



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 ANNUAL RESULTS FOR
THE YEAR ENDED 31 DECEMBER 2003**

On behalf of the board of directors of the Company (the "Board"), I am pleased to announce the audited results of Man Yue International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2003 together with the comparative figures for the previous year. These audited results have been reviewed by the Company's audit committee.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2003

	<i>Notes</i>	2003 HK\$'000	2002 HK\$'000 (Restated)
TURNOVER	2	626,453	477,727
Cost of sales		(475,267)	(352,773)
Gross profit		151,186	124,954
Other revenue and gains		4,005	2,696
Selling and distribution costs		(28,270)	(25,451)
Administrative expenses		(65,819)	(62,836)
Other operating expenses		(8,908)	(5,779)
PROFIT FROM OPERATING ACTIVITIES	3	52,194	33,584
Finance costs		(5,364)	(5,529)
		46,830	28,055
Share of profits and losses of:			
Jointly controlled entities		(4,413)	(1,314)
PROFIT BEFORE TAX		42,417	26,741
Tax	4	(5,293)	(5,755)
PROFIT BEFORE MINORITY INTERESTS		37,124	20,986
Minority interests		(71)	(638)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		37,053	20,348
EARNINGS PER SHARE	5		
Basic		HK9.92 cents	HK5.45 cents

NOTES TO FINANCIAL STATEMENTS

1. IMPACT OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 12 (Revised) – "Income taxes" is effective for the first time for the current year's financial statements and has had a significant impact thereon.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;
- a deferred tax liability has been recognised on the revaluation of the Group's land and buildings; and
- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and
- the related note disclosures are now more extensive than previously required. These disclosures are presented in the notes to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in the notes to the financial statements.

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. Summary details of the business segments are as follows:

- (a) the electronic components and electrical products segment engages in manufacture and trading of electronic components, particularly aluminum electrolytic capacitors and resistors and trading of electrical products;
- (b) the trading of raw materials segment engages mainly in trading of aluminum 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, and assets are attributed to the segments based on the location of the assets.

(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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:								
Sales to external customers	596,576	437,804	23,577	12,846	6,300	27,077	626,453	477,727
Other revenue	—	—	—	—	4,005	2,696	4,005	2,696
Total	596,576	437,804	23,577	12,846	10,305	29,773	630,458	480,423
Segment results	48,658	29,905	1,632	704	1,904	2,975	52,194	33,584
Finance costs							(5,364)	(5,529)
							46,830	28,055
Share of profits and losses of:								
Jointly controlled entities	(4,413)	(1,314)	—	—	—	—	(4,413)	(1,314)
Profit before tax							42,417	26,741
Tax							(5,293)	(5,755)
Profit before minority interests							37,124	20,986
Minority interests							(71)	(638)
Net profit from ordinary activities attributable to shareholders							37,053	20,348

(b) Geographical segments

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

Group

	Hong Kong		Elsewhere in the PRC		Southeast Asia		Taiwan		Other countries		Corporate and others		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:														
Sales to external customers	127,911	138,156	140,264	147,673	93,800	78,989	223,893	82,310	40,585	30,599	—	—	626,453	477,727

3. PROFIT FROM OPERATING ACTIVITIES

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

	2003 HK\$'000		2002 HK\$'000	
Amortisation of intangible assets*			323	223
Amortisation of goodwill**			102	80
Depreciation			25,906	21,142
Gain on disposal of long term investment			(2,461)	—

* 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.

4. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. 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.

	2003 HK\$'000	2002 HK\$'000 (Restated)
Group:		
Current – Hong Kong	–	(108)
Overprovision in prior years	–	(108)
Current – Mainland of China:		
Charge for the year	6,793	4,112
Under/(over)provision in prior years	(1,049)	1,271
Deferred	(451)	480
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Total tax charge for the year	5,293	5,755
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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\$37,053,000 (2002 (restated): HK\$20,348,000), and the weighted average of 373,440,000 (2002: 373,440,000) ordinary shares in issue during the year.

No diluted earnings per share amounts for the years ended 31 December 2003 and 2002 have been shown as the Company's share options did not have a diluted effect during these years.

DIVIDENDS

No interim dividend was paid during the year (2002: nil) and the directors do not recommend the payment of any final dividend for the year (2002: nil).

COMMENTARY OF ANNUAL RESULTS

Review of Results

The Group continued to achieve a substantial improvement on the financial and operating results for the year ended 31 December 2003 in spite of the Iraqi war and the outbreak of Severe Acute Respiratory Syndrome in the first half year of 2003 which have severely damped the recovery pace of the global economy.

The Group achieved a turnover of HK\$626,453,000 (2002: HK\$477,727,000) and a net profit attributable to shareholders of HK\$37,053,000 (2002 restated: HK\$20,348,000). Earnings per share for the year ended 31 December 2003 were HK9.92 cents (2002 restated: HK5.45 cents).

Review of Operations

2003 was a challenging but rewarding year for the Group. While continuing to focus on OEM business with renowned brands and to develop our own "Samxon" products as a quality and high-technological brand, we have also successfully reorganized our product mix by concentrating our resources on higher valued aluminium electrolytic capacitors used in computer motherboards, CRT monitors, display cards, power supplies, adaptors, photo flashes, ballasts, air conditioners, DVDs and loudspeakers, and have expanded our markets in the overseas especially Taiwan. 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.

In terms of the geographical distribution, sales in countries other than Hong Kong and PRC increased from approximately 40.2% in 2002 to approximately 57.2%, amounting to HK\$358,278,000 (2002: HK\$191,898,000) which were mainly contributed by the growth in Taiwanese market. Sales to Hong Kong customers decreased from 28.9% in 2002 to 20.4%, amounting to HK\$127,911,000 (2002: HK\$138,156,000) while sales to the PRC market decreased from 30.9% in 2002 to 22.4%, amounting to HK\$140,264,000 (2002: HK\$147,673,000).

The trading of machinery and trading of raw materials contributed to 1.0% (2002: 5.7%) and 3.8% (2002: 2.7%) respectively of the Group's overall turnover.

During the year ended 31 December 2003, the Group further increased its shareholding in a subsidiary in Wuxi to approximately 81.7% from 80.3% as at 31 December 2002. The Group commenced its additional production operation in Dongguan in the fourth quarter of 2003. The Group also increased its stake in a jointly controlled entity in Foshan to approximately 33.0% from 21.8% as at 31 December 2002.

Save as disclosed in the note to the audited financial statements, the Group has no other material contingent liabilities.

Liquidity and Financial Resources

At 31 December 2003, the Group's consolidated borrowings in respect of bank loans and finance leases amounted to HK\$202,510,000 (2002: HK\$87,973,000) and its shareholders' equity amounted to HK\$259,619,000 (2002 restated: HK\$223,745,000), resulting in a gearing ratio of 78.0% (2002 restated: 39.3%).

In addition to the positive operating cash flow generated during the year under review, the Group enhanced its liquidity by obtaining in October 2003 a 3-year term loan facility of HK\$30 million from a local bank and a HK\$150 million 3-year syndicated loan facility, of which an aggregate amount of HK\$142,500,000 was drawn down as at 31 December 2003. These bank loans were used to finance the capital expenditure and general working capital of the Group at a more favourable interest rate compared to short term bank loans previously offered to the Group. These have also strengthened the operating capital and consolidated the financing structure of the Group.

The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese yen. 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 does not foresee any high exchange risk in this respect. Foreign exchange contracts were used to hedge exposures where necessary. The Group has 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.

Employment and Remuneration Policy

At 31 December 2003, the Group had 79 members of staff in Hong Kong (2002: 67) and employed a total work force of approximately 3,288 (2002: 2,171) inclusive of its operations in China and overseas offices. Total headcount increased mainly due to the expansion of an existing production facility and establishment of a new production facility, both in Dongguan, to meet increasing order flows.

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 some trade fairs in Hong Kong and the United States in 2003. The management sees participation in such trade fairs as an opportunity to expand customer base of the Group in both China and overseas, and to promote the image of its brand "Samxon" in the market. The Group has just participated a trade fair held in Shanghai earlier this month, and will participate in further trade fairs to be held in Hong Kong and Germany in the fourth quarter of 2004. To expand the sales network, the Group has appointed several manufacturer representatives and distributors in the United States and South Korea, and will continue to appoint suitable representatives and distributors for different overseas territories.

The Group has made deposit for the purchase of a piece of land in Wuxi, the PRC. Construction of the first phase of the new factory premises is expected to commence in the second quarter of 2004. We anticipate that the relocation of the existing production facility in Wuxi to the first phase of the new factory premises will be completed in the fourth quarter of 2004. The new premises of about 20,000 square metres will be approximately three times of the size of the existing factory premises in Wuxi, the PRC and will provide room for future expansion of production capacity and enhancement of delivery service of the Group in Eastern China.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 19th May 2004 to Monday, 24th May 2004, both days inclusive, during which period no transfer of shares will be effected. In order to ascertain the right to attend the 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, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 18th May 2004.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited at any time during the 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.

AMENDMENTS TO THE BYE LAWS OF THE COMPANY

The Board has resolved to propose to the shareholders of the Company for their consideration and, if thought fit, approval at the forthcoming annual general meeting amendments to the bye-laws of the Company in order to follow the recent amendments to the Listing Rules and to be in line with the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the current laws, rules and regulations of Bermuda. A circular containing, among others, particulars of the proposed amendments to the bye-laws of the Company will be despatched to the shareholders of the Company as soon as practicable.

APPRECIATION

I would like to take this opportunity to thank all members of the Board and our staff for their hard work, support and dedication to the Group during the past year.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company for the year ended 31 December 2003 required by paragraphs 45(1) to 45(8) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

MEMBERS OF THE BOARD

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

By order of the Board

Man Yue International Holdings Limited

Chan Ho Sing

Chairman

Hong Kong, 20th April 2004

* *For identification purpose only*

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