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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

RESULTS HIGHLIGHTS

- Revenue grew by 24.4% to HK$472.1 million (broke highest records for 4 consecutive interim periods)
- Net profit rose by 85.2% to HK$44.6 million (broke highest records for interim periods)
- Basic EPS rose by 85.3% to HK11.95 cents per share
- Interim dividend of HK1.5 cents per share

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 2005 (the "Period") together with comparative figures for the corresponding period in 2004. These unaudited interim results for the Period have been reviewed by Messrs Ernst & Young, the auditors of the Company (the "Auditors"), in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants and by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		For the six months ended 30 June	
		2005	2004
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	***HK$'000***	*HK$'000*
REVENUE			
Sale of goods	3	**472,111**	379,589
Cost of sales		**(356,527)**	(300,315)
Gross Profit		**115,584**	79,274
Other revenue and gains		**3,320**	4,114
Selling and distribution costs		**(20,441)**	(15,275)
Administrative expenses		**(38,448)**	(33,564)
Other operating expenses		**(4,605)**	(2,117)
Finance costs	4	**(3,429)**	(3,582)
Share of profits less losses of jointly controlled entities		**103**	(669)
PROFIT BEFORE TAX	5	**52,084**	28,181
Tax	6	**(7,516)**	(4,182)
PROFIT FOR THE PERIOD		**44,568**	23,999
ATTRIBUTABLE TO:			
Equity holders of the Company		**44,568**	24,071
Minority interests		**–**	(72)
		44,568	23,999
EARNINGS PER SHARE			
Basic	7	**HK11.95 cents**	HK6.45 cents
Diluted	7	**HK11.68 cents**	HK6.44 cents
DIVIDEND PER SHARE	8	**HK1.5 cents**	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2005

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Restated) *HK$'000*
NON-CURRENT ASSETS		
Fixed assets: Property, plant and equipment	**301,004**	271,889
Lease premium for land	**31,543**	31,647
Intangible assets	**349**	447
Goodwill:		
– Goodwill	**–**	484
– Negative goodwill	**–**	(566)
Interests in jointly controlled entities	**29,714**	3,310
Long-term investments	**13,632**	12,382
Deferred tax assets	**5,189**	4,892
Total non-current assets	**381,431**	324,485
CURRENT ASSETS		
Inventories	**207,746**	157,474
Trade receivables	**208,411**	193,645
Prepayments, deposits and other receivables	**24,278**	29,184
Short term investments	**190**	190
Cash and cash equivalents	**80,639**	50,961
Total current assets	**521,264**	431,454
CURRENT LIABILITIES		
Trade payables	**153,721**	133,528
Other payables and accrued liabilities	**49,036**	44,029
Tax payable	**13,294**	7,915
Interest-bearing bank loans	**203,563**	145,661
Current portion of finance lease payable	**4,034**	7,286
Dividend payable	**3,273**	3
Total current liabilities	**426,921**	338,422
NET CURRENT ASSETS	**94,343**	93,032
TOTAL ASSETS LESS CURRENT LIABILITIES	**475,774**	417,517
NON-CURRENT LIABILITIES		
Long-term portion of interest-bearing bank loans	**98,913**	75,000
Long-term portion of finance lease payables	**976**	1,902
Provision for long service payments	**2,509**	2,509
Deferred tax liabilities	**624**	624
Deferred income	**12,374**	12,374
Total non-current liabilities	**115,396**	92,409
	360,378	325,108
CAPITAL AND RESERVES		
Equity attributable to equity holders of the Company		
Share capital	**37,296**	37,286
Other reserves	**83,718**	86,753
Retained earnings	**233,349**	193,612
Proposed dividend	**6,015**	7,457
	360,378	325,108

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also include HKASs and Interpretations that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1 Presentation of Financial Statements
HKAS 2 Inventories
HKAS 7 Cash Flow Statements
HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10 Events after the Balance Sheet Date
HKAS 12 Income Taxes
HKAS 14 Segment Reporting
HKAS 16 Property, Plant and Equipment
HKAS 17 Leases
HKAS 18 Revenue
HKAS 19 Employee Benefits
HKAS 20 Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21 The Effects of Changes in Foreign Exchange Rates
HKAS 23 Borrowing Costs
HKAS 24 Related Party Disclosures
HKAS 27 Consolidated and Separate Financial Statements
HKAS 31 Interests in Joint Ventures
HKAS 32 Financial Instruments: Disclosure and Presentation
HKAS 33 Earnings per Share
HKAS 36 Impairment of Assets
HKAS 37 Provisions, Contingent Liabilities and Contingent Assets
HKAS 38 Intangible Assets
HKAS 39 Financial Instruments: Recognition and Measurement
HKFRS 2 Share-based Payments
HKFRS 3 Business Combinations
HK-Int 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 20, 21, 23, 24, 27, 31, 33, 36, 37, 38, HKFRS 2 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were carried at valuation less accumulated depreciation.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to lease premium for land, while leasehold buildings continue to be classified as part of property, plant and equipment. Lease premium for land are initially stated at cost and subsequently amortised on the straight-line basis over the lease term.

The effect of the above changes are summarised in note 2 to the condensed financial statements. The changes have been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

(b) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities

In prior periods, long-term investments, which were held for non-trading purposes, were stated at cost less any impairment losses.

Upon the adoption of HKAS 32 and 39, these long-term investments are now defined as those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, long-term investments are measured at fair value with gains or losses being recognised as a separate components of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques, market value of another instrument, which is substantially the same; and discounted cash flow analysis and option pricing models.

The Group assesses at each balance sheet date whether there is any objective evidence that a long-term investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement. The amount of the loss recognised in the income statement shall be the difference between the acquisition cost and current fair value, less any impairment loss on that long-term investment previously recognised in the income statement.

(ii) Derivative financial instruments – foreign currency contracts

The Group uses foreign currency contracts to hedge its risks associated with foreign currency fluctuations. In prior periods, these contracts were not designated as hedges and were recognised on a cash basis. Upon the adoption of HKAS 39, such existing contracts entered into before HKAS 39 is initially applied are not retrospectively designated as hedges. Foreign currency contracts entered into subsequent to the adoption of HKAS 39 are designated as hedges. In accordance with HKAS 39, foreign currency contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Such derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. Hedges are expected to be highly effective and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group's hedges of the foreign currency risk relating to the exposure to variability in cash flows associated with a recognised asset or liability or a highly probable forecast transaction, which meet the strict criteria for hedge accounting are accounted for as cash flow hedges.

When accounting for cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, then the Group removes the associated gains and losses that were recognised directly in equity, and includes them in the initial cost or other carrying amount of the asset or liability.

For other cash flow hedges, amounts recognised directly in equity are recognised in the income statement in the same period or periods during which the forecast transaction affects profit or loss.

Cash flow hedge accounting shall be discontinued prospectively if the hedging instrument is sold, terminated or exercised or the hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument remains separately recognised in equity until the forecast transaction occurs at which stage it is accounted for in accordance with the guidance given above depending on whether or not the forecast transaction results in the recognition of an asset or liability.

If the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains in equity is recognised immediately in the income statement. If the entity revokes the designation for a hedge of a forecast transaction, the cumulative gain or loss recognised in equity remains separately recognised in equity until the forecast transaction occurs or is no longer expected to occur. If the transaction occurs, the cumulative gain is accounted for in accordance with the guidance given above depending on whether or not the forecast transaction results in the recognition of an asset or liability. If the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains in equity is recognised immediately in the income statement.

The effects of the changes mentioned in b(i) and b(ii) above are summarised in note 2 to the condensed financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes have been summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments and opening adjustments are summarised as follows:

(a) Effect on opening balance of total equity at 1 January 2005

Effect of new policies (increase/ (decrease))	*Notes*	**Net unrealised reserve (Unaudited)** *HK$'000*	**Capital reserve (Unaudited)** *HK$'000*	**Revaluation reserve (Unaudited)** *HK$'000*	**Retained earnings (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Prior period adjustments:						
HKAS 17 – Leases	1(a)	**–**	**–**	**(2,818)**	**2,401**	**(417)**
Opening adjustments:						
HKAS 39						
– Long term investments	1(b)(i)	**2,854**	**–**	**–**	**–**	**2,854**
HKFRS 3						
Derecognition of negative goodwill	1(c)	**–**	**(417)**	**–**	**1,186**	**769**
Total effect at 1 January 2005		**2,854**	**(417)**	**(2,818)**	**3,587**	**3,206**

(b) Effect on opening balance of total equity at 1 January 2004

Effect of new policies (increase/ (decrease))	*Notes*	Net unrealised reserve (Unaudited) *HK$'000*	Capital reserve (Unaudited) *HK$'000*	Revaluation reserve (Unaudited) *HK$'000*	Retained earnings (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Prior period adjustments:						
HKAS 17						
– Leases	1(a)	–	–	–	2,804	2,804
Total effect at 1 January 2004		–	–	–	2,804	2,804

The following tables summarise the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 June 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKAS 39, the amounts shown for the six months ended 30 June 2004 may not be comparable to the amounts shown for the current interim period.

(c) Effect on profit after tax for the six months ended 30 June 2005 and 2004

		For the six months ended 30 June	
Effect of new policies (increase/ (decrease))	*Notes*	**2005 Equity holders of the Company** (Unaudited) *HK$'000*	**2004 Equity holders of the Company** (Unaudited) *HK$'000*
Effect on profit after tax:			
HKAS 17			
– Leases	1(a)	(38)	(38)
Total effect for the period		(38)	(38)
Effect on earnings per share:			
Basic		HK(0.01) cent	HK(0.01) cent
Diluted		HK(0.01) cent	HK(0.01) cent

(d) Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 June 2005 and 2004

		For the six months ended 30 June	
Effect of new policies (increase/ (decrease))	*Notes*	**2005 Equity holders of the Company** (Unaudited) *HK$'000*	**2004 Equity holders of the Company** (Unaudited) *HK$'000*
HKAS 39			
– long term investments	1(b)(i)	**(1,604)**	–
– cash flow hedges	1(b)(ii)	**(3,652)**	–
Total effect for the period		**(5,256)**	–

3. 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 2005 and 2004.

	Electronic components		**Trading of raw materials**		**Corporate and others**		**Consolidated**	
	2005 (Unaudited) ***HK$'000***	2004 (Unaudited) *HK$'000*	**2005 (Unaudited)** ***HK$'000***	2004 (Unaudited) *HK$'000*	**2005 (Unaudited)** ***HK$'000***	2004 (Unaudited) *HK$'000*	**2005 (Unaudited)** ***HK$'000***	2004 (Unaudited) (restated) *HK$'000*
Segment revenue:								
Sales to external customers	**437,983**	352,421	**34,128**	27,168	**–**	–	**472,111**	379,589
Other revenue	**3,220**	2,400	**–**	362	**–**	–	**3,220**	2,762
Total	**441,203**	354,821	**34,128**	27,530	**–**	–	**475,331**	382,351
Segment results	**54,630**	30,682	**525**	1,259	**161**	(861)	**55,316**	31,080
Interest and dividend income and unallocated gains							**94**	1,352
Finance costs							**(3,429)**	(3,582)
Share of profits less losses of jointly controlled entities	**103**	(669)					**103**	(669)
Profit before tax							**52,084**	28,181
Tax							**(7,516)**	(4,182)
Profit for the Period							**44,568**	23,999

(b) Geographical segments

The following table presents revenue of the Group by geographical segments for the six months ended 30 June 2005 and 2004.

	Greater China											
	Hong Kong		Mainland China		Taiwan		Southeast Asia		Other countries		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**77,256**	77,497	**114,849**	72,761	**155,962**	147,464	**70,841**	48,030	**53,203**	33,837	**472,111**	379,589

4. Finance costs

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on bank loans wholly repayable within five years	**3,266**	3,224
Interest on finance leases	**163**	358
	3,429	3,582

5. Profit before tax

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

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
		(restated)
	HK$'000	*HK$'000*
Depreciation	**17,802**	16,037
Amortisation of lease premium for land	**104**	104
Amortisation of intangible assets	**98**	161
Amortisation of goodwill	**–**	60
Exchange gains, net	**(1,597)**	(1,034)
Gain on disposal of long term investments	**–**	(1,235)
Negative goodwill recognised as income	**–**	(138)
Interest income	**(94)**	(115)

6. Tax

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**5,469**	1,964
Mainland China	**2,344**	2,325
	7,813	4,289
Deferred tax	**(297)**	(107)
Total tax charge for the Period	**7,516**	4,182

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period. The corporate income tax for the Mainland China subsidiaries is calculated at rates ranging from 10% to 27% (2004: 12% to 27%) on their estimated assessable profits for the period. No provision for overseas profits tax has been made as there were no overseas assessable profits for the Period (2004: Nil).

7. Earnings per share

The calculation of basic earnings per share for the Period is based on the net profit attributable to equity holders of the Company of approximately HK$44,568,000 (2004: HK$24,071,000 (as restated)) and the weighted average number of 372,884,148 (2004: 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 equity holders of the Company of approximately HK$44,568,000 (2004: HK$24,071,000 (as restated)). The weighted average number of ordinary shares used in the calculation is 372,884,148 (2004: 373,440,000) ordinary shares in issue during the Period, as used in the calculation of basic earnings per share calculation, and the weighted average of 8,725,110 (2004: 473,569) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants and share option during the Period.

8. Interim dividend

The directors recommend the payment of an interim dividend of HK1.5 cents per share, totalling HK$6,015,000, for the six months ended 30 June 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group continued to report strong performance in its financial results for the Period. Revenue for the Period rose by approximately 24.4% to a new record high of HK$472.1 million, which compared with HK$379.6 million for the six months ended 30 June 2004 (the "Corresponding Period"). For four consecutive interim periods, the Group has broken its highest revenue records. This continued revenue growth mainly derives from incremental orders from the Group's existing global customers as well as new customers from around the world that recently approve the Group's SAMXON brand of products.

Gross profit for the Period also increased significantly by 45.8% to HK$115.6 million, representing a gross margin of 24.5%, which compared with that for the Corresponding Period of 20.9%. This significant improvement in the gross margin is mainly attributable to the following factors. Firstly, the Group has diversified and shifted its product mix by focusing more on higher value and higher margin items in 2005. Secondly, the results of various cost reduction measures are beginning to reflect in the Period. The Group's enlarged production size and strong bargaining position allows it to obtain more favourable discounts from its key vendors; the continuous R&D efforts allow the Group to reduce the material costs in products without affecting their quality; and the increase in production size allows the Group to enjoy better economies of scale in the absorption of manufacturing overhead expenditures.

Profit for the Period attributable to equity holders of the Company was up by approximately 85.2% to HK$44.6 million from HK$24.1 million in the Corresponding Period. This represents a net margin of 9.4%, which compared with the net margin of 6.3% in the Corresponding Period.

Basic and diluted earnings per share for the Period were HK11.95 cents and HK11.68 cents respectively, which compared to the restated earnings per share of HK6.45 cents and HK6.44 cents respectively for the Corresponding Period.

The Board of Directors has resolved to declare an interim dividend of HK1.5 cents per share (2004: nil) for the period ended 30 June 2005, totalling HK$6.0 million.

BUSINESS REVIEW

The global market for aluminium electrolytic capacitors ("E-Caps") continued to grow in 2005. Based on a research report on the global E-Cap market published by Paumanok Publications, Inc. in May 2005, the global E-Cap Market size for 2004 was approximately 85 billion pieces (in volume terms) or US$3.4 billion (in revenue terms). This market is expected to grow steadily from 2005 to 2010 at a cumulative annual growth rate of approximately 5.4% (in volume terms) or 2.3% (in revenue terms). Based on the information contained in the same report, the Group ranked number 7 in the 2004 global E-Cap Market, occupying about 3.3% of the global market shares in value terms.

Over the past years, the Group has been rapidly expanding its revenue. From 2002 to 2004, the Group achieved a cumulative annual revenue growth rate of about 23% p.a. This rapid growth trend is expected to continue in 2005. This high growth is mainly attributable to the following factors. The quality and reliability of the Group's products had been well acknowledged and received by global customers that own some of the strongest brand names in the electronic and electrical fields. These customers had been placing incremental orders to the Group. Thanks to the contribution of the Groups' R&D team, the Group is now offering full range of E-Caps to its customers. Geographically speaking, the Group has been rapidly expanding its business in the key market places such as Hong Kong, Mainland China, Taiwan, Japan, Korea and Southeast Asia. Recently, the Group has been successful in expanding its business in North America and Europe. Through continuous introduction of new products for customers' approval, the Group is able to secure future business opportunities in the years to come. At the present moment, the single largest constraint to further expanding the Group's revenue is the limitation of its production capacity.

In June 2005, the Phase 1 of the Group's new Wuxi manufacturing facility was completed and the Group has relocated its Wuxi production operations to the new facility in early July 2005. The former Wuxi production capacity was approximately 80 million pieces a month and the Group targeted that the new facility will expand our Wuxi production capacity to approximately 150 million pieces per month by the end of the year.

In Dongguan, the largest production base for the Group, we have been somewhat constrained by space limitation. Accordingly, new factory space was leased to expand the current production capacity. During the Period, we have increased the production capacity in Dongguan from approximately 450 million pieces a month to approximately 500 million pieces a month.

In Xiamen, this manufacturing facility continued to contribute approximately 40 million pieces per month.

The Group has put in continuous efforts in promoting its R&D capability. In 2004, the Group signed a cooperation agreement with the Tsinghua University to jointly set up a research centre in Shenzhen. This research centre has been opened and several professors and post-doctorates students are helping the Group to look into new product innovation and cost reduction directions.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2005, the Group's gross borrowings in respect of bank loans and finance leases amounted to HK$307,486,000 (31 December 2004: HK$229.8 million), of which HK$207,597,000 was repayable within one year, HK$82,448,000 was repayable within one and two years and HK$17,441,000 was repayable between three and five years. After deducting cash and cash equivalents of HK$80,639,000, the Group's net borrowing amounted to HK$226,847,000 (31 December 2004: HK$178,888,000). The increase in borrowing was mainly used to finance capital expenditure and investment in a jointly controlled entity. Shareholders' equity at 30 June 2005 was HK$360,378,000 (31 December 2004: HK$325,108,000). Accordingly, the Group's net borrowing to shareholder's equity ratio increased to 62.9% (31 December 2004: 55.0%).

Net cash inflow from operating activities during the Period amounted to HK$31.50 million, which compared with HK$11.4 million for the Corresponding Period. This figure represents profit before tax of HK$52.1 million, adding back adjustments for non-cash items such as depreciation and amortisation of HK$18.0 million and deducting net increase in working capital of HK$38.6 million. The net increase in working capital is mainly caused by the Group's strategy to temporarily increase its raw material buffer stocks so that production orders in the second half year will not be interrupted due to tight supply of raw materials. Financial year 2005 is also year for major capital investments. Accordingly, the Group's net cash outflow for investing activities for the Period was increased to HK$75.3 million, which compared with HK$29.9 million in the Corresponding Period. These investing activities were mainly represented by capital expenditure and investment in jointly controlled entities. The investing activities were partly financed by the net cash inflow from operations and partly by additional loan finances.

The Group is in the process of refinancing its interest bearing debts by raising new bank loans with better terms and longer maturity profiles. In July 2005, a new three and a half year term facility for up to HK$120 million was granted by a bank to the Group. At present, the Group is in the process of refinancing its existing syndicated term loan by a new syndicated term loan with better terms and a slightly higher facility amount. The funds raised from these new loans will be applied to repay the existing interest bearing debts, to finance the Group's capital expenditure investments, as well as to finance its working capital needs. This refinancing project is expected to be completed by early October 2005. Upon that time, the majority of the Group's interest bearing debts will be in the form of long-term bank loans. The maturity period will be more suitable to the future growth of the Group. As 2005 is the year for large-scale capital expenditure investments, the Group's gearing ratio will temporarily be higher. However, with the Group's rising profitability trend, earnings before interest, tax, depreciation and amortisation ("EBITDA") of HK$73.5 million for the Period which compared with HK$48.1 million for the Corresponding Period, the Group is expected to generate adequate cash from its operations to repay its liabilities as and when they fall due. Management also expect that the gearing ratio for 2006 will be considerably lower than that for 2005.

The debtor turnover days in the Period was improved to 80 days from 87 days in the Corresponding Period as a result of timely following up of customer payments. Creditor turnover days in the Period was approximately 78 days, which is slightly longer than the Corresponding Period of 76 days.

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 yens. As Hong Kong dollar remained pegged to United States dollar, there is no material exchange risk in this respect. The Group receives Renminbi from its customers and at the same time incurs Renminbi expenditures. The receipt and payment can almost off set each other. Accordingly, the Group is not significantly affected by the recent appreciation of Renminbi against Hong Kong dollars. The Group monitors its foreign exchange exposure in Japanese yens by entering into cash flow hedging forward contracts. The Group also entered into interest rate swap contracts to partially hedge the interest payable in certain bank loans. Credit risk was hedged mainly through credit insurance programs.

EMPLOYMENT AND REMUNERATION POLICY

At 30 June 2005, the Group had approximately 98 employees in Hong Kong (31 December 2004: 93) and employed a total work force of approximately 4,488 (31 December 2004: 3,676) 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.

OUTLOOK

We continue to expect a strong performance in the second half of 2005. This can be evidenced by the increased orders from our customers. As the Group is operating at close to full capacity, the group will focus most of its production on higher value and higher return items. With the new Wuxi facility commencing operation in July 2005, we will see some volume growth in our Wuxi area in the second half of 2005.

Going into 2006, we also see considerable opportunities for the Group to grow further. The Group's visibility to future business and orders are quite strong. We are now working with our key global customers to develop and approve the product lines for year 2006 and beyond.

A 48% joint venture company is developing an industrial estate in Dongguan. By mid 2006, when this industrial estate is built, the Group will relocate its existing Dongguan facility to the new centralised production centre at a slightly favourable market rental. This new location will allow the Group to further increase its Dongguan production capacity from the existing level of 500 million pieces per month to a target output of up to 650 million pieces per month.

Further growth in the production capacity of Wuxi is expected. We will be able to see this new facility to produce approximately 200 million pieces per month by mid 2006.

Our Xiamen plant will continue to contribute approximately 40 million pieces of products.

Although the Group is facing challenges such as pricing pressure from customers and rising costs of energy and raw materials, the Group is confident about its future development. With the wide application of the Group's electrolytic capacitors in power supplies, computers and peripherals, telecommunication and electronic equipment and positive feedback from major customers of their market outlook in the future, the Group is confident in delivering yet better results in the second half of 2005.

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.

CORPORATE GOVERNANCE

The Group has adopted all the Code Provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules") except the following deviations:

1. Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Chan Ho Sing currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

2. The Board considers that the setting up of a Remuneration Committee may not be necessary as the remuneration matters relating to the executive directors are discussed and approved by the Board. Over 50% of the Board members are Independent Non-executive Directors of the Company.

3. The independent non-executive Directors 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.

COMPLIANCE WITH THE MODEL CODE

The Group has adopted the Model Code for securities transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all Directors have fully confirmed that they fully complied with the Model Code throughout the Period.

AUDIT COMMITTEE

The Audit Committee comprises three members and all of whom are independent non-executive directors of the Company. None of them is employed by or otherwise affiliated with former or existing auditors of the Company. The committee meets four times a year and the external auditors are invited to attend the committee's meeting when required.

An internal audit department has recently been established to assist the committee to evaluate the Group's internal control systems and to monitor the Group's risk management framework.

The interim financial report for the Period is unaudited, but has been independently reviewed by Messrs Ernst & Young in accordance with Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed with management together with Messrs Ernst & Young the accounting principles and practices adopted by the Group in the interim financial report for the Period.

DIVIDENDS

The Board of Directors has resolved to declare an interim dividend of HK1.5 cents per share (2004: nil) for the six months ended 30 June 2005, totalling HK$6.0 million.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 12 October 2005 to 14 October 2005, both days inclusive. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 14 October 2005. The interim dividend will be paid on or about 28 October 2005.

PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the website of the Stock Exchange. The Group's interim report for the six months ended 30 June 2005 containing the interim financial statements, an independent review report issued by Messrs. Ernst & Young, and all the applicable information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange in late September 2005.

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, 21 September 2005

As at the date of this announcement, the board of directors of the Company comprises Mr. CHAN Ho Sing and Mr. KO Pak On as executive Directors, and Dr. LI Sau Hung, Eddy, Mr. LO Kwok Kwei, David and Mr. MAR, Selwyn as independent non-executive Directors.

* *For identification purpose only*

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