfolio by expanding customers profile in different geographical area.

Sales of RCA pin jack, SCART and phone jack accounted for approximately 56% (2012: 60%) to the sales of the EMS Business for the six months ended 30 June 2013. However, the demand of traditional RCA pin jack and SCART was decreasing with the well-mature development of HDMI devices over past ten years. The Group had contributed engineering resources in developing USB and PCMCIA connectors, sales of these connectors accounted for approximately 18% to the sales of the EMS business for two corresponding periods. The Group has gained recognitions from customers for our devotion to quality consciousness, and has successfully built up a considerable market share as one of the reputable provider in the electronic and electrical component manufacturing sector. The Group will continue to focus on higher margin products which demand high quality standards.

With the significant decrease in sales turnover of the EMS business of the Group, it has recorded a loss of approximately HK$11 million for the six months ended 30 June 2013.

Material cost increased by approximately 3% as compared to the corresponding period of 2012, it mainly because of higher copper price over the Period as compared to last corresponding period. Several fixed overhead expenses were higher as compared to the corresponding period of 2012, depreciation and repairing expenditure on plant and equipments increased although the sale turnover of the Group decreased by 20%. Labour cost and local provincial government duties charged to the factory increased year by year and under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law since 2008, the 50% tax concession given to our factory expired by end of 2012. These are detrimental factors to the operating environment of the factory in the PRC. With the continuing appreciation of Renminbi to Hong Kong dollars, it further dampened the profit margin of the Group.

The Directors have cautiously carried out a review assessing the commercial value of certain plant and equipments. Given the ever-changing advancement of home electronic entertainment products, it directly affects the demand of traditional electronic and electrical components, equipments on regenerating re-used copper became economically not worth to operate, the commercial value of these plant and equipments were insignificant and were therefore written-off. This has induced approximately HK$9 million charged to expenses.

Property Investment Business

On 19 March 2013, the Company successfully spun-off the Property Investment Business and Wing Lee Property Investments Limited ("Wing Lee Property") was listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The result of Property Investment Business was consolidated to the Group up to 18 March 2013, and thereafter Wing Lee Property became the associate of the Group. The profit of Property Investment Business attributable to the Group amounted to approximately HK$8 million for the period from 1 January to 18 March 2013 and share of profit of Wing Lee Property as an associate company of the Group amounted to approximately HK$3 million from 19 March to 30 June 2013. Therefore, it contributed profits to the Group of approximately HK$11 million (2012: HK$125 million).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2013, the net current assets of the Group amounted to approximately HK$81 million (31 December 2012: HK$885 million). The current and quick ratio was 1.8 and 1.4 (31 December 2012: 4.6 and 4.5) respectively.

As at 30 June 2013, the net current assets of the EMS Business amounted to approximately HK$81 million (31 December 2012: HK$74 million). The current and quick ratio was 1.8 and 1.4 (31 December 2012: 1.7 and 1.3) respectively.

Moreover, as at 30 June 2013, the bank deposits and cash of the Group were approximately HK$59 million (31 December 2012: HK$71 million), which included fixed deposits of approximately HK$5 million (31 December 2012: HK$5 million).

The Group continued to adopt a prudent financial management policy, which heavily relies on cash generated from internal resources. The gearing ratio, calculated by dividing total bank borrowings by equity attributable to owners of the Company, was 5.5% (31 December 2012: 13.9%).

As at 30 June 2013, the gearing ratio of the EMS Business, calculated by dividing total bank borrowings by net assets of the EMS Business, was 5.5% (31 December 2012: 4.7%). The bank borrowings of the EMS Business were approximately HK$20 million (31 December 2012: HK$30 million), which were all repayable within one year. The loans were principally used to finance the sales operation of the EMS Business. Throughout the six months ended 30 June 2013, the EMS Business maintained a net cash position, and as at 30 June 2013, there was net cash of approximately HK$39 million (31 December 2012: HK$41 million). There were approximately HK$25 million unutilised banking facilities available for the EMS Business as at 30 June 2013 (31 December 2012: HK$15 million).

Capital and Reserves

Shareholders' funds decreased to approximately HK$366 million (31 December 2012: HK$1,125 million). On 19 March 2013, the Group spun-off the Property Investment Business by way of distribution in specie. Accordingly, there were approximately HK$263 million and HK$493 million derecognised and debited to special reserve and retained profits, respectively.

Capital Expenditure

During the six months ended 30 June 2013, the EMS Business has invested approximately HK$2 million (31 December 2012: HK$26 million), mainly on automatic machineries to further improve the quality and production efficiency of our products. As at 30 June 2013, there was capital expenditure commitment of approximately HK$395,000.

Treasury Policy

The Group's sales were principally denominated in US dollars and Hong Kong dollars while purchases were transacted mainly in Renminbi and Hong Kong dollars. The fluctuation of Renminbi in 2013 did not materially affect the costs and operations of the Group for the six months ended 30 June 2013 and the Directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instruments for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2013.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group employed a total of approximately 1,690 employees (31 December 2012: 1,800 employees) in Hong Kong and the PRC. The total salaries and wages for the six months ended 30 June 2013 amounted to approximately HK$35 million (2012: HK$39 million)

Employees are remunerated based on their performance, experience and prevailing industry practice. The Group's remuneration policies and packages are reviewed by the management on a regular basis. In addition to offering competitive salary packages, the Group also grants discretionary bonuses and share options, if any, to subscribe shares of the Company to qualified employees based on operation conditions and individual performance.

PROSPECTS

With the spin-off of the Property Investment Business of the Company completed during the six months ended 30 June 2013, the Group focuses on its EMS Business.

Our customer base comprises a majority of internationally renowned electronic consumer product brands. Their manufacturing plants located globally, our management maintains direct contact with the production people there in order to provide best quality services to our customers. As the Japanese currency started to depreciate by the end of 2012, the impact of this decline not expected to be seen until well into end of 2013, our management is closely monitor the Japanese market and expects orders from our major Japanese customers will slightly increase in 2014. In addition to launching of 2014 World Cup, there will be a positive impact on demand of home electronic entertainment product and a slight recovery on the global sentiment.

Experiencing the pressure of increasing production costs and decreasing sales turnover, the Group will further look into the market trend on material prices, strengthen inventory control and procurement process in order to capture low market rates; further consolidate different back-office functions in the factory so as to save indirect costs; improve the efficiency and quality in production engineering so as to shorten lead time on delivery and maintain our product in high standard. We shall cautiously monitor the manufacturing and trading business. The Group has sufficient cash reserves and a low borrowing rate. We will seek to lay a solid foundation for the future through expanding customer and product diversity.

CORPORATE GOVERNANCE

During the Period, the Company has complied with the provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviations:

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual so that power is not concentrated in one individual.

Mr. Chow Tak Hung currently holds the offices of both Chairman and Chief Executive Officer of the Company. Mr. Chow is the founder of the Group and has extensive experience in the electronics industry. He has the appropriate standing, management skills and business acumen that are essential prerequisites for assuming the two roles. The Board believes that vesting both roles in Mr. Chow provides the Group with strong and consistent leadership and, at the same time, allows for the continuous effective operations and development of the Group's business. As such, the structure is beneficial to the Group and the shareholders as a whole.

As other Board members are keeping abreast of the conduct, business activities and development of the Group and as the day-to-day business operations of the Group are delegated to the management, the Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority.

Code Provision A.4.2

Code provision A.4.2 of the CG Code requires that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's bye-laws ("Bye-laws") deviates from such code provision in the following aspects with the reasons for the deviations/measures taken to address the deviations specified below:

The Bye-laws provides that any new director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall be subject to election by shareholders of the Company at the Company's next following annual general meeting, instead of the first general meeting, after appointment. The reason for keeping such Bye-laws provision is to ensure the Company's compliance with paragraph 4(2) of Appendix 3 to the Listing Rules and also to facilitate the Company's process of re-election of directors since it enables the Company and the shareholders to consider the re-election of those new directors appointed by the Board during the year and of those directors retiring by rotation at the same general meeting.

The Bye-laws does not state that directors should be subject to retirement by rotation at least once every three years and besides, it provides that the Chairman of the Board and/or the Managing Director shall not be subject to retirement by rotation. Notwithstanding the foregoing Bye-laws provisions, in practice, Mr. Chow Tak Hung, the Chairman of the Board, has voluntarily submitted himself for re-election by shareholders in the Company's annual general meeting, such that all directors of the Company are subject to retirement by rotation at least once every three years.

The Board will consider in due course whether amendments on the Company's Bye-laws are necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' dealings in the Company's securities. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code for the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the interim results and condensed consolidated financial statements of the Group for the Period, including the accounting principles and accounting standards adopted, and discussed matters relating to internal controls and financial reporting.

REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Company for the six months ended 30 June 2013 have been reviewed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt gratitude to the full trust and enormous support of our shareholders, customers, banks, partners and employees, which set the Company on course for long-term success.

By order of the Board
Chow Tak Hung
Chairman

Hong Kong, 20 August 2013

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Chow Tak Hung and Ms. Chow Woon Yin, two non-executive directors, namely Ms. Wong Siu Wah and Ms. Chau Choi Fa and three independent non-executive directors, namely Dr. Lau Yue Sun, Mr. Yip Tai Him and Mr. Lam Kwok Cheong.