



萬裕國際集團有限公司*

MAN YUE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

INTERIM RESULTS

The Board of Directors (the “Board”) of Man Yue International Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 30 June 2003 (the “Period”) together with comparative figures for the corresponding period in 2002. These unaudited condensed consolidated results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2003

		For the six months ended 30 June	
		2003	2002
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000 (restated)
TURNOVER	2	253,497	240,148
Cost of sales		(195,490)	(180,923)
Gross profit		58,007	59,225
Other revenue and gains		3,509	400
Selling and distribution costs		(10,183)	(12,034)
Administrative expenses		(29,033)	(30,977)
Other operating expenses		(1,902)	(1,200)
PROFIT FROM OPERATING ACTIVITIES	2, 3	20,398	15,414
Finance costs		(2,400)	(2,987)
Share of profits less losses of jointly controlled entities		(302)	922
PROFIT BEFORE TAX		17,696	13,349
Tax	4	(2,884)	(3,114)
PROFIT BEFORE MINORITY INTERESTS		14,812	10,235
Minority interests		(297)	(418)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		14,515	9,817
EARNINGS PER SHARE	5		
Basic		HK3.89 cents	HK2.63 cents
Diluted		HK3.89 cents	HK2.63 cents

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

1. ACCOUNTING POLICIES

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

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the audited annual financial statements for the year ended 31 December 2002, except for SSAP 12 (Revised) “Income taxes” which has been adopted for the first time in the preparation of the current Period’s unaudited condensed consolidated interim financial statements.

A summary of the major effects is as follows:

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future, a deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

This change in accounting policy has resulted in an increase in the Group's deferred tax assets as at 30 June 2003 and 31 December 2002 by approximately HK\$1,891,000 and HK\$2,511,000, respectively, deferred tax liabilities by approximately HK\$323,000 and HK\$298,000, respectively. As a consequence, the Group's net profit attributable to shareholders for the six months ended 30 June 2003 and 2002 has been decreased by approximately HK\$666,000 and HK\$1,458,000, respectively, and the consolidated retained profits as at 1 January 2003 and 2002 have been increased by approximately HK\$2,106,000 and HK\$2,586,000, respectively.

2. TURNOVER AND SEGMENT INFORMATION

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

(a) Business segments

The following table presents revenue and results of the Group by business segments for the six months ended 30 June 2003 and 2002.

	Electronic components and electrical products		Trading of raw materials		Corporate and others		Consolidated	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 (restated)
Segment revenue:								
Sales to external customers	236,099	207,578	11,098	5,578	6,300	26,992	253,497	240,148
Other revenue and gains	-	-	-	-	3,509	400	3,509	400
Total	<u>236,099</u>	<u>207,578</u>	<u>11,098</u>	<u>5,578</u>	<u>9,809</u>	<u>27,392</u>	<u>257,006</u>	<u>240,548</u>
Segment results	<u>20,452</u>	<u>16,899</u>	<u>560</u>	<u>396</u>	<u>(614)</u>	<u>(1,881)</u>	<u>20,398</u>	<u>15,414</u>
Finance costs							(2,400)	(2,987)
							<u>17,998</u>	<u>12,427</u>
Share of profits less losses of jointly controlled entities	(302)	922	-	-	-	-	(302)	922
Profit before tax							17,696	13,349
Tax							(2,884)	(3,114)
Profit before minority interests							14,812	10,235
Minority interests							(297)	(418)
Net profit from ordinary activities attributable to shareholders							<u>14,515</u>	<u>9,817</u>

(b) Geographical segments

The following table presents revenue and results of the Group by geographical segments for the six months ended 30 June 2003 and 2002.

	Hong Kong		Elsewhere in the PRC		Southeast Asia		Taiwan		Other countries		Corporate and others		Consolidated	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000												
Segment revenue:														
Sales to external customers	55,357	73,712	66,714	81,615	37,869	44,431	74,392	22,887	19,165	17,503	-	-	253,497	240,148
Segment results	<u>4,975</u>	<u>6,312</u>	<u>5,938</u>	<u>6,984</u>	<u>3,403</u>	<u>3,805</u>	<u>5,802</u>	<u>754</u>	<u>1,722</u>	<u>577</u>	<u>(1,442)</u>	<u>(3,018)</u>	<u>20,398</u>	<u>15,414</u>

3. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Depreciation	12,524	10,042
Amortisation of intangible assets	160	65
Exchange losses, net	440	337
Gain on disposal of long term investments	(2,461)	–
Interest income	(62)	(88)
Negative goodwill recognised	(138)	(56)
	<u> </u>	<u> </u>

4. TAX

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 (restated)
Current tax:		
The People's Republic of China ("PRC"):		
Hong Kong	1,221	–
Others	1,018	1,766
Overprovision in prior year	–	(110)
	<u> </u>	<u> </u>
	2,239	1,656
Deferred tax	645	1,458
	<u> </u>	<u> </u>
	<u>2,884</u>	<u>3,114</u>

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 Period.

The corporate income tax for the PRC subsidiaries is calculated at rates ranging from 12% to 27% (2002: 12% to 27%) on their estimated assessable profits for the Period.

No provision for overseas profits tax has been made as there were no assessable profits for the Period (2002: Nil).

No provision for corporate income tax has been made for the PRC jointly controlled entities as there were no assessable profits for the Period (2002: Nil).

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the net profit attributable to shareholders of approximately HK\$14,515,000 (2002: HK\$9,817,000 as restated) and the weighted average of 373,440,000 (2002: 373,440,000) ordinary shares in issue during the Period.

The calculation of diluted earnings per share for the Period is based on the net profit attributable to shareholders of approximately HK\$14,515,000 (2002: HK\$9,817,000 as restated) and the weighted average number of 373,476,628 (2002: 373,475,479) ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 373,440,000 (2002: 373,440,000) ordinary shares in issue during the Period, as used in the basic earnings per share calculation and the weighted average of 36,628 (2002: 35,479) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all options outstanding during the Period.

6. Comparative Amounts

As further explained in note 1 to the unaudited condensed consolidated results, due to the adoption of a revised SSAP during the current Period, the accounting treatment and presentation of certain items and balances in the unaudited condensed consolidated results have been revised to comply with the new requirements. Accordingly, a prior year adjustment has been made and certain comparative amounts have been restated to conform with the current Period's presentation.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group achieved a record high in interim turnover for the second consecutive year since listing in 1997 in spite of the continual weakness in the global economic market and the outbreak of Severe Acute Respiratory Syndrome (“SARS”) in the first half of the year. Turnover for the Period was increased by approximately 6% to HK\$253.5 million from HK\$240.1 million for the first six months of 2002 mainly contributed by the increase in Taiwanese market as a result of the management’s accurate targeting on the computer motherboard and power supply segments. Gross profit for the Period was decreased by approximately 2% to HK\$58.0 million from HK\$59.2 million for the first six months of 2002 mainly due to higher consumption of raw materials as proportion of sales price. Profit from operations for the Period was up by approximately 32% to HK\$20.4 million from HK\$15.4 million for the first six months of 2002. Net profit for the Period was HK\$14.5 million, representing an increase of approximately 48% compared to the net profit of HK\$9.8 million for the first six months of 2002 as restated upon the adoption of a revised Statement of Standard Accounting Practice in respect of deferred taxation. Basic and diluted earnings per share for the Period were 3.89 HK cents and 3.89 HK cents respectively compared to the restated earnings per share of 2.63 HK cents and 2.63 HK cents respectively for the first six months of 2002.

Liquidity and financial resources

Net cash inflow generated from operating activities during the Period amounted to HK\$16.9 million, which was lower than that of the same period last year at HK\$44.0 million mainly due to the buildup of inventories as a result of the consignment store arrangements for certain established customers commencing from late 2002 and the fulfillment of surged order inflows after early June 2003 when SARS was near to an end. These factors also accounted for the increase of the inventory turnover period to 113 days for the Period from 82 days for the same period last year.

The debtor turnover period however improved to 97 days from 107 days for the same period last year as a result of focusing on customers with timely payment.

Total borrowings in respect of bank loans and finance leases at 30 June 2003 increased to HK\$111.9 million from HK\$88.0 million at 31 December 2002 to finance the purchases of increased inventories and additional capital expenditure. Capital expenditure incurred during the Period on various additions of machinery and equipment was approximately HK\$48.2 million (2002: HK\$24.8 million) and was funded by internally generated resources and new finance leases payable in not less than 36 monthly instalments.

At 30 June 2003, the shareholders’ equity was HK\$238.3 million, representing an increase of approximately 7% compared to the restated shareholders’ equity of HK\$223.7 million at 31 December 2002. The gearing ratio calculated as a percentage of total borrowings in respect of bank loans and finance leases to total shareholders’ equity was 47.0% at 30 June 2003 compared to 39.3% at 31 December 2002.

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

Employment and remuneration policy

At 30 June 2003, the Group had approximately 72 members of staff in Hong Kong (31 December 2002: 67) and employed a total work force of approximately 2,388 (31 December 2002: 2,171) inclusive of its staff in China and overseas offices. Total headcount increased mainly for the expansion of a major manufacturing base to meet increasing order flows.

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

Future prospects

The Group has leased additional factory premises for the purpose of expanding its manufacturing capacity. The premises are under renovation and are expected to commence operation in the fourth quarter of 2003.

During the Period, the Group increased interest in a subsidiary in Wuxi by 1.4% as a step to consolidate its base further in Eastern China. The Group is also negotiating with the relevant authority on the intended acquisition of a piece of land for future manufacturing development in Wuxi to meet the market demands in Eastern and Northern China. If the negotiation is successful, the additional production facilities will be expected to commence operations in the second half year of 2004 upon the completion of construction and installation of machinery and equipment.

With signs of global economic recovery, management is optimistic that 2003 will be another sales record breaking year in the Group's history in the absence of any unforeseeable adverse circumstances.

To sustain business growth and development in the next few years, the Company will explore ways to seek longer term bank financings in the current low interest rate environment. This will ensure the strengthening of the Group's operating capital and consolidation of its financing structure.

An office is also set up in September 2003 in the United States to market directly to those US-based multinational electronics corporations in order to be their approved vendor.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE

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

AUDIT COMMITTEE

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

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE WEBSITE

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

APPRECIATION

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

By Order of the Board
Chan Ho Sing
Chairman

Hong Kong, 18 September 2003

* *For identification purpose only*

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