



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 FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**RESULTS HIGHLIGHTS**

- Revenue of HK\$1,001,258,000 (2008: HK\$1,285,535,000)
- Gross profit of HK\$227,553,000 (2008: HK\$246,048,000), representing a gross margin of 22.7% (2008: 19.1%)
- EBITDA of HK\$187,897,000 (2008: HK\$211,825,000), representing an EBITDA margin of 18.8% (2008: 16.5%)
- Operating profit of HK\$82,032,000 (2008: HK\$109,178,000)
- Profit for the year of HK\$78,206,000 (2008: HK\$90,197,000), representing a net margin of 7.8% (2008: 7.0%)
- Net gearing ratio improved to 16.3% (2008: 38.7%)
- Proposed final dividend of HK2.0 cents per share, making an annual proposed dividend of HK2.5 cents per share
- Net asset value of HK\$2.17 per share (2008: HK\$2.01 per share)

**FINAL RESULTS**

On behalf of the Board of Directors (the “Board”), I am pleased to present the audited financial results of Man Yue International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2009 (the “Year”) together with the comparative figures for the prior year. These audited financial results for the Year have been reviewed by the audit committee of the Company (the “Audit Committee”).

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Revenue	2 & 3	1,001,258	1,285,535
Cost of sales		(773,705)	(1,039,487)
Gross profit		227,553	246,048
Other income	3	6,498	81,912
Other gains/(losses), net	3	3,672	(7,926)
Selling and distribution costs		(39,868)	(47,400)
Administrative expenses		(115,460)	(155,400)
Other operating expenses		(363)	(1,956)
Changes in fair values of investment properties		–	(6,100)
Operating profit	6	82,032	109,178
Finance costs	4	(12,348)	(27,362)
Finance income	5	4,529	12,897
Net finance costs		(7,819)	(14,465)
Share of results of jointly-controlled entities		8,372	10,482
Share of results of an associate		1,360	1,928
		9,732	12,410
Profit before tax		83,945	107,123
Tax	7	(5,739)	(16,926)
Profit for the year		78,206	90,197
Profit attributable to:			
Equity holders of the Company		78,656	90,197
Minority interests		(450)	–
		78,206	90,197
Earnings per share for profit attributable to equity holders of the Company	8		
Basic		HK16.44 cents	HK18.87 cents
Diluted		HK16.44 cents	HK18.87 cents
		HK\$'000	HK\$'000
Dividends	9		
Interim		2,391	14,343
Proposed final		9,568	2,390
		11,959	16,733

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit for the year	<b>78,206</b>	90,197
Other comprehensive income:		
Assets revaluation surplus, net of tax	<b>753</b>	–
Fair value losses on available-for-sale investments, net of tax	–	(4,218)
Currency translation differences	<b>4,791</b>	65,803
Share of other comprehensive income of a jointly-controlled entity	–	1,584
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Other comprehensive income for the year, net of tax	<b>5,544</b>	63,169
	<hr/>	<hr/>
Total comprehensive income for the year	<b>83,750</b>	153,366
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Total comprehensive income attributable to:		
– equity holders of the Company	<b>84,200</b>	153,366
– minority interests	<b>(450)</b>	–
	<hr/>	<hr/>
	<b>83,750</b>	153,366
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# CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>630,878</b>	677,912
Prepaid land premium		<b>95,655</b>	95,517
Investment properties		–	29,500
Other intangible assets		<b>3,615</b>	–
Investments in jointly-controlled entities		<b>51,849</b>	42,716
Investment in an associate		<b>39,495</b>	35,851
Prepayments on purchases of property, plant and equipment		<b>41,040</b>	29,953
Other prepayments		<b>661</b>	1,650
Deferred tax assets		<b>2,109</b>	4,634
Total non-current assets		<b>865,302</b>	917,733
<b>Current assets</b>			
Inventories		<b>219,969</b>	305,898
Trade receivables	<i>10</i>	<b>296,781</b>	278,556
Prepayments, deposits and other receivables		<b>24,724</b>	84,227
Loans to a jointly-controlled entity		<b>71,271</b>	55,848
Due from jointly-controlled entities		<b>13,808</b>	15,624
Available-for-sale investments		–	2,570
Financial assets at fair value through profit or loss		<b>83</b>	38
Derivative financial instruments		<b>665</b>	1,984
Tax receivables		<b>5,389</b>	8,546
Cash and cash equivalents		<b>364,427</b>	406,466
Total current assets		<b>997,117</b>	1,159,757
<b>Current liabilities</b>			
Trade payables	<i>11</i>	<b>151,989</b>	182,987
Other payables and accrued liabilities		<b>72,499</b>	78,879
Derivative financial instruments		<b>296</b>	1,308
Tax payable		<b>3,602</b>	4,618
Bank loans		<b>296,755</b>	474,976
Finance lease payables		–	21
Dividend payables		<b>19</b>	5,078
Total current liabilities		<b>525,160</b>	747,867
<b>Net current assets</b>		<b>471,957</b>	411,890
<b>Total assets less current liabilities</b>		<b>1,337,259</b>	1,329,623

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Total assets less current liabilities</b>	<b>1,337,259</b>	1,329,623
<b>Non-current liabilities</b>		
Bank loans	236,176	300,286
Provision for long service payments	1,796	1,578
Deferred tax liabilities	783	6,072
Deferred income	60,234	61,437
Total non-current liabilities	298,989	369,373
<b>Net assets</b>	<b>1,038,270</b>	960,250
<b>EQUITY</b>		
Share capital	47,839	47,809
Reserves	976,620	903,928
Proposed final dividend	9,568	2,390
<b>Equity attributable to equity holders of the Company</b>	<b>1,034,027</b>	954,127
<b>Minority interests</b>	<b>4,243</b>	6,123
<b>Total equity</b>	<b>1,038,270</b>	960,250

## NOTES

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). They have been prepared under the historical cost convention, except for certain buildings, derivative financial instruments, investment properties, financial assets at fair value through profit or loss and available-for-sale investments, which have been measured at fair value.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- HKAS 1 (revised), “Presentation of financial statements”. The revised standard prohibits the presentation of items of income and expenses (that is “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity. All “non-owner changes in equity” are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: a consolidated income statement and a consolidated statement of comprehensive income.

- HKFRS 8, “Operating segments”. HKFRS 8 replaces HKAS 14, “Segment reporting”. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who makes strategic decisions.
- Amendment to HKFRS 7, “Financial instruments: disclosures”. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The consolidated financial statements have been prepared under the revised disclosure requirements.

The following new standards, amendments to standards and interpretations are also mandatory for the first time for the financial year beginning 1 January 2009 but are either not relevant to the Group or have no significant impact on the Group’s consolidated financial statements:

- HKAS 23 (revised) – Borrowing costs
- HKAS 27 (amendment) – Consolidated and separate financial statements
- HKFRS 2 (amendment) – Share-based payment
- HKAS 32 (amendment) – Financial instruments: presentation
- HK(IFRIC) 9 (amendment) – Reassessment of embedded derivatives
- HKAS 39 (amendment) – Financial instruments: Recognition and measurement
- HK(IFRIC)-Int 13 – Customer loyalty programmes
- HK(IFRIC)-Int 15 – Agreements for the construction of real estate
- HK(IFRIC)-Int 16 – Hedges of a net investment in a foreign operation
- HK(IFRIC)-Int 18 – Transfer of assets from customers
- First annual improvement project
  - HKAS 1 – Presentation of financial statements
  - HKAS 16 – Property, plant and equipment
  - HKAS 19 – Employee benefits
  - HKAS 20 – Accounting for government grants and disclosure of government assistance
  - HKAS 28 – Investments in associates
  - HKAS 29 – Financial reporting in hyperinflationary economies
  - HKAS 31 – Interests in joint ventures
  - HKAS 36 – Impairment of assets
  - HKAS 38 – Intangible assets
  - HKAS 39 – Financial instruments: Recognition and measurement
  - HKAS 40 – Investment property

## 2. SEGMENT INFORMATION

The Group's executive team, comprising all executive directors and headed by the Managing Director, is considered as the Chief Operating Decision Maker ("CODM"). The CODM reviews the performance of the Group on a regular basis.

As over 90% of the Group's business operations relate to the manufacturing, selling and distribution of electronic components, namely Aluminum Electrolytic Capacitors, the CODM 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 CODM on a regular basis:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue	<b>1,001,258</b>	1,285,535
Gross profit	<b>227,553</b>	246,048
Gross profit margin (%)	<b>22.7%</b>	19.1%
EBITDA (note (i))	<b>187,897</b>	211,825
EBITDA margin (%)	<b>18.8%</b>	16.5%
Operating expenses (note (ii))	<b>155,328</b>	202,800
Operating expenses/Revenue (%)	<b>15.5%</b>	15.8%
Profit for the year	<b>78,206</b>	90,197
Net profit margin (%)	<b>7.8%</b>	7.0%
Total assets	<b>1,862,419</b>	2,077,490
Equity attributable to equity holders of the Company	<b>1,034,027</b>	954,127
Inventories	<b>219,969</b>	305,898
Inventory days	<b>104</b>	107
Trade receivables	<b>296,781</b>	278,556
Trade receivable days	<b>108</b>	79
Trade payables	<b>151,989</b>	182,987
Trade payable days	<b>72</b>	64
Total interest-bearing debts	<b>532,931</b>	775,283
Cash and cash equivalents – balance sheet	<b>364,427</b>	406,466
Net debts	<b>168,504</b>	368,817
Net debts to equity ratio (%)	<b>16.3%</b>	38.7%

note(i): EBITDA represents the earnings before interest, taxes, depreciation and amortisation.

note(ii): Operating expenses represent the expenditure that the Group incurs as a result of performing its normal business operations, including the selling and distribution costs and administrative expenses.

The following table presents the revenue and non-current assets of the Group by geographical segments:

### Revenue

	For the year ended 31 December	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Hong Kong	157,359	135,841
Mainland China	394,183	342,745
Taiwan	93,566	491,741
Southeast Asia	220,094	170,595
Korea	32,585	31,667
United States	22,392	32,657
Europe	17,481	46,863
Other countries	63,598	33,426
Total	<b>1,001,258</b>	<b>1,285,535</b>

### Non-current assets (exclude deferred tax assets)

	31 December	
	2009 <i>HK\$'000</i>	31 December 2008 <i>HK\$'000</i>
Hong Kong	16,262	47,879
Mainland China	807,414	829,331
Other countries	39,517	35,889
Total	<b>863,193</b>	<b>913,099</b>

Revenue of approximately HK\$135,925,000 (2008: 232,613,000) is derived from a single external customer.

### 3. REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for trade returns and discounts.

An analysis of revenue, other income and other gains/(losses), net is as follows:

### Revenue

	For the year ended 31 December	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Manufacture and trading of electronic components	992,130	1,272,989
Trading of raw materials	9,128	12,546
Total	<b>1,001,258</b>	<b>1,285,535</b>



## Other income

	For the year ended 31 December	
	2009 HK\$'000	2008 HK\$'000
Refund of value-added taxes	2,886	–
Subsidies from PRC government	1,464	–
Insurance compensation	–	77,881
Dividend income from available-for-sale investments	–	444
Others	2,148	3,587
	<u>6,498</u>	<u>81,912</u>

## Other gains/(losses), net

	For the year ended 31 December	
	2009 HK\$'000	2008 HK\$'000
Gain on disposal of an investment property	500	7,752
Fair value loss on derivative instruments	(305)	(2,468)
Foreign exchange differences, net	3,477	(12,967)
Others	–	(243)
	<u>3,672</u>	<u>(7,926)</u>

## 4. FINANCE COSTS

	For the year ended 31 December	
	2009 HK\$'000	2008 HK\$'000
Interest expenses on bank loans repayable within five years	12,348	27,352
Interest on finance leases	–	10
	<u>12,348</u>	<u>27,362</u>

## 5. FINANCE INCOME

	For the year ended 31 December	
	2009 HK\$'000	2008 HK\$'000
Interest income from loan to jointly-controlled entities	2,208	1,537
Interest income from term deposits and bank balances	2,321	11,360
	<u>4,529</u>	<u>12,897</u>

## 6. OPERATING PROFIT

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

	For the year ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
Depreciation for property, plant and equipment	89,373	75,724
Amortisation of prepaid land premium	2,061	1,613
Amortisation of other intangible assets	170	3
Loss/(gain) on disposal of property, plant and equipment	4	(145)
Impairment of available-for-sale investments	–	1,271
Fair value (gain)/loss on financial assets at fair value through profit or loss	(45)	81
	<u>89,373</u>	<u>75,724</u>

## 7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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 jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the year ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
Charge for the year:		
Current:		
Hong Kong	918	2,415
Mainland China	6,846	12,573
Overseas	–	(6)
Under/(over) provision in prior years	895	(25)
	<u>8,659</u>	<u>14,957</u>
Deferred	(2,920)	1,969
	<u>5,739</u>	<u>16,926</u>

In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries in Mainland China enjoy tax exemptions. Certain subsidiaries in Mainland China are subject to income taxes at applicable rates ranging from 12.5% to 25%.

The tax affairs of certain subsidiaries of the Group for prior years were under review by the Hong Kong Inland Revenue Department (the "IRD"). In connection with the review by the IRD, notices of assessments were issued to the subsidiaries of the Group for the years from 1998 to 2001 and objections were lodged with the IRD. Tax reserve certificates of HK\$8,480,000 (the "TRC") were purchased in 2007 and 2008.

On 21 January 2010, the Group received a net refund of HK\$5,472,000 from the IRD for the TRC. The relevant provision had been fully made in 2009 and the case was fully settled on 5 March 2010.

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$78,656,000 (2008: HK\$90,197,000), and the weighted average of 478,167,000 (2008: 478,035,000) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2008 and 31 December 2009 was the same as the basic earnings per share for the respective years as the Company's share options and warrants outstanding during the years were anti-dilutive potential ordinary shares.

## 9. DIVIDENDS

	For the year ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
Interim – HK0.5 cent (2008: HK3.0 cents) per ordinary share	2,391	14,343
Proposed final – HK2.0 cents (2008: HK0.5 cent) per ordinary share	9,568	2,390
	<u>11,959</u>	<u>16,733</u>

## 10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of provisions for doubtful debts, is as follows:

	31 December 2009	31 December 2008
	HK\$'000	HK\$'000
Current	237,301	210,447
1 – 3 months past due	22,877	57,029
4 – 6 months past due	1,535	1,610
7 – 12 months past due	28,718	8,840
Over 1 year past due	6,350	630
	<u>296,781</u>	<u>278,556</u>

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.

## 11. TRADE PAYABLES

An ageing analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	31 December 2009	31 December 2008
	HK\$'000	HK\$'000
Accounts payable:		
Less than 3 months	55,918	47,681
4 – 6 months	49,602	91,466
7 – 12 months	4,154	8,612
Over 1 year	13,402	4,161
	<u>123,076</u>	<u>151,920</u>
Bills payable	28,913	31,067
	<u>151,989</u>	<u>182,987</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS OVERVIEW

The financial year ended 31 December 2009 (the “Year”) marked a year of rapid change. The impact of the global economic turmoil which started in late 2008 continued its impact in early 2009. Similar to many global corporations, the Group’s revenue declined. Despite a drop in revenue, the Group improved its gross profit, earnings before interest, tax, depreciation and amortisation (“EBITDA”) and net profit margins during the year. Net borrowing to shareholders’ equity improved significantly. In summary, the Group consolidated its business volume in 2009 but has been able to deliver a higher quality earning and improved liquidity position. We have also taken this opportunity to set far reaching expansion plans for 2010 and future years.

### FINANCIAL REVIEW

Revenue for the financial year ended 31 December 2009 was HK\$1,001,258,000, representing a decline of 22.1% from the previous financial year which is in line with other global corporations in the same line of industries. During the first half of the Year, the decline in revenue was the result of the impact of the global economic turmoil that erupted in late 2008. During this critical period, the Group consolidated its business by reducing credit risk exposures to customers with deteriorating credit standings. The Group also enhanced its overall profit margins by turning down some orders for lower margin items. During the second half of the Year, business orders recovered quite rapidly aided in some measures by the strong economic growth in Mainland China. During the second half of the Year, the issue of labour shortages in Mainland China intensified which hampered the Group from producing sufficient output quantities to meet customers’ demands.

The Group reported a gross profit of HK\$227,553,000, representing a gross margin of 22.7% (2008: 19.1%). This improvement in gross margin was mainly attributable to a more optimal product mix and ongoing reductions in manufacturing overhead.

EBITDA stood at HK\$187,897,000, representing an EBITDA margin of 18.8% (2008: 16.5%). Profit for the Year stood at HK\$78,206,000, representing a net profit margin of 7.8% (2008: 7.0%). Basic earnings per share for the Year was HK16.44 cents (2008: 18.87 cents).

The Board of Directors has proposed a final dividend of HK2.0 cents per share. Together with the interim dividend of HK0.5 cent already declared and paid, total dividends for the Year amounted to HK2.5 cents per share, representing a pay-out ratio of 15.3% (2008: 18.6%).

### BUSINESS REVIEW

#### *Electronic Components*

The size of the global aluminium electrolytic capacitors (“E-Caps”) market suffered a decline in early 2009 mainly as a result of the global economic turmoil. However, we saw a steady recovery of market demand since the second quarter of 2009 due to the clearance of electronic component inventories in the channels and the growth in demand coming from the PRC domestic market. The Group’s sales of E-Cap products followed this trend, slowing down during the first quarter and rebounding gradually starting in the second quarter. The Group’s sales to overseas markets were reduced but, as China’s economy commenced recovery earlier and at a faster rate, there was an increase in the sales to the domestic PRC market.

Most of the Group's SAMXON branded E-Caps are selling well, particularly our higher end products such as Pen Capacitors (for LCD & LED televisions), Ballast products (for energy saving lamps and LED lamps), Screw Terminal products for industrial usage and more. During the year, the Group also expanded its sales to the domestic PRC market mainly by the Group's continuing efforts to develop the first tier PRC market and by the acquisition of a famous PRC capacitor brand in 2008.

Since 2006, the Group became one of only a few suppliers of Conductive Polymer Aluminum Solid Capacitors ("Polymer Caps") in the global market. Several new Polymer Caps series have been launched and, thanks to our wide product range, the Group is now an important global supplier of Polymer Caps. During 2009, we have doubled our production capacity of this product to meet stepped-up customer demands.

Aluminum foil is one of the most important raw materials in the production of E-Caps. To ensure sufficiency in the supply and to achieve a better profit margin, the Group has been manufacturing aluminum foils from its Qingyuan plant since 2006, and its Urumqi plant since 2008. During the Year, the supply of aluminum foils remained very tight and the Group has increased its production to keep pace with the volume of demand for E-Caps. Currently the Group is able to produce internally more than 50% of the aluminum foils needed for consumption in its E-Caps.

### ***Research and Development***

Over the years, the Group has nurtured and trained more than 100 highly qualified in-house research and development ("R&D") professionals who have made major contributions to an ever-increasing number of new product launches. The Group has also established state-of-the-art R&D facilities in all its factories.

As one of the most innovative multiple components manufacturers in the world, the Group has been accelerating the development of industry-leading technology. The initial launch of electric double-layer capacitors ("EDLCs") in 2009 was considered successful and these products are being tested and evaluated by large customers.

The Group is also seriously engaged in developing the next-generation Polymer Caps for electronic circuitry applications for which the current supplying source has a de facto monopoly. The Group believes this product segment possesses significant market growth potential and this new product is scheduled for initial release to customers for testing and evaluation in 2010.

Apart from the Polymer Caps, EDLCs and the next generation Polymer Caps mentioned above, the Group's R&D team is also fully engaged in a number of other component development platforms. For instance, research is well under way for a promising storage device component to be applied in the rapidly expanding renewable energy and environmental product segments.

Since 2004, the Group has benefited from a close cooperative relationship with the Research Institute of Tsinghua University in Shenzhen ("Shenzhen Tsinghua"). Over the years, Shenzhen Tsinghua provided technical guidance and assistance to the Group which enabled the Group to stay abreast of the latest technology research and development and maintain a strong competitive position. In June 2009, the Group extended this relationship with Shenzhen Tsinghua for a second five-year term, further enabling the Group to remain as one of the technology leaders in the global E-caps segment.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2009, the Group's net borrowings in respect of bank loans and finance leases amounted to HK\$532,931,000 (31 December 2008: HK\$775,283,000). Of this amount, HK\$296,755,000 was included in current liabilities. This amount can be further divided into current portion of long term bank loans of HK\$208,574,000; trade finance facilities of HK\$45,404,000; and revolving credits of HK\$42,777,000. Included in non-current liabilities were bank loan facilities that is repayable between one to two years of HK\$168,776,000 and repayable between two to five years of HK\$67,400,000.

After deducting cash and cash equivalents of HK\$364,427,000 (31 December 2008: HK\$406,466,000), the Group's net borrowing position as at 31 December 2009 was HK\$168,504,000 (31 December 2008: HK\$368,817,000). Shareholders' equity as at 31 December 2009 was HK\$1,034,027,000 (31 December 2008: HK\$954,127,000) and the Group's net borrowing to shareholders' equity ratio improved to 16.3% (31 December 2008: 38.7%).

During the year, the Group generated net cash inflow from operating activities of HK\$238,355,000. This figure represented profit before tax of HK\$83,945,000, plus adjustments for non-cash items such as depreciation and amortisation of HK\$91,604,000 and net decrease in working capital of HK\$81,030,000 and minus other adjustments of HK\$18,224,000.

The cash inflow from investing activities for the year was HK\$52,458,000 which included: disposal of an investment property in Hong Kong in early 2009 of HK\$30,000,000 (which carried at market valuation of HK\$29,500,000 at 31 December 2008); maturity of a long term bank deposit of HK\$77,499,000; minus purchases and prepayment for property, plant and equipment of HK\$31,457,000 and \$11,040,000 respectively and advances to jointly-controlled entities of HK\$15,380,000; and other items of HK\$2,836,000.

The Group's financial statements are denominated in Hong Kong dollars. The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese yen. As Hong Kong dollar remains pegged to United States dollar, there is no material exchange risk in this respect. To manage the appreciation of Renminbi, the Group has successfully increased its revenue in Mainland China in order to naturally hedge Renminbi receipts and Renminbi payments.

The Group continues to monitor its foreign exchange exposure in Japanese yen and Renminbi mainly by entering into forward contracts. Interest rate exposures were hedged by entering into long term interest rate swap contracts. Most of the Group's long-term bank loan facilities are denominated in Hong Kong dollars and carry interests at floating rates. Credit risk was hedged mainly through credit insurance policies.

## **OUTLOOK AND PROSPECTS**

Looking ahead, the Group is expected to resume higher revenue growth in 2010, primarily driven by the overwhelming market demand to compensate for a labour induced shortfall in supply and the introduction of new products targeting wider application segments. In large part, this increase would be spurred by the fast growing PRC consumer electronics industry. Although the outlook of the European and American consumer markets remained uncertain due to a lack of consumer confidence and uncertain employment prospects, the growth in the emerging markets is noticeable.

The revenue growth for Polymer Caps is expected to remain strong and deliver higher profit margins. Scheduled for launch in 2010, the second generation Polymer Caps, together with the newly launched EDLCs, are expected to drive further revenue growth and business expansion in the year 2011 and beyond.

In order to expand production volume to meet rising customers' demands, the Group has embarked on several initiatives in the recruitment, training and retention of workers. To date, the Group has succeeded in retaining the required number of factory workers to produce the increase in order volume. Capital expenditure of HK\$120 million mainly for purchase of production machinery for new product lines will be mainly financed by internal operating cash flows and long term banking facilities. The Company has adequate financial resources to deal with its future expansion plans.

The Group will continue to implement cost rationalisation programmes, such as optimisation of product mix by focusing more on new and higher margin products. As a result, the Group expects that profit margin will remain relatively stable in 2010.

A key part of the Group's strategy has been to accelerate the development of industry-leading capacitor technology. With our strategic transformation from a single capacitor manufacturer to a multiple brand vendor, a developer and manufacturer of a diverse range of leading-edge components in the global market, the Group is expected to enjoy further revenue and profit growth in future years.

## **EMPLOYMENT AND REMUNERATION POLICY**

In early 2009, many factory workers did not return to the industrialised cities and their work after their annual visit to their homes during the Spring Festival, leading to a sharp decline in the total work force in Dongguan, Shenzhen, Wuxi, and other industrialised cities. During the second quarter of 2009, the Group quickly implemented recruiting activities within different provinces in China, but was unable to recruit enough workers. Starting in early 2010, the Group has successfully recruited enough workers in the factories and will gear up its production volume to meet customers' stepped-up demands.

At 31 December 2009, the Group employed 75 employees in Hong Kong (31 December 2008: 76) and employed a total work force of 3,375 (31 December 2008: 3,240) inclusive of its staff in China and overseas offices. As at the date of this report, the total number of employees increased to 4,998.

Salaries, bonuses and benefits were determined with reference to market terms and the performance, qualifications and experience of individual employees.

## **PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY**

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

## **CORPORATE GOVERNANCE**

The Group has adopted and met all the Code Provisions set out in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (“the Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except for the following deviations:

All Independent Non-Executive Directors (“INEDs”) of the Company are not appointed for specific terms but are subject to retirement by rotation under Bye-law 87 of the Company’s Bye-laws.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company were in line with the Code Provisions during the Year.

## **COMPLIANCE WITH THE MODEL CODE**

The Group has adopted the Model Code as set out in Appendix 10 to the Listing Rules to govern securities transactions by the directors. After having made specific enquiry by the Company, all Directors have fully confirmed that they fully complied with the Model Code throughout the Year.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group. The Audit Committee comprises three INEDs of the Company and none of whom is employed by or otherwise affiliated with former or existing auditors of the Company.

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2009 have been agreed by the Group’s auditor, PricewaterhouseCoopers (“PwC Hong Kong”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

## **PROPOSED FINAL DIVIDEND**

The Board has resolved to declare a final dividend for the year ended 31 December 2009 of HK2.0 cents in cash per share, totalling HK\$9,568,000, payable on Friday, 2 July 2010 to shareholders whose names appear on the register of members of the Company on Thursday, 27 May 2010.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 20 May 2010 to Thursday, 27 May 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfer, accompanied by the relevant share certificates must be lodged for registration with the Company’s Branch Share Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4.00 p.m. on Wednesday, 19 May 2010.



## **PUBLICATION OF FURTHER INFORMATION**

This announcement will be published on the websites of the Stock Exchange and the Company.

An annual report for the year ended 31 December 2009 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange and the Company before the end of April 2010.

## **APPRECIATION**

I would like to take this opportunity to express my sincere thanks to the shareholders, business partners and bankers for their continuing support to the Group. I would also extend my appreciations to my fellow directors, senior management and staff for their dedication and commitment to managing various business segments of the Group.

## **MEMBERS OF THE BOARD**

As at the date of this announcement, the Board comprises Ms. Kee Chor Lin, Mr. Chan Yu Ching, Eugene, Mr. Ko Pak On, and Mr. Tso Yan Wing, Alan as Executive Directors, and Dr. Li Sau Hung, Eddy, Mr. Lo Kwok Kwei, David and Mr. Selwyn Mar as INEDs.

On behalf of the Board  
**Man Yue International Holdings Limited**  
**Kee Chor Lin**  
*Chairman*

Hong Kong, 29 March 2010

\* *For identification purpose only*