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**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 FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**RESULTS HIGHLIGHT**

- Revenue increased slightly by 1.3% to HK\$987,027,000 (2015: HK\$974,421,000)
- Gross profit margin was 16.6% (2015: 18.0%)
- EBITDA increased by 20.8% to HK\$101,368,000, representing an EBITDA margin of 10.3% (2015: 8.6%)
- Loss for the Year was significantly reduced to HK\$13,102,000 (2015: loss of HK\$45,838,000)

**FINAL RESULTS**

On behalf of the Board of Directors (the “Board”), I am pleased to present the financial results of Man Yue Technology Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2016 (the “Year”) together with the comparative figures for the prior year. These 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 2016**

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	2 & 3	<b>987,027</b>	974,421
Cost of sales		<b>(823,475)</b>	(799,381)
Gross profit		<b>163,552</b>	175,040
Other income	3	<b>13,928</b>	6,818
Other gains, net	3	<b>29,630</b>	1,493
Selling and distribution costs		<b>(51,108)</b>	(50,055)
Administrative expenses		<b>(143,723)</b>	(143,659)
Operating profit/(loss)	4	<b>12,279</b>	(10,363)
Changes in fair values of interest rate swaps	5	<b>2,198</b>	(4,647)
Finance costs	6	<b>(29,897)</b>	(30,214)
Finance income	7	<b>4,750</b>	8,580
Share of results of joint ventures		<b>8,856</b>	(1,296)
Share of results of an associate		<b>(2,646)</b>	544
Loss before tax		<b>(4,460)</b>	(37,396)
Income tax	8	<b>(8,642)</b>	(8,442)
Loss for the year		<b>(13,102)</b>	(45,838)
(Loss)/profit attributable to:			
– Equity holders of the Company		<b>(14,905)</b>	(45,095)
– Non-controlling interests		<b>1,803</b>	(743)
		<b>(13,102)</b>	(45,838)
Loss per share for loss attributable to equity holders of the Company	9		
– Basic		<b>(3.13) HK cents</b>	(9.43) HK cents
– Diluted		<b>(3.13) HK cents</b>	(9.43) HK cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year	<u>(13,102)</u>	<u>(45,838)</u>
Other comprehensive loss:		
Items that will not be reclassified subsequently to profit or loss		
– Assets revaluation (deficit)/surplus, net of tax	(1,386)	9,599
– Remeasurement of net defined benefit assets, net of tax	771	–
Items that may be reclassified subsequently to profit or loss		
– Changes in fair value of available-for-sale investments	254	576
– Currency translation differences	<u>(135,847)</u>	<u>(129,427)</u>
Other comprehensive loss for the year, net of tax	<u>(136,208)</u>	<u>(119,252)</u>
Total comprehensive loss for the year	<u><b>(149,310)</b></u>	<u><b>(165,090)</b></u>
Total comprehensive loss attributable to:		
– Equity holders of the Company	(149,095)	(164,081)
– Non-controlling interests	<u>(215)</u>	<u>(1,009)</u>
	<u><b>(149,310)</b></u>	<u><b>(165,090)</b></u>

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2016**

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>625,220</b>	711,069
Prepaid land premium		<b>65,699</b>	71,728
Investment properties	<i>11</i>	<b>150,396</b>	141,530
Intangible assets		<b>2,401</b>	1,113
Investments in joint ventures		<b>96,461</b>	95,916
Investment in an associate		–	72,438
Prepayments on purchase of property, plant and equipment		<b>56,570</b>	66,060
Available-for-sale investments		<b>14,462</b>	12,701
Loans to a joint venture		<b>100,077</b>	–
Other prepayments		<b>1,768</b>	1,822
Deferred tax assets		<b>16,400</b>	13,396
		<hr/>	<hr/>
Total non-current assets		<b>1,129,454</b>	1,187,773
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories		<b>456,560</b>	463,518
Trade receivables	<i>12</i>	<b>480,920</b>	343,785
Prepayments, deposits and other receivables		<b>86,715</b>	62,140
Loans to a joint venture		–	96,989
Due from joint ventures		<b>26,782</b>	34,438
Due from an associate		–	3,651
Financial assets at fair value through profit or loss		<b>45</b>	51
Net defined benefit retirement assets		<b>879</b>	–
Tax recoverable		<b>2,921</b>	944
Time deposits over three months		<b>7,775</b>	11,936
Cash and cash equivalents		<b>283,116</b>	347,797
		<hr/>	<hr/>
Total current assets		<b>1,345,713</b>	1,365,249
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Trade and bills payables	<i>13</i>	<b>183,419</b>	191,786
Other payables and accrued liabilities		<b>93,429</b>	64,045
Due to joint ventures		<b>19,751</b>	19,780
Derivative financial instruments		<b>3,875</b>	5,040
Tax payable		<b>5,333</b>	4,625
Bank loans	<i>14</i>	<b>559,815</b>	505,477
Dividends payable		<b>43</b>	43
		<hr/>	<hr/>
Total current liabilities		<b>865,665</b>	790,796
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net current assets</b>		<b>480,048</b>	574,453
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets less current liabilities</b>		<b>1,609,502</b>	1,762,226
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**CONSOLIDATED BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2016**

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Total assets less current liabilities</b>		<b>1,609,502</b>	1,762,226
<b>Non-current liabilities</b>			
Bank loans	<i>14</i>	<b>249,933</b>	308,098
Derivative financial instruments		<b>4,119</b>	10,724
Provision for long service payments		<b>188</b>	554
Deferred tax liabilities		<b>32,084</b>	34,955
Deferred income		<b>10,603</b>	11,635
Total non-current liabilities		<b>296,927</b>	365,966
<b>Net assets</b>		<b>1,312,575</b>	1,396,260
<b>Equity</b>			
Share capital		<b>47,555</b>	47,624
Reserves		<b>1,194,855</b>	1,344,354
<b>Equity attributable to equity holders of the Company</b>		<b>1,242,410</b>	1,391,978
<b>Non-controlling interests</b>		<b>70,165</b>	4,282
<b>Total equity</b>		<b>1,312,575</b>	1,396,260

## NOTES

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2016 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 land and buildings, investment properties, derivative financial instruments, defined benefit retirement assets, financial assets and financial liabilities at fair value through profit or loss and available-for-sale investments, which have been measured at fair value.

The following new or amended standards are also mandatory for the first time for the financial year beginning on or after 1 January 2016 but either have no significant impact to the Group’s results and financial position or are not currently relevant to the Group:

- Amendments to HKFRS 11 – Accounting for acquisitions of interests in joint operations;
- Amendments to HKAS 16 and HKAS 38 – Clarification of acceptable methods of depreciation and amortisation;
- Annual improvements to HKFRSs 2012-2014 cycle; and
- Amendments to HKAS 1 – Disclosure initiative.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period.

## 2. 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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	<b>987,027</b>	974,421
Gross profit	<b>163,552</b>	175,040
Gross profit margin (%)	<b>16.6%</b>	18.0%
EBITDA <sup>(i)</sup>	<b>101,368</b>	83,942
EBITDA margin (%)	<b>10.3%</b>	8.6%
Operating expenses <sup>(ii)</sup>	<b>194,831</b>	193,714
Operating expenses/revenue (%)	<b>19.7%</b>	19.9%
Loss for the year	<b>(13,102)</b>	(45,838)
Net loss margin (%)	<b>(1.3%)</b>	(4.7%)
Total assets	<b>2,475,167</b>	2,553,022
Equity attributable to equity holders of the Company	<b>1,242,410</b>	1,391,978
Inventories (finished goods only)	<b>164,258</b>	187,514
Inventory turnover days (finished goods only)	<b>73</b>	86
Trade receivables	<b>480,920</b>	343,785
Trade receivables turnover days	<b>178</b>	129
Trade and bills payables	<b>183,419</b>	191,786
Trade and bills payables turnover days	<b>81</b>	88
Total interest-bearing debt	<b>809,748</b>	813,575
Cash and cash equivalents	<b>283,116</b>	347,797
Time deposits over three months to maturity when placed	<b>7,775</b>	11,936
Net debt	<b>518,857</b>	453,842
Net gearing ratio (%)	<b>41.8%</b>	32.6%

*Notes:*

- (i) EBITDA represents the earnings before interest expense, tax, depreciation and amortisation.
- (ii) Operating expenses represent the expenditure that the Group incurs as a result of performing its normal business operations, including selling and distribution costs and administrative expenses.

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

	<b>Year ended 31 December</b>	
	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>Revenue from external customers by geographical locations</b>		
Hong Kong	122,278	122,325
The People's Republic of China (the "PRC")	543,649	505,267
Taiwan	204,456	177,248
Southeast Asia	23,590	36,041
Korea	4,955	5,705
United States	36,149	37,940
Europe	34,296	55,554
Other countries	17,654	34,341
	<b>987,027</b>	<b>974,421</b>
	<b>987,027</b>	<b>974,421</b>
<b>As at 31 December</b>		
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets by physical locations (deferred tax assets and financial instruments excluded)</b>		
Hong Kong	136,065	133,843
The PRC	962,328	955,182
Other countries	199	72,651
	<b>1,098,592</b>	<b>1,161,676</b>
	<b>1,098,592</b>	<b>1,161,676</b>

### 3. REVENUE, OTHER INCOME AND OTHER GAINS, 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, net is as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>Revenue</b>		
Manufacture and trading of electronic components	986,498	965,495
Trading of raw materials	529	8,926
	<b>987,027</b>	<b>974,421</b>
	<b>987,027</b>	<b>974,421</b>



	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Other income</b>		
Scrap sales	340	109
Subsidies from the PRC government	1,395	972
Rental income generated from investment properties	4,852	4,597
Gain/(loss) on disposal of property, plant and equipment	6,212	(46)
Others	1,129	1,186
	<u>13,928</u>	<u>6,818</u>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Other gains, net</b>		
Fair value gain on forward currency contracts	–	585
Fair value gain/(loss) on investment properties	10,756	(525)
Foreign exchange differences, net	12,280	609
Write-off of other payable	6,594	2,491
Impairment loss on an available-for-sale investment	–	(1,667)
	<u>29,630</u>	<u>1,493</u>

#### 4. OPERATING PROFIT/(LOSS)

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Depreciation of property, plant and equipment	73,499	88,704
Amortisation of prepaid land premium	1,547	1,643
Amortisation of intangible assets	885	777
(Gain)/loss on disposal of property, plant and equipment	(6,212)	46
Fair value loss on financial assets at fair value through profit or loss	6	8
	<u>6</u>	<u>8</u>

#### 5. CHANGES IN FAIR VALUES OF INTEREST RATE SWAPS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Fair value gains/(losses) on interest rate swaps	2,198	(4,647)
	<u>2,198</u>	<u>(4,647)</u>

At 31 December 2016, the Group held certain interest rate swap contracts entered 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.

## 6. FINANCIAL COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest expenses on bank loans	26,506	25,647
Others	3,691	4,567
	<u>30,197</u>	<u>30,214</u>
Less: interest expenses capitalised into construction in progress	(300)	–
	<u><u>29,897</u></u>	<u><u>30,214</u></u>

## 7. FINANCIAL INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest incomes from loan to a joint venture	3,556	4,546
Interest incomes from time deposits and bank balances	1,194	4,034
	<u>4,750</u>	<u>8,580</u>

## 8. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 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.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Charge for the year:		
Current tax:		
Hong Kong	1,536	1,688
Outside Hong Kong	6,261	4,763
Under-provision in prior years	2,389	495
	<u>10,186</u>	<u>6,946</u>
Deferred tax	(1,544)	1,496
	<u><u>8,642</u></u>	<u><u>8,442</u></u>

In accordance with the relevant tax rules and regulations in the PRC, certain of the Company's subsidiaries in the PRC enjoy tax exemptions. All subsidiaries in the PRC are subject to income taxes at applicable rates ranging from 20% to 25%.

## 9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the Year attributable to equity holders of the Company of HK\$14,905,000 (2015: loss of HK\$45,095,000), and the weighted average number of 475,557,000 (2015: 478,280,000) ordinary shares in issue during the Year.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted loss per share for the Year and the year ended 31 December 2015 were the same as the basic loss per share as the Company's share options outstanding during the Year and the year ended 31 December 2015 were anti-dilutive potential ordinary shares.

## 10. DIVIDENDS

The Board of Directors did not recommend any dividend for the Year (2015: nil).

## 11. INVESTMENT PROPERTIES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>At fair value</b>		
At 1 January	141,530	138,872
Transfer from owner-occupied property	2,000	6,540
Gain/(loss) from fair value adjustment	10,756	(525)
Exchange realignment	(3,890)	(3,357)
	<u>150,396</u>	<u>141,530</u>
At 31 December	<u>150,396</u>	<u>141,530</u>

## 12. 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current and within payment terms	352,154	240,797
1-3 months past due	102,278	82,967
4-6 months past due	11,144	2,908
7-12 months past due	3,496	773
Over 1 year past due	11,848	16,340
	<u>480,920</u>	<u>343,785</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. Trade receivables are non-interest-bearing. Credit risk was hedged mainly through credit insurance policies.

### 13. TRADE AND BILLS PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables:		
1-3 months	141,491	98,048
4-6 months	21,968	35,176
7-12 months	3,381	1,239
Over 1 year	10,438	8,197
	<u>177,278</u>	<u>142,660</u>
Bills payables	<u>6,141</u>	<u>49,126</u>
	<u><b>183,419</b></u>	<u><b>191,786</b></u>

### 14. BANK LOANS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Analysed into:		
Bank loans, unsecured, repayable:		
Within one year, with reference to the repayment schedule	544,815	505,477
Within one year, related to borrowings with breached covenants	15,000	–
In the second year	224,218	262,970
In the third to fifth years, inclusive	25,715	45,128
	<u>809,748</u>	<u>813,575</u>
Portion classified as current liabilities	<u>(559,815)</u>	<u>(505,477)</u>
Non-current portion	<u><b>249,933</b></u>	<u><b>308,098</b></u>

As at 31 December 2016, the Group breached the covenant requirements of certain banking facilities, HK\$809,748,000 (2015: HK\$813,575,000) banking facilities has been utilised as at 31 December 2016, of which HK\$15,000,000 (2015: nil) has been reclassified from non-current liabilities to current liabilities as a result of the breach. The Group has obtained one-off waivers from strict compliance with the covenant requirements in relation to all the outstanding bank borrowings classified as non-current liabilities at the year end.

## 15. BUSINESS COMBINATION

The Group acquired 15.74% equity interest of Luminous Town Electric Co., Ltd., with goodwill of HK\$3,000 in the Year.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities calculated at the acquisition date.

	<b>As at 21 June 2016 HK\$'000</b>
Purchase consideration to be settled in cash	25,318
Forfeited share of an associate as purchase consideration	<u>69,411</u>
Total purchase consideration	94,729
Fair value of net assets acquired – shown as below	<u>(94,726)</u>
Goodwill	<u><u>3</u></u>

The fair values of the identifiable assets acquired and liabilities are taken as follows:

	<b>Fair value on date of acquisition HK\$'000</b>
Property, plant and equipment	20,627
Intangible assets	2,165
Prepayments on purchases of property, plant and equipment	283
Deferred tax assets	2,599
Inventories	27,780
Trade receivables	82,272
Prepayments, deposits and other receivables	20,443
Pledged deposits	13,988
Cash and cash equivalents	83,436
Trade and bills payables	(37,640)
Other payables and accrued liabilities	(32,745)
Tax payable	(30)
Bank loans – current portion	(21,112)
Bank loans – non-current portion	(1,203)
Provision for long service payments	<u>(39)</u>
	160,824
Non-controlling interests	<u>(66,098)</u>
Net assets	<u><u>94,726</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS OVERVIEW

2016 was a year full of unpredictable events, in particular, the global political unstableness which greatly influenced the foreign exchange market and consumer sentiment. Against the backdrop of sluggish demand for electronic products and the appreciation of Japanese Yen, the overall operating environment continued to be challenging for the Group. However, the Group has demonstrated its resilience under such difficult conditions and expanded its business scale and revenue sources during the Year.

For the financial year ended 31 December 2016, the Group's sales performance improved in terms of sales volume, which was mainly attributable to its effort in the expansion of markets in the Mainland China, despite that the financial impact had been largely offset by the depreciation of Renminbi during the Year. In addition, the Group had completed the increase of its equity shareholding in an associated company in Taiwan, Luminous Town Electric Co., Ltd. ("Luminous Town") which is a well-established brand in the trading and manufacture of electrolytic capacitors on 21 June 2016. Since then, Luminous Town became a subsidiary of the Group and has made a positive sales contribution to the Group. As a result, the Group's revenue had recorded a modest growth of 1.3% to HK\$987,027,000 for the Year. The Group had continued to adhere to its prudent financial management principles by streamlining its production processes and consolidating its resources, and hence, EBITDA had been improved and loss attributable to equity shareholders of the Company significantly narrowed down to HK\$14,905,000 as compared with the previous year.

As one of the key suppliers of Aluminum Electrolytic Capacitors ("E-Caps") and Conductive Polymer Aluminum Solid Capacitors ("Polymer Caps"), the Group has been committed to provide pioneered and high quality products to its leading global clientele in various electronic products' industries. Our flagship brands – SAMXON® and X-CON® still maintain a very strong market position in the niche segment. In the past few years, the Group has strategically focused on developing multi-product platform with high-technology products. During the Year, a sound progress has been made in the business development of Multi-Layer Polymer Capacitors ("MLPC") which would be widely used in central processing unit related products such as servers and laptops. This affirms the Group's right direction in multi-dimensional sales development aiming at achieving sales growth in the forthcoming years.

Moreover, the government of the People's Republic of China (the "PRC") continued its commitment in environmental protection and stepped up its efforts in successive implementation of related policies and administrative instructions in 2016. The Group believes that the development of new energy related industries will continue to be an inevitable trend in the Mainland China. As a result, the Group will endeavor to develop its Energy Storage System ("ESS") products with an aim of providing a total solution for effective energy saving and storage applications in the new energy saving-related industries.

## **FINANCIAL REVIEW**

The sales revenue of the Group for the Year increased to HK\$987,027,000 (2015: HK\$974,421,000), representing an increase of 1.3%, as compared with that of last year. It was mainly attributable to the Group's acquisition of Luminous Town on 21 June 2016 as well as its effort in the expansion of markets in the Mainland China leading to an overall increase in sales volume, albeit the financial impact had been largely offset by the depreciation of Renminbi during the Year.

Gross profit for the Year amounted to HK\$163,552,000 (2015: HK\$175,040,000), representing a drop of 6.6%, as compared with that of last year. It was mainly due to the appreciation of Japanese Yen causing a surge in the Group's raw material costs during the Year.

During the Year, the Group had recognised a gain arising from changes in the fair values of interest rate swaps of HK\$2,198,000 (2015: loss of HK\$4,647,000). The interest rate swaps concerned referred to certain long term interest rate swap contracts entered into by the Group in 2009 and 2010 with the intention to hedge against the Group's future borrowing costs. The Group had to account for the changes in the fair values of these financial instruments in the consolidated income statement at the year end. This item did not affect the cash flow of the Group.

The Group's EBITDA increased by 20.8% to HK\$101,368,000 (2015: HK\$83,942,000), representing an EBITDA margin of 10.3% (2015: 8.6%).

Loss for the Year was significantly reduced to HK\$13,102,000 (2015: loss of HK\$45,838,000). The Board has resolved not to recommend final dividend for the Year (2015: nil).

## **BUSINESS REVIEW**

### **Market overview**

During the Year, the global demand for electronic products remained weak resulting from the slowdown in the global and China economy and thus, the business environment for capacitors continued to be challenging. Nevertheless, leveraging on its long-term relationship with customers as well as its high quality products, the Group continues to be one of the key global suppliers in the electronic components' segment. As essential components for electronic products, the Group's major products, E-Caps and Polymer Caps are widely used in different electronic products industries engaging in the consumer electronic and industrial sectors as well as home appliances, lightings and energy saving applications. Due to the competitive advantages of its high quality products, the Group is able to maintain its market share from the strategy of global supply chain diversification and product-quality focus of its customers.

In addition to committing in developing and improving its existing core products, the Group has a long term vision in terms of business development and investment. Development on the use of new energy remains a top agenda item for discussion in the international environment and climate summit. Amongst the world's leaders, the PRC government has a strong desire to play a major role in curbing greenhouse gas emissions and has devoted in implementing various environmental policies and measures and providing enormous support to take forward the development of a cleaner and greener environment. In the 13th 5-Year Plan, the PRC government has a target to further boost the investment in new energy industries and related applications. Being one of the very few global suppliers with the ability to produce ESS products comprising Electronic Double Layer Capacitors ("EDLC") and EDLC modules with a total solution for energy-saving and storage applications, the Group is well-positioned to capture the business opportunities in this market sector.

## **Operation review**

The Group has successfully established itself as a major global supplier of several critical electronic components, namely E-Caps, Polymer Caps, EDLC, EDLC Modules, Power Film Capacitors and MLPC over the years. Amid the stagnant economy around the globe, the Group's sales performance had been improved in terms of sales volume during the Year due to its effort in the expansion of markets in the Mainland China; however its financial impact was largely offset by the depreciation of Renminbi in the year under review. In order to further enlarge its business scope and global footprint, in June 2016, the Group had successfully completed an equity stake increase in Luminous Town, a company incorporated in Taiwan, in which its principal businesses are the trading and manufacture of electrolytic capacitors, from Yageo Corporation at a consideration of TWD 105,227,360 for the benefit of extending the Group's geographic market and synergy to complement the existing business of the Group's capacitor segment. After the completion of acquisition on 21 June, 2016, Luminous Town became a non-wholly owned subsidiary of the Group and accounted for a larger sales contribution to the Group during the Year. Furthermore, the Group had also made an announcement on 29 September 2016 that it would further acquire an additional 13.80% and 2.16% of the entire issued share capital of Luminous Town from China Development Industrial Bank Corp., and CDIB Capital Management Corporation at a consideration of TWD 92,217,490 and TWD 14,428,830 respectively. The acquisitions would allow the Group to gain further control of Luminous Town so as to generate a greater synergy effect within the Group.

Capturing the anticipated growth prospect of the new energy related industries in the global and the PRC markets, the Group has been committed in the research and development ("R&D") of the ESS product series, comprising EDLC and EDLC modules. The Group's ESS product series can provide a total solution for industrial power management and energy-storage applications, effectively saving energy and lowering carbon emission for engine-operated machines. The Group is currently working diligently on the specifications for each customer and preparing itself for authentication with potential customers. Given that the favourable governmental policies which have been gradually in place in the PRC, the Group is well-positioned to capture the business opportunities arising from this emerging market sector.

With an aim to maintain and increase its market share and strengthen its profitability, the Group will continue to streamline its production process in order to enhance operating efficiency, as well as to take initiatives to optimise its sales and marketing strategies by focusing on the niche customer groups and reducing the supply of low-margin products. In addition, the Group will continuously strive to provide extra values for its customers through innovative and high-quality products with its bolstering R&D capabilities so as to maintain its leading market position and long-term relationship with customers.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2016, the Group cash and cash equivalents of HK\$283,116,000 (31 December 2015: HK\$347,797,000) and time deposits over three months of HK\$7,775,000 (31 December 2015: HK\$11,936,000), most of which were either denominated in United States dollars, Renminbi or Hong Kong dollars. Total outstanding bank borrowings amounted to HK\$809,748,000 (31 December 2015: HK\$813,575,000) 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\$559,815,000 and HK\$249,933,000 respectively (31 December 2015: HK\$505,477,000 and HK\$308,098,000 respectively).



Total interest-bearing borrowings of the Group as at 31 December 2016 were all bank loans and trade finance facilities amounted to HK\$809,748,000 (31 December 2015: HK\$813,575,000). All 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 31 December 2016, the net gearing ratio (a ratio of the sum of total bank borrowings less cash and cash equivalents and time deposits over three months then divided by total equity) of the Group was 41.8% (31 December 2015: 32.6%).

As at 31 December 2016, the net current assets of the Group were HK\$480,048,000 (31 December 2015: HK\$574,453,000), which comprised of current assets of HK\$1,345,713,000 (31 December 2015: HK\$1,365,249,000) and current liabilities of HK\$865,665,000 (31 December 2015: HK\$790,796,000), representing a current ratio of 1.55 (31 December 2015: 1.73).

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. In order to mitigate these risks, the Group had entered into foreign currency forward contracts to manage its foreign currency exposure.

## **OUTLOOK AND PROSPECTS**

The unprecedented political situation in 2016 has brought numerous uncertainties to the business environment in 2017. The Group believes that the unpredictable economic volatility may persist in the near term and there will be several key challenges ahead such as continuous sluggish demand due to weak consumer sentiment and inactive business investment, intense international competition resulting from currency fluctuations, as well as potential trade wars amongst countries. To cope with these uncertainties, the Group will work diligently and implement the two-pronged approach – tightening cost control and upholding its product quality and R&D capabilities. Together with the contribution from the newly acquired subsidiary in Taiwan, the Group is confident that it will stand still in the market and be resilient to manage the market changes.

In spite of the difficult macro-economic environment, the global trend of new energy development is irresistible. The PRC government has demonstrated its determination by boosting its investment and solid supportive policies in the new energy related businesses in the 13th 5-Year Plan. While the policies are progressively in place across the nation, the Group has its existing well-established and unique ESS product series platform readily available to capture these enormous market opportunities. The Group is cautiously optimistic that the ESS product series will be its next sales growth driver in the very near future.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 31 December 2016, the Group had employed 62 staff in Hong Kong (31 December 2015: 70) and employed a total work force of 2,574 (31 December 2015: 2,720) inclusive of all its staff in the PRC 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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company repurchased a total of 692,000 shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at an aggregate consideration of HK\$473,560 from January 2016 up to the date of this announcement. All the repurchased shares were cancelled subsequently pursuant to Rule 10.06 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange. Particulars of the repurchases are as follows:

Date	Number of Shares repurchased	Purchase price		Aggregate consideration paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
4 January 2016	282,000	0.70	0.68	194,760
7 January 2016	410,000	0.68	0.68	278,800
Total:	<u>692,000</u>			<u>473,560</u>

Save as disclosed above, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Year.

## OTHER CHANGES IN DIRECTOR’S INFORMATION

Since the publication date of the 2016 interim report of the Company, there were changes in Director’s information which are reported as follow:

1. Mr Chan Tat Cheong, Alan was appointed as an Executive Director of the Company with effect from 3 October 2016.
2. Mr Mar, Selwyn was appointed as an independent non-executive director, member of each of audit committee, remuneration committee, nomination committee and independent committee of PanAsialum Holdings Company Limited (“PanAsialum”) with effect from 8 February 2017. He was redesignated as the chairman of audit committee of PanAsialum with effect from 11 February 2017.

Save as disclosed above, there had not been any other changes to the Director’s information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Company has adopted the code provisions as its own code of corporate governance practices 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 retirement by rotation at the annual general meeting 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 corporate governance practices of the Company were in line with the code provisions for the Year.

## **COMPLIANCE WITH THE MODEL CODE**

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to govern securities transactions by the Directors of the Company. After having made specific enquiry by the Company, all Directors confirmed that they had fully complied with the Model Code throughout the Year.

## **AUDIT COMMITTEE**

The Audit Committee of the Company comprises three Independent Non-executive Directors, namely, Mr Mar Selwyn (Chairman), Dr Li Sau Hung, Eddy and Mr Lo Kwok Kwei, David. None of them is employed by or otherwise affiliated with the former or current auditor of the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group together with the management of the Company and discussed auditing, internal control and risk management systems and financial reporting matters.

The figures in respect of the preliminary announcement of the Group's results for the Year have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by KPMG 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

## **FINAL DIVIDEND**

The Board did not recommend final dividend for the Year (2015: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 8 May 2017 to Tuesday, 9 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to ascertain the right to attend the 2017 annual general meeting of the Company, all transfers 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 5 May 2017.

## **PUBLICATION OF FURTHER INFORMATION**

The annual report of the Company for the Year containing all the information required by Appendix 16 to the Listing Rules will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.manyue.com>) and will be dispatched to the shareholders of the Company on or before Friday, 28 April 2017.

## **APPRECIATION**

I would like to take this opportunity to thank all our shareholders, business partners, bankers, customers for their continuing support to the Group. In addition, I would like to thank my fellow directors, the management team and our staff for their dedication and commitment in contributing to the success of the Group.

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

Hong Kong, 15 March 2017

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