



萬裕國際集團有限公司*

MAN YUE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(the “Company”)

(Stock code: 894)

**ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED
31 DECEMBER 2004**

Results highlights

- Turnover increased by 39.0% to HK\$870.9 million, breaking all time high records for three consecutive years.
- Net profit rose by 67.2% to HK\$61.9 million, breaking all time high records.
- Basic earnings per share rose by 69.2% to HK16.78 cents
- Proposed final dividend of HK2 cents per share

On behalf of the Board of Directors (the “Board”), I am pleased to present to the shareholders the audited results of Man Yue International Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31 December 2004 together with the comparative figures for the previous year as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2004

	<i>Notes</i>	2004 HK\$'000	2003 HK\$'000
TURNOVER	2	870,910	626,453
Cost of sales		(680,354)	(475,267)
Gross profit		190,556	151,186
Other revenue and gains		3,791	4,005
Selling and distribution costs		(34,825)	(28,270)
Administrative expenses		(76,147)	(65,819)
Other operating expenses		(2,186)	(8,908)
PROFIT FROM OPERATING ACTIVITIES	3	81,189	52,194
Finance costs		(7,043)	(5,364)
Share of profits and losses of jointly controlled entities		(4,237)	(4,413)
PROFIT BEFORE TAX		69,909	42,417
Tax	4	(7,771)	(5,293)
PROFIT BEFORE MINORITY INTERESTS		62,138	37,124
Minority interests		(189)	(71)

	<i>Notes</i>	2004 HK\$'000	2003 HK\$'000
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>61,949</u>	<u>37,053</u>
EARNINGS PER SHARE	5		
Basic		<u>HK16.78 cents</u>	<u>HK9.92 cents</u>
Diluted		<u>HK16.77 cents</u>	<u>N/A</u>

NOTES TO FINANCIAL STATEMENTS

1. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARD (“HKFRS”)

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group’s operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. The principal business segments are as follows:

- (a) the electronic components and electrical products segment engages in the manufacturing and trading of electronic components, particularly aluminium electrolytic capacitors and resistors and trading of electrical products;
- (b) the trading of raw materials segment engages mainly in the trading of aluminium foils; and
- (c) the corporate and others segment comprises the Group’s trading of production machinery together with corporate income and expense items.

In determining the Group’s geographical segments, revenues are attributed to the segments based on the location of the customers.

(a) Business segments

The following table presents revenue and profit for the Group's business segments.

Group

	Electronic components and electrical products		Trading of raw materials		Corporate and others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	806,385	596,576	64,525	23,577	-	6,300	870,910	626,453
Other revenue	2,097	1,238	525	64	-	137	2,622	1,439
Total	<u>808,482</u>	<u>597,814</u>	<u>65,050</u>	<u>23,641</u>	<u>-</u>	<u>6,437</u>	<u>873,532</u>	<u>627,892</u>
Segment results	<u>78,509</u>	<u>48,553</u>	<u>2,141</u>	<u>1,632</u>	<u>(630)</u>	<u>(557)</u>	<u>80,020</u>	<u>49,628</u>
Interest and dividend income and unallocated gains							1,169	2,566
Finance costs							(7,043)	(5,364)
Share of profits and losses of jointly controlled entities	(4,237)	(4,413)	-	-	-	-	(4,237)	(4,413)
Profit before tax							69,909	42,417
Tax							(7,771)	(5,293)
Profit before minority interests							62,138	37,124
Minority interests							(189)	(71)
Net profit from ordinary activities attributable to shareholders							<u>61,949</u>	<u>37,053</u>

(b) Geographical segments

The following table presents revenue for the Group's geographical segments.

Group

	Greater China										Consolidated	
	Hong Kong		Mainland China		Taiwan		Southeast Asia		Other countries		2004	2003
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000						
Segment revenue:												
Sales to external customers	<u>135,127</u>	<u>127,911</u>	<u>216,621</u>	<u>140,264</u>	<u>342,741</u>	<u>223,893</u>	<u>108,430</u>	<u>93,800</u>	<u>67,991</u>	<u>40,585</u>	<u>870,910</u>	<u>626,453</u>

3. PROFIT FROM OPERATING ACTIVITIES

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

	2004	2003
	HK\$'000	HK\$'000
Amortisation of intangible assets *	326	323
Amortisation of goodwill **	121	102
Depreciation	34,893	25,906
Exchange losses (net)	2,098	4,920
Gain on disposal of long term investments	(736)	(2,461)
Interest income	(189)	(105)
Negative goodwill recognised as income ***	(276)	(276)
Dividend income from listed investments	<u>(244)</u>	<u>-</u>

* The amortisation of intangible assets for the year is included in "Cost of sales" on the face of the profit and loss account.

** The amortisation of goodwill for the year is included in “Other operating expenses” on the face of the profit and loss account.

*** The negative goodwill recognised as income for the year is included in “Other revenue and gains” on the face of the profit and loss account.

4. TAX

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 year. 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.

In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company’s subsidiaries in Mainland China enjoy tax exemptions and reductions. Certain subsidiaries in Mainland China are subject to income taxes at rates ranging from 12% to 27%.

	2004 HK\$'000	2003 HK\$'000
Group:		
Current – Hong Kong		
Charge for the year	4,419	–
Current – Mainland China		
Charge for the year	4,956	6,793
Over provision in prior years	–	(1,049)
Deferred	(1,604)	(451)
Total tax charge for the year	<u>7,771</u>	<u>5,293</u>

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$61,949,000 (2003: HK\$37,053,000), and the weighted average of 369,264,000 (2003: 373,440,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$61,949,000. The weighted average number of ordinary shares used in the calculation is the 369,264,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 161,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the year. The Company’s share options did not have a dilutive effect during the year.

No diluted earnings per share amount for the year ended 31 December 2003 has been shown as the Company’s share options did not have a dilutive effect for that year.

DIVIDENDS

No interim dividend was declared or paid during the year (2003: Nil). The directors recommend the payment of a final dividend of HK2 cents per share, totalling HK\$7,457,000 (2003: Nil), to shareholders whose names appear on the register of members of the Company as at the close of business on Wednesday, 18 May 2005, subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

COMMENTARY OF ANNUAL RESULTS

Review of Results

The Group continued to achieve remarkable improvements in its financial and operating results for the year ended 31 December 2004 (“FY2004”), despite a relatively stable global market for electronic component products.

The Group's turnover for the year amounted to HK\$870,910,000, representing a year-on-year growth of 39.0%. Gross profit amounted to HK\$190,556,000, representing a growth of 26.0%. However, in terms of gross margin, it reflected a drop from last year's 24.1% to this year's 21.9%. This drop primarily reflects the global pricing pressures from customers of electronic components as well as the increasing prices for certain critical raw materials. To compensate for the reduction in gross margin, the Group continued to put efforts in rationalizing its selling, distribution and general administrative expenses. This is evidenced by the significant growth in the Group's net profit attributable to shareholders from last year's HK\$37,053,000 to FY2004's HK\$61,949,000. This represented an increase of 67.2% from last year. Net margin also improved to 7.1% from last year's 5.9%. Basic earnings per share rose to HK16.78 cents, representing an improvement of 69.2% from last year.

In view of the satisfactory performance in FY2004, the Board is pleased to resume dividend payment and, accordingly, is proposing a final dividend of HK2 cents per share.

Review of Operations

FY2004 was a challenging but rewarding year for the Group. The Group achieved significant growth in turnover through its growth of the OEM business with global renowned electronic brands and expansion in the market share for our "Samxon" brand, an in-house developed brand representing high-quality and high-technology. The Group has also realigned its product mix by putting more emphasis on high-valued aluminium electrolytic capacitors. The application of our electrolytic capacitors can now be found in computer motherboards, CRT monitors, display cards, power supplies, adaptors, photo flashes, ballasts, air conditioners, DVDs, loudspeakers, LCD television sets as well as mobile phone battery chargers. We will continue our efforts to maintain a high degree of production flexibility and to improve production efficiency in order to remain competitive in the market.

From the geographical perspective, the Group experienced strong growth in all regions, particularly in Greater China (including Taiwan) and Southeast Asia. Turnover for Greater China (including Taiwan) grew by 41.1% to HK\$694,489,000 during the year. This was mainly attributable to the increase in sales to our Taiwanese customers by 53.1% from HK\$223,893,000 to HK\$342,741,000. Sales to Hong Kong and Mainland Chinese customers increased mildly from HK\$127,911,000 to HK\$135,127,000 and from HK\$140,264,000 to HK\$216,621,000 respectively. Sales to Southeast Asian customers also increased from HK\$93,800,000 to HK\$108,430,000. Sales to other countries, mainly Korea and certain European countries, also increased from HK\$40,585,000 to HK\$67,991,000.

From the investments perspective, the Group acquired the remaining 18.33% interest in Wuxi Heli Electronic Co., Ltd ("Wuxi Heli") on 30 December 2004. Following this acquisition, Wuxi Heli became an indirect wholly owned subsidiary of the Company. This acquisition will allow the Group to strategically grow its operations in the Wuxi areas with higher degree of flexibility and efficiency.

Liquidity and Financial Resources

At 31 December 2004, the Group's gross borrowings in terms of bank loans and finance leases amounted to HK\$229,849,000 (2003: HK\$202,510,000), of which HK\$152,947,000 was repayable within one year, HK\$66,902,000 was repayable between one and two years and HK\$10,000,000 was repayable between three and five years. After deducting cash and cash equivalents (including non-cash equivalent deposits) of HK\$50,961,000 (2003: HK\$49,416,000), the Group's net borrowing amounted to HK\$178,888,000 (2003: HK\$153,094,000). Shareholders' equity at the year end stood at HK\$325,525,000 (2003: HK\$259,619,000). Accordingly, the Group's net borrowing to shareholders' equity ratio improved from last year's 59.0% to this year's 55.0%.

The Group generated a net cash inflow from operating activities of HK\$61,664,000 (2003: HK\$18,670,000) during the year under review. In addition, the Group also obtained a net cash inflow from financing activities of HK\$27,646,000 (2003: HK\$97,820,000) mainly through the drawdown of new bank loans amounted to HK\$48,663,000 (2003: HK\$198,068,000). The above cash inflows were partly consumed in investing activities, mainly the purchase of fixed assets amounted to HK\$79,486,000 (2003: HK\$79,465,000).

Profit before interest, taxation, depreciation and amortization (“EBITDA”) for FY2004 was HK\$112,292,000 (2003: HK\$74,112,000), representing an increase of approximately 51.5% as compared to that of last year. Interest coverage expressed as a multiple of EBITDA to total interest expenses improved to 15.9 times (2003: 13.8 times).

Capital expenditure incurred on the purchase of fixed assets for FY2004 amounted to HK\$79,486,000 (2003: HK\$96,216,000), representing a decrease of approximately 17.4% as compared to that of last year. This was funded by internally generated resources, finance lease payables and long term bank financings.

The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese yens. As Hong Kong dollar is pegged to United States dollar and there has not been major fluctuation in the exchange rate between Renminbi and Hong Kong dollar, the Group has not experienced any significant exchange risk arising from these currencies. Forward foreign exchange contracts were used by the Group to hedge against its exposures arising from Japanese yen. The Group also entered into interest rate swap contracts to partially hedge the interest payable in the loans stated above. Credit risk was hedged through export credit insurance coverage.

Capital commitments and contingent liabilities

As at 31 December 2004, the Group had capital commitments, which were contracted but not provided for, in respect of construction in progress of HK\$11,343,000 and plant and machinery of HK\$7,025,000.

As at 31 December 2004, the Company had issued guarantees amounting to HK\$483,857,000 in respect of banking facilities and finance lease contracts granted to its subsidiaries.

Employment and Remuneration Policy

At 31 December 2004, the Group had 93 employees (2003: 79) located in Hong Kong and employed a total work force of approximately 3,676 (2003: 3,288) inclusive of its operations in Mainland China and overseas offices. Total headcount increased mainly due to the expansion of existing production facilities, both in Dongguan and Wuxi, to meet increasing sales order demands. Salaries, bonuses and benefits to employees were determined with reference to market terms and the performance, qualification and experience of individual employees.

Prospects

The Group participated in certain trade fairs and exhibitions in Hong Kong, Mainland China, Europe and the United States in 2004. Through the participation in such trade fairs, the Group can further expand its already enlarging customers base and business opportunities. In FY2004, the Group saw certain successes in building up new customers base in Korea, Japan and Greater China. Going forward, the Group will further expand its business in the regions where it is strong at and in new territories such as North America, South America and Europe.

In 2005, one of the key focuses of the Group is to expand its production capacities to meet rapidly expanding sales orders. In this regard, a new manufacturing facility in Wuxi will be operative by mid 2005. This will eventually increase our production capacity in Wuxi area from 80,000,000 pieces a month to 200,000,000 pieces a month. In Dongguan area, the Group has also planned to expand its present production capacity. A shareholders’ agreement has been entered with other joint venture partners in January 2005 to co-develop an industrial estate in Dongguan. Upon completion of its construction, the manufacturing facility will be leased to the Group. This new facility will enable the Group to eventually enlarge its Dongguan’s production capacity from 450,000,000 pieces a month to 650,000,000 pieces a month. All in all, the Groups’ total production capacity is expected to increase significantly upon the completion of the abovementioned projects. These expansion projects will be funded primarily by the Group’s internal resources. Bank loans may also be obtained to fund part of these projects as and when needed.

Research and development capability is a key to the success in the product innovation and diversification. In this regard, the Group signed a cooperation agreement with the renowned Qinghua University in PRC, a leading Chinese university specializing in electronic and chemical engineering. Through this cooperation agreement, the Group will be able to develop more innovative products at lower costs than before.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

In July 2004, the Company repurchased 16,286,000 shares at HK\$0.38 each pursuant to a repurchase offer and these shares were cancelled by the Company during the year.

On 23 September 2004, the Company proposed a conditional bonus warrant issue to the shareholders of the Company on the register of members on 26 October 2004. The bonus warrant issue was made in the proportion of one warrant for every six shares of the Company, resulting in 62,142,333 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.10 at a subscription price of HK\$0.48 per share, subject to amendment, from 4 November 2004 to 3 November 2006 (both days inclusive). The warrants were issued to the shareholders of the Company on 4 November 2004. At 31 December 2004, the Company had 62,140,667 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 62,140,667 additional shares of HK\$0.10 each.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 19 May 2005 to Wednesday, 25 May 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend or to ascertain the right to attend the Company's annual general meeting, all transfer, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrars in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 18 May 2005.

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 Rules Governing the Listing of Securities ("Listing Rules") of the Stock Exchange of Hong Kong Limited at any time during the year, 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 three 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 audited accounts for the year.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

APPRECIATION

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

MEMBERS OF THE BOARD

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

By order of the Board
Man Yue International Holdings Limited
Chan Ho Sing
Chairman

Hong Kong, 19th April 2005

* *For identification purpose only*

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