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

(Incorporated in Bermuda with limited liability)
(Stock Code: 00894)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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%

INTERIM RESULTS

The board of directors (the "Board") of Man Yue Technology Holdings Limited (the "Company") is pleased to submit the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2019 (the "Period").

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 30 June 2019 HK$'000	2018 (Note) HK$'000
Revenue	4 & 5	**566,503**	690,616
Cost of sales		**(454,378)**	(547,266)
Gross profit		**112,125**	143,350
Other income	6	**8,552**	3,214
Other net gains/(losses)	7	**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	8	**32,081**	28,338
Changes in fair values of derivative financial instruments	9	**(179)**	1,255
Finance costs	10	**(18,787)**	(14,465)
Finance income	11	**2,664**	2,471
Share of results of joint ventures		**14,733**	16,579
Profit before tax		**30,512**	34,178
Income tax	12	**(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:	13		
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 2.

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 2.

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		**647,111**	575,604
Prepaid land premium		**60,837**	61,858
Investment properties		**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		**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	15	**560,551**	585,226
Prepayments, deposits and other receivables	15	**127,151**	108,342
Due from joint ventures		**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	16	**180,406**	201,160
Other payables and accrued liabilities and contract liabilities		**115,101**	106,629
Due to joint ventures		**41,530**	43,781
Derivative financial instruments		**1,113**	1,989
Tax payable		**9,372**	8,989
Bank loans		**833,979**	800,019
Dividends payable		**43**	43
Lease liabilities		**16,147**	–
Total current liabilities		**1,197,691**	1,162,610
Net current assets		**351,058**	372,886
Total assets less current liabilities		**1,633,204**	1,562,063

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited) (Note)
	HK$'000	HK$'000
Non-current liabilities		
Bank loans	**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	**47,555**	47,555
Reserves	**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 2.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The interim financial results set out in this announcement do not constitute the Group's interim financial statements for the six months ended 30 June 2019 but are extracted from those interim financial statements.

These interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("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 2.

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 Hong Kong Financial Reporting Standards ("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.

2 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.

(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.

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.

(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.

(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 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.

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

(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.

	2019				2018
	Amounts reported under HKFRS 16 (A) HK$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (Note 1) (C) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) HK$'000	Compared to amounts reported for 2018 under HKAS 17 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 4) impacted by the adoption of HKFRS 16	**24,536**	**9,150**	**(8,427)**	**25,259**	**25,443**

3 ESTIMATES

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application 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.

4 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.

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 2019 HK$'000	At 31 December 2018 HK$'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

5 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 4. All revenue recognised at a single point in time.

6 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

7 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)

8 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 2.

9 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

As 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.

10 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 2.

11 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

12 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.

13 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.

14 DIVIDENDS

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

15 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 categories 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 the 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

16 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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 Aluminum Electrolytic Capacitors (E-Caps), Conductive Polymer Aluminum Solid Capacitors (Polymer Caps), Multi-layer Polymer

Capacitors (MLPC), Electric Double Layer Capacitors (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 research and development ("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).

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.

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.

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.

Save as disclosed above, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code (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 for Securities Transactions by Directors of Listed Issuers (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 Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

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

PUBLICATION OF 2019 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.manyue.com).

The interim report of the Company containing all the information, as required by the Listing Rules, will be dispatched to shareholders and published on the websites of HKEXnews and the Company on or before Monday, 30 September 2019.

APPRECIATION

The Board would like to take this opportunity to express their sincere gratitude to all our employees for their loyalty and dedication and for the continuing support from our customers, suppliers, banks and shareholders.

By Order of the Board
Man Yue Technology Holdings Limited
Kee Chor Lin
Chairman

Hong Kong, 15 August 2019

As at the date of this announcement, the Executive Directors of the Company are Ms Kee Chor Lin, Mr Chan Yu Ching, Eugene and Mr Chan Tat Cheong, Alan and the Independent Non-executive Directors of the Company are Dr Li Sau Hung, Eddy, Mr Lo Kwok Kwei, David and Mr Mar, Selwyn.