



萬裕國際集團有限公司*

MAN YUE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 0894)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

INTERIM RESULTS

The Board of Directors (the “Board”) of Man Yue International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 30 June 2004 (the “Period”) together with comparative figures for the corresponding period in 2003. These unaudited condensed consolidated results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2004

		For the six months ended 30 June	
		2004	2003
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER	2	379,589	253,497
Cost of sales		(300,315)	(195,490)
Gross profit		79,274	58,007
Other revenue and gains		4,114	3,509
Selling and distribution costs		(15,275)	(10,183)
Administrative expenses		(33,526)	(29,033)
Other operating expenses		(2,117)	(1,902)
PROFIT FROM OPERATING ACTIVITIES	3	32,470	20,398
Finance costs		(3,582)	(2,400)
Share of profits less losses of jointly controlled entities		(669)	(302)
PROFIT BEFORE TAX		28,219	17,696
Tax	4	(4,182)	(2,884)
PROFIT BEFORE MINORITY INTERESTS		24,037	14,812
Minority interests		72	(297)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		24,109	14,515
EARNINGS PER SHARE	5		
Basic		HK6.46 cents	HK3.89 cents
Diluted		HK6.45 cents	HK3.89 cents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting”.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the audited annual financial statements for the year ended 31 December 2003.

2. Turnover and segment information

The analysis of the Group's revenue and results by business segments and the Group's revenue by geographical segments is as follows:

(a) Business segments

The following table presents revenue and results of the Group by business segments for the six months ended 30 June 2004 and 2003.

	Electronic components and electrical products		Trading of raw materials		Corporate and others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	352,421	236,099	27,168	11,098	-	6,300	379,589	253,497
Other revenue and gains	-	-	-	-	4,114	3,509	4,114	3,509
Total	352,421	236,099	27,168	11,098	4,114	9,809	383,703	257,006
Segment results	30,720	20,452	1,259	560	491	(614)	32,470	20,398
Finance costs							(3,582)	(2,400)
Share of profits less losses of jointly controlled entities	(669)	(302)	-	-	-	-	(669)	(302)
Profit before tax							28,219	17,696
Tax							(4,182)	(2,884)
Profit before minority interests							24,037	14,812
Minority interests							72	(297)
Net profit from ordinary activities attributable to shareholders							24,109	14,515

(b) Geographical segments

The following table presents revenue of the Group by geographical segments for the six months ended 30 June 2004 and 2003.

	Hong Kong		Elsewhere in the PRC		Southeast Asia		Taiwan		Other countries		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	77,497	55,357	72,761	66,714	48,030	37,869	147,464	74,392	33,837	19,165	379,589	253,497

3. Profit from operating activities

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

	For the six months ended 30 June	
	2004	2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	16,037	12,524
Amortisation of intangible assets	161	160
Amortisation of goodwill	60	40
Exchange losses/(gains), net	(1,034)	440
Gain on disposal of long term investments	(1,235)	(2,461)
Interest income	(115)	(62)
Negative goodwill recognised	(138)	(138)

4. Tax

	For the six months ended 30 June	
	2004	2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax:		
Hong Kong	1,964	1,221
Mainland China	2,325	1,018
	4,289	2,239
Deferred tax	(107)	645
	4,182	2,884

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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 countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

5. Earnings per share

The calculation of basic earnings per share for the Period is based on the net profit attributable to shareholders of approximately HK\$24,109,000 (2003: HK\$14,515,000) and 373,440,000 (2003: 373,440,000) ordinary shares in issue during the Period.

The calculation of diluted earnings per share for the Period is based on the net profit attributable to shareholders of approximately HK\$24,109,000 (2003: HK\$14,515,000). The weighted average number of ordinary shares used in the calculation is the 373,440,000 (2003: 373,440,000) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average of 473,569 (2003: 36,628) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the Period.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2004 (2003: Nil).

PROPOSAL FOR BONUS WARRANT ISSUE

On 23 September 2004, the Board proposes a conditional bonus warrant issue to the shareholders on the basis of one warrant for every six shares of the Company. The initial subscription price was determined at HK\$0.48 per share, subject to adjustment, and the bonus warrants are exercisable at any time during the period which is expected to commence on Thursday, 4 November, 2004 and end on Friday, 3 November, 2006 (both days inclusive). Further details of this proposal will be separately published in an announcement issued today and the subsequent circular relating to this proposal for bonus warrant issue.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group achieved a record high in interim turnover for the third consecutive year since listing in 1997. Turnover for the Period was increased by approximately 50% to HK\$379.6 million from HK\$253.5 million for the first six months of 2003 mainly contributed by the increase in Taiwanese market on the computer motherboard and power supply segments. Gross profit for the Period was increased by approximately 37% to HK\$79.3 million from HK\$58.0 million for the first six months of 2003.

Profit from operating activities for the Period was up by approximately 59% to HK\$32.5 million from HK\$20.4 million for the first six months of 2003. Net profit for the Period was HK\$24.1 million, representing an increase of approximately 66% compared to the net profit of HK\$14.5 million for the first six months of 2003.

Basic and diluted earnings per share for the Period were approximately 6.46 HK cents and 6.45 HK cents respectively compared to the earnings per share of 3.89 HK cents and 3.89 HK cents respectively for the first six months of 2003.

Liquidity and Financial Resources

Net cash inflow generated from operating activities during the Period amounted to HK\$11.4 million, which was slightly lower than that of the same period last year at HK\$16.9 million mainly due to the buildup of inventories as a result of the consignment store arrangements for certain established customers and shorter credit period normally obtained from major raw material suppliers for their better pricing. Although the creditor turnover period was decreased to approximately 76 days for the Period from 93 days for the same period last year, inventory turnover period was reduced to 93 days for the Period from 113 days for the same period last year while debtor turnover period improved to 87 days for the Period from 97 days for the same period last year as a result of focusing on customers with timely payment. The Company maintained a sound financial position during the Period, with 13.7 HK cents of cash per share (31 December 2003: 12.4 HK cents).

Total borrowings in respect of bank loans and finance leases at 30 June 2004 increased to HK\$221.8 million from HK\$202.5 million at 31 December 2003 mainly to finance the purchases of increased inventories and additional capital expenditure. Capital expenditure incurred during the Period mainly on various additions of machinery and equipment was approximately HK\$31.1 million (2003: HK\$48.2 million) and was funded by internally generated resources and long term bank financings.

The gearing ratio calculated as a percentage of total borrowings in respect of bank loans and finance leases to total shareholders' equity was 77.7% at 30 June 2004 compared to 78.0% at 31 December 2003.

Other than trade bills discounted to banks in the ordinary course of business, the Group had no material contingent liabilities. The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese yens. As long as Hong Kong dollar is pegged to United States dollar and there is no major fluctuation in the exchange rate between Renminbi and Hong Kong dollar, the Group does not anticipate any significant foreign exchange risk in this respect. The Group will monitor its foreign exchange exposure in Japanese yens and market conditions if any hedging is required. Forward exchange contracts are used for hedging payment in Japanese yens. The Group has also entered into interest rate swap contracts to partially hedge the interest payable in long term bank loans.

Employment and Remuneration Policy

At 30 June 2004, the Group had approximately 87 members of staff in Hong Kong (31 December 2003: 79) and employed a total work force of approximately 3,658 (31 December 2003: 3,288) inclusive of its staff in China and overseas offices. Total headcount increased mainly due to the establishment of an additional manufacturing facility to meet increasing order flows. Salaries, bonuses and benefits were determined with reference to market terms and the performance, qualifications and experience of individual employees.

Future Prospects

The Group will participate, as scheduled, trade fairs to be held in Hong Kong and Germany in the fourth quarter of 2004.

Due to longer design and application procedures than expected, construction on the piece of land in Wuxi originally scheduled to commence in the second quarter this year started in July 2004 instead. The relocation of the existing production facility in Wuxi is re-scheduled to the first quarter of 2005.

The original production facility in Dongguan has been operating in full capacity and it is expected that this will continue as our future sales continue to grow. To facilitate the future manufacturing development of the Group in southern China, an agreement was signed to purchase a piece of land of approximately 83,000 square meters in Dongguan.

An agreement was signed with the graduate school of Qinghua University in the PRC to set up a research and development center for the research and development of industrial electrical and chemical techniques and for the provision of technical service to the Group's production. It is expected that this cooperation will strengthen the technical support and development of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited at any time during the Period, except that the Independent Non-executive Directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's Bye-Laws.

AUDIT COMMITTEE

The Audit Committee comprising two independent non-executive Directors has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited interim accounts for the Period.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE WEBSITE

A detailed interim results announcement of the Company containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

APPRECIATION

I would like to take this opportunity to express my gratitude to my fellow Directors and all members of the staff for their loyalty and dedication and the continuous support from our customers, suppliers, banks and shareholders.

By Order of the Board

Chan Ho Sing

Chairman

Hong Kong, 23 September 2004

As at the date of this announcement, the board of directors of the Company comprises Mr. Chan Ho Sing and Mr. Ko Pak On as executive Directors, and Dr. Li Sau Hung, Eddy and Mr. Lo Kwok Kwei, David as independent non-executive Directors.

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.