萬裕國際集團有限公司*

# MAN YUE INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*
(stock code: 894)

# ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

**RESULTS HIGHLIGHTS**

- Revenue grew by 26.8% to HK$1,104,134,000
- EBITDA rose by 38.4% to HK$155,067,000
- Net profit rose by 54.7% to HK$95,696,000
- Basic EPS rose by 47.8% to HK24.8 cents per share
- Total dividend (proposed) for the year of HK3.5 cents per share

On behalf of the Board of Directors (the "Board"), I am pleased to present to the shareholders the audited results of Man Yue International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2005 together with the comparative figures for the previous year as follows:

**CONSOLIDATED INCOME STATEMENT**
*Year ended 31 December 2005*

| | Note | 2005 HK$'000 | 2004 HK$'000 (Restated) |
|---|---|---|---|
| **REVENUE** | 3 | **1,104,134** | 870,910 |
| Cost of sales | | **(838,882)** | (680,354) |
| Gross profit | | **265,252** | 190,556 |
| Other income and gains | | **3,682** | 3,791 |
| Selling and distribution costs | | **(52,009)** | (34,825) |
| Administrative expenses | | **(93,586)** | (76,229) |
| Other operating expenses | | **(6,232)** | (2,186) |
| Finance costs | | **(11,602)** | (7,043) |
| Share of profits and losses of jointly controlled entities | | **1,225** | (4,237) |
| **PROFIT BEFORE TAX** | 4 | **106,730** | 69,827 |
| Tax | 5 | **(11,034)** | (7,771) |
| **PROFIT FOR THE YEAR** | | **95,696** | 62,056 |
| Attributable to: | | | |
| Equity holders of the Company | | **95,696** | 61,867 |
| Minority interests | | **–** | 189 |
| | | **95,696** | 62,056 |
| **DIVIDENDS** | | | |
| Interim | | **6,133** | – |
| Proposed final | | **8,305** | 7,457 |
| | | **14,438** | 7,457 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | 6 | | |
| Basic | | **HK24.76 cents** | HK16.75 cents |
| Diluted | | **HK22.72 cents** | HK16.75 cents |

**CONSOLIDATED BALANCE SHEET**
*31 December 2005*

| | 2005 | 2004 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | **376,520** | 271,882 |
| Prepaid land premiums | **30,849** | 30,992 |
| Goodwill | **–** | 484 |
| Negative goodwill | **–** | (566) |
| Other intangible assets | **270** | 447 |
| Interests in jointly controlled entities | **24,457** | 3,310 |
| Long term investments | **–** | 12,382 |
| Deferred tax assets | **4,377** | 4,892 |
| Total non-current assets | **436,473** | 323,823 |
| **CURRENT ASSETS** | | |
| Inventories | **222,262** | 157,474 |
| Trade receivables | **234,912** | 193,645 |
| Prepayments, deposits and other receivables | **31,534** | 29,847 |
| Available-for-sale equity investments | **13,806** | – |
| Short term investments | **116** | 190 |
| Tax recoverable | **82** | – |
| Derivative financial instruments | **1,554** | – |
| Cash and cash equivalents | **82,395** | 50,961 |
| Total current assets | **586,661** | 432,117 |
| **CURRENT LIABILITIES** | | |
| Trade payables | **176,322** | 133,528 |
| Other payables and accrued liabilities | **63,576** | 44,029 |
| Tax payable | **6,215** | 7,915 |
| Interest-bearing bank loans | **88,733** | 145,661 |
| Finance leases payables | **2,278** | 7,286 |
| Derivative financial instruments | **1,667** | – |
| Dividend payable | **6** | 3 |
| Total current liabilities | **338,797** | 338,422 |
| **NET CURRENT ASSETS** | **247,864** | 93,695 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **684,337** | 417,518 |
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing bank loans | **221,267** | 75,000 |
| Finance lease payables | **722** | 1,902 |
| Provision for long service payments | **3,076** | 2,509 |
| Deferred tax liabilities | **2,705** | 624 |
| Deferred income | **12,126** | 12,374 |
| Total non-current liabilities | **239,896** | 92,409 |
| Net assets | **444,441** | 325,109 |
| **EQUITY** | | |
| Share capital | **41,398** | 37,286 |
| Reserves | **394,738** | 280,366 |
| Proposed final dividend | **8,305** | 7,457 |
| Total equity | **444,441** | 325,109 |

# NOTES TO FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except where otherwise indicated.

## 2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year'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 |
| HKAS 39 Amendment | Transition and Initial Recognition of Financial Assets and Financial Liabilities |
| HKFRS 2 | Share-based Payment |
| 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 2, 7, 8, 10, 12, 14, 16, 18, 19, 20, 21, 23, 24, 27, 31, 33, 37, 38, HKFRS 2 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated income statement and other disclosure.

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received. The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to options granted to employees on or before 7 November 2002. Accordingly, the adoption of HKFRS 2 has no impact on these financial statements.

The impact of adopting the other HKFRSs is summarised as follows:

### (a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were carried at valuation less accumulated depreciation and any impairment losses.

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 property, plant and equipment to prepaid land premiums, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums are initially stated at cost and subsequently amortised on the straight-line basis over the lease term.

The effects of adopting HKAS 17 are set out in (d), (e) and (f) below. 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 years, long term investments, which were held for non-trading purposes, were stated at cost less any impairment losses. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 are designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment. In accordance with the transitional provisions of HKAS 39, an adjustment of the previous carrying amount is made against the opening balance of available-for-sale investment revaluation reserve at 1 January 2005.

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The effects of the above changes are set out in (d)(e)(f) below. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

*(ii) Derivative financial instruments – foreign currency contracts and interest rate swaps*

Forward currency contracts held to hedge forecast transactions are designated as cash flow hedges from 1 January 2005 and are recorded at fair value. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, until the transaction which is being hedged is itself recognised in the financial statements. The ineffective portion of the hedge (if any) is recognised immediately in the income statement. Previously, forward currency contracts held to hedge firm future commitments were deferred on the balance sheet until the item being hedged was itself recognised.

Interest rate swaps not qualifying for hedge accounting are classified as held for trading and are recorded at fair value. Any gains or losses arising from changes in fair value are recognised in the income statement. Previously, interest rate swaps were deferred on the balance sheet until the contractual settlement dates.

The effects of the above changes are set out in (d), (e) and (f) below. 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 years, negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against the 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.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

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 jointly controlled entities (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 at 1 January 2005 the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings.

The effects of the above changes are set out in (d), (e) and (f) below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

**(d) Effect on the consolidated balance sheet**

| At 1 January 2005 | Effect of adopting | | | |
|---|---|---|---|---|
| | HKAS 17# | HKASs 32 and 39* | HKFRS 3* | |
| Effect of new policies (Increase/(decrease)) | Prepaid land premiums | Equity investments | Derecognition of negative goodwill | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Assets** | | | | |
| Property, plant and equipment | (33,257) | – | – | (33,257) |
| Prepaid land premiums | 30,992 | – | – | 30,992 |
| Negative goodwill | – | – | 566 | 566 |
| Interests in jointly controlled entities | – | – | 203 | 203 |
| Available-for-sale equity investments | – | 15,236 | – | 15,236 |
| Long term investments | – | (12,382) | – | (12,382) |
| Prepayments, deposits and other receivables | 663 | – | – | 663 |
| | (1,602) | 2,854 | 769 | 2,021 |
| **Liabilities/equity** | | | | |
| Deferred tax liabilities | (1,186) | – | – | (1,186) |
| Assets revaluation reserve | (3,138) | – | – | (3,138) |
| Available-for-sale investment revaluation reserve | – | 2,854 | – | 2,854 |
| Capital reserve | – | – | (417) | (417) |
| Retained profits | 2,722 | – | 1,186 | 3,908 |
| | (1,602) | 2,854 | 769 | 2,021 |

\# Adjustment/presentation taken effect retrospectively.
* Adjustment taken effect prospectively from 1 January 2005

| At 31 December 2005 | Effect of adopting | | | | |
|---|---|---|---|---|---|
| | HKAS 17 | HKASs 32 and 39 | HKAS 39 | HKFRS 3 | |
| Effect of new policies (Increase/(decrease)) | Prepaid land premiums | Equity investments | Cash flow hedges | Derecognition of negative goodwill | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Assets** | | | | | |
| Property, plant and equipment | (39,494) | – | – | – | (39,494) |
| Prepaid land premiums | 30,849 | – | – | – | 30,849 |
| Negative goodwill | – | – | – | 290 | 290 |
| Interests in jointly controlled entities | – | – | – | 102 | 102 |
| Available-for-sale equity investments | – | 13,806 | – | – | 13,806 |
| Long term investments | – | (11,986) | – | – | (11,986) |
| Prepayments, deposits and other revaluation receivables | 663 | – | – | – | 663 |
| Derivative financial instruments | – | – | 1,554 | – | 1,554 |
| | (7,982) | 1,820 | 1,554 | 392 | (4,216) |
| **Liabilities/equity** | | | | | |
| Derivative financial instruments | – | – | 1,667 | – | 1,667 |
| Deferred tax liabilities | (2,983) | – | – | – | (2,983) |
| Assets revaluation reserve | (7,280) | – | – | – | (7,280) |
| Hedging reserve | – | – | (768) | – | (768) |
| Available-for-sale investment revaluation reserve | – | 1,815 | – | – | 1,815 |
| Capital reserve | – | – | – | (417) | (417) |
| Retained profits | 2,281 | 5 | 655 | 809 | 3,750 |
| | (7,982) | 1,820 | 1,554 | 392 | (4,216) |

**(e) Effect on the balances of equity at 1 January 2004 and at 1 January 2005**

| Effect of new policies (Increase/(decrease)) | Effect of adopting HKAS 17 Prepaid land premiums HK$'000 | HKASs 32 & 39 Equity investments HK$'000 | HKFRS 3 Derecognition of negative goodwill HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| 1 January 2004 | | | | |
| Retained profits | 2,804 | – | – | 2,804 |
| 1 January 2005 | | | | |
| Asset revaluation reserve | (3,138) | – | – | (3,138) |
| Available-for-sale investment revaluation reserve | – | 2,854 | – | 2,854 |
| Capital reserve | – | – | (417) | (417) |
| Retained profits | 2,722 | – | 1,186 | 3,908 |
| | (416) | 2,854 | 769 | 3,207 |

**(f) Effect on the consolidated income statement for the years ended 31 December 2005 and 2004**

| Effect of new policies | Effect of adopting HKAS 17 Prepaid land premiums HK$'000 | HKAS 39 Derivative instruments transactions not qualifying as hedges HK$'000 | HKFRS 3 Derecognition of negative goodwill HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Year ended 31 December 2005 | | | | |
| Increase /(decrease) in other income and gains | – | 655 | (377) | 278 |
| Increase in administrative expenses | (440) | – | – | (440) |
| Total increase/(decrease) in profit | (440) | 655 | (377) | (162) |
| Year ended 31 December 2004 | | | | |
| Increase in administrative expenses and total decrease in profit | (82) | – | – | (82) |

## 3. 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 the manufacture and trading of electronic components, particularly aluminum electrolytic capacitors ("E-Caps") and the trading of electrical products;

(b) the trading of raw materials segment engages mainly in the trading of aluminium 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 tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

| **Group** | **Electronic components and electrical products** | | **Trading of raw materials** | | **Corporate and others** | | **Consolidated** | |
|---|---|---|---|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | (Restated) | | (Restated) | | (Restated) | | (Restated) |
| **Segment revenue:** | | | | | | | | |
| Sales to external customers | **1,048,550** | 806,385 | **55,584** | 64,525 | **–** | – | **1,104,134** | 870,910 |
| Other revenue | **1,883** | 2,097 | **–** | 525 | **–** | – | **1,883** | 2,622 |
| Total | **1,050,433** | 808,482 | **55,584** | 65,050 | **–** | – | **1,106,017** | 873,532 |
| **Segment results** | **114,790** | 78,433 | **767** | 2,135 | **(249)** | (630) | **115,308** | 79,938 |
| Interest and dividend income and unallocated gains | | | | | | | **1,799** | 1,169 |
| Finance costs | | | | | | | **(11,602)** | (7,043) |
| | | | | | | | **105,505** | 74,064 |
| Share of profits and losses of jointly controlled entities | **1,225** | (4,237) | – | – | – | – | **1,225** | (4,237) |
| Profit before tax | | | | | | | **106,730** | 69,827 |
| Tax | | | | | | | **(11,034)** | (7,771) |
| Profit for the year | | | | | | | **95,696** | 62,056 |
| **Assets and Liabilities** | | | | | | | | |
| Segment assets | **967,466** | 726,876 | **3,416** | 971 | **9,414** | 7,319 | **980,296** | 735,166 |
| Interests in jointly controlled entities | **24,457** | 3,310 | **–** | – | **–** | – | **24,457** | 3,310 |
| Unallocated assets | | | | | | | **18,381** | 17,464 |
| Total assets | | | | | | | **1,023,134** | 755,940 |
| Segment liabilities | **198,003** | 148,285 | **39,576** | 33,421 | **22,194** | 19,925 | **259,773** | 201,631 |
| Unallocated liabilities | | | | | | | **318,920** | 229,200 |
| Total liabilities | | | | | | | **578,693** | 430,831 |
| **Other segment information:** | | | | | | | | |
| Depreciation | **36,535** | 34,745 | **13** | – | **–** | 21 | **36,548** | 34,766 |
| Amortisation | **187** | 447 | **–** | – | **–** | – | **187** | 447 |
| Provision/(reversal of provision) for long service payment | **–** | – | **–** | – | **567** | (475) | **567** | (475) |
| Negative goodwill recognised as income | **–** | 276 | **–** | – | **–** | – | **–** | 276 |
| Impairment of goodwill | **484** | – | **–** | – | **–** | – | **484** | – |
| Surplus on revaluation recognised directly in equity | **6,353** | 44 | **–** | – | **–** | – | **6,353** | 44 |
| Capital expenditure | **131,216** | 79,486 | **177** | – | **–** | – | **131,393** | 79,486 |

**(b) Geographical segments**

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

| Group | Greater China | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Hong Kong | | Mainland China | | Taiwan | | Southeast Asia | | Korea | | Other countries | | Consolidated | |
| | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 |
| | ***HK$'000*** | *HK$'000* (Restated) | ***HK$'000*** | *HK$'000* (Restated) | ***HK$'000*** | *HK$'000* (Restated) | ***HK$'000*** | *HK$'000* (Restated) | ***HK$'000*** | *HK$'000* (Restated) | ***HK$'000*** | *HK$'000* (Restated) | ***HK$'000*** | *HK$'000* (Restated) |
| **Segment revenue:** | | | | | | | | | | | | | | |
| Sales to external customers | **160,292** | 135,127 | **263,345** | 216,621 | **342,618** | 342,741 | **191,814** | 107,932 | **124,291** | 49,821 | **21,774** | 18,668 | **1,104,134** | 870,910 |
| **Other segment information:** | | | | | | | | | | | | | | |
| Segment assets | **162,794** | 120,062 | **703,951** | 531,736 | **42,364** | 55,048 | **51,638** | 21,439 | **16,535** | 5,543 | **3,014** | 1,338 | **980.296** | 735,166 |
| Interests in jointly controlled entities | **–** | – | **24,457** | 3,310 | **–** | – | **–** | – | **–** | – | **–** | – | **24,457** | 3,310 |
| Unallocated assets | | | | | | | | | | | | | **18,381** | 17,464 |
| | | | | | | | | | | | | | **1,023,134** | 755,940 |
| Capital expenditure | **2,606** | 3,094 | **128,611** | 76,392 | **–** | – | **–** | – | **–** | – | **176** | – | **131,393** | 79,486 |

## 4. PROFIT BEFORE TAX

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

| | **2005** | 2004 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* (Restated) |
| Staff costs (including directors' remuneration): | | |
| Wages and salaries | **100,944** | 79,647 |
| Retirement benefits scheme contributions | **1,969** | 2,206 |
| Provision/(reversal of provision) for long service payments | **567** | (475) |
| Minimum lease payments under operating leases for land and buildings | **12,355** | 10,902 |
| Depreciation for property, plant and equipment | **36,548** | 34,766 |
| Amortisation of other intangible assets* | **187** | 326 |
| Amortisation of goodwill ** | **–** | 121 |
| Impairment of goodwill | **484** | – |
| Auditors' remuneration | **1,100** | 818 |
| Foreign exchange losses, net | **704** | 2,098 |
| Loss on disposal of items of property, plant and equipment | **2,321** | 20 |
| Impairment of trade receivables | **3,935** | 2,045 |
| Write-down of inventories to net realisable value | **1,422** | – |
| Fair value loss on short term investments | **29** | – |
| Fair value gain on derivative instruments-transactions not qualifying as hedges | **(655)** | – |
| Bank interest income | **(557)** | (189) |
| Negative goodwill recognised as income *** | **–** | (276) |
| Deferred income recognised as income | **(248)** | – |
| Gain on disposal of available-for-sale equity investment long term investment | **(53)** | (736) |
| Loss on disposal of short term investments | **10** | – |
| Dividend income from listed investments | **(1,189)** | (244) |

* The amortisation of other intangible assets for the year is included in "Cost of sales" on the face of the consolidated income statement.

** The amortisation and impairment of goodwill were included in "Other operating expenses" on the face of the consolidated income statement.

*** The negative goodwill recognised as income for the prior year was included in "Other income and gains" on the face of the consolidated income statement.

## 5. TAX

| | 2005 | 2004 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Current – Hong Kong | | |
| Charge for the year | **6,403** | 4,419 |
| Current – Mainland China: | | |
| Charge for the year | **3,920** | 4,956 |
| Deferred | **711** | (1,604) |
| Total tax charge for the year | **11,034** | 7,771 |

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 year. 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.

The tax affairs of certain subsidiaries of the Group for prior years are currently review by the Hong Kong Inland Revenue Department. Whilst management considers that the subsidiaries have grounds to support their tax position for prior years, the outcome of the review remains undetermined at the date of this report. The directors of the Company, after consultation with the Company's tax advisers, consider that it is premature to estimate the amount of potential liabilities, if any, that may arise from the review and accordingly no additional tax provision has been made in the financial statements as at 31 December 2005.

## 6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$95,696,000 (2004: HK$61,867,000, as restated) and the weighted average of 386,558,000 (2004: 369,264,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$95,696,000 (2004: HK$61,867,000, as restated). The weighted average number of ordinary shares used in the calculation is the 386,558,000 (2004: 369,264,000) ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 29,417,000 (2004: 161,000) and 5,186,000 (2004: Nil) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants and share options, respectively, during the year.

## 7. DIVIDENDS

| | 2005 | 2004 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interim – HK1.5 cents (2004: Nil) per ordinary share | **6,133** | – |
| Proposed final – HK2.0 cents | | |
| (2004: HK2.0 cents) per ordinary share | **8,305** | 7,457 |
| | **14,438** | 7,457 |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 8. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, on 14 January 2006, Man Yue Electronics Company Limited ("MYE"), a wholly-owned subsidiary of the Company, entered into agreements for sale and purchase with independent third parties for acquisition of two commercial properties located at 25th Floor and 26th Floor, King Kong Commercial Centre, 9 Des Voeux Road West, Hong Kong. The total consideration for purchases was HK$43,871,000, of which HK$23,806,000 was already paid and the remaining balance of HK$20,065,000 will be payable by on or before 28 April 2006. The total purchase price of the properties will be financed by internal resources of the Group. The Group intends to acquire these properties for its own use to cope with its expanding business in future.

## 9. BONUS WARRANTS ISSUED BY THE COMPANY

On 23 September 2004, the Company proposed a conditional bonus warrant issue to the shareholders of the Company on the register of members on 26 October 2004. The bonus warrant issue was made in the proportion of one warrant for every six shares of the Company, resulting in 62,142,333 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.10 at a subscription price of HK$0.48 per share, subject to amendment, from 4 November 2004 to 3 November 2006 (both days inclusive). The warrants were issued to the shareholders of the Company on 2 November 2004.

During the year, 39,327,474 (2004: 1,666) warrants were exercised for 39,327,474 ordinary shares of the Company of HK$0.10 each at a price of HK$0.48 per share. At 31 December 2005, the Company had 22,813,173 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 22,813,173 additional shares of HK$0.10 each.

## FINANCIAL REVIEW

The Group continued to report remarkable performance for the year ended 31 December 2005 ("FY2005"). Group revenue for the year amounted to HK$1,104,134,000 (2004: HK$870,910,000), representing a year-on-year growth of 26.8% (2004: 39.0%). For the five years ended 31 December 2005, the Group revenue had achieved a cumulative annual growth rate ("CAGR") of 35.2%. This continuous revenue growth has been mainly driven by increase in production capacity and increase in the average unit selling price due to enhancement of product mix.

Gross profit for the year amounted to HK$265,252,000 (2004: HK$190,556,000), representing a growth of 39.2% (2004: 26.0%). Gross margin improved from last year's 21.9% to this year's 24.0%, mainly attributable to shifting of product mix to higher value and higher margin items such as the Low ESR radial leaded series, snap-in series and screw type series. The improvement in gross profit was slightly offset by the rise in certain material costs, labor costs, depreciation charges for plant and machinery and other manufacturing overhead expenditure in the second half of FY2005.

Operating expenses, particularly selling and distribution costs, also increased as a result of expansion of our overseas markets, such as North America and Europe. Interest expenses rose as a result of increase in market interest rates as the Group's bank loan interests were mainly determined on a floating interest rate basis. All in all, the Group's net profit for the year reported a significant jump from last year's HK$61,867,000 to this year's HK$95,696,000. This represented an increase of 54.7% (2004: 67.2%) from last year. For the five years ended 31 December 2005, the CAGR of net profit was 105.2%. Net margin also improved to 8.7% from last year's 7.1%.

Basic earnings per share rose to HK 24.76 cents (2004: HK16.75 cents), representing an improvement of 47.8% from last year.

## REVIEW OF OPERATIONS

Over 95.0% (2004: 92.6%) of the Group revenue comes from the sales of E-Caps. In FY2005, The supply of E-Caps in the global market continues to be dominated by a few large global manufacturers, including the Group. Based on a survey conducted by Paumenok Publications Inc. in 2005, approximately 80.3% of the global E-Cap market share (in value terms) was held by the top eight players in the world, and the Group ranked as the seventh largest E-Cap manufacturers in the world. Based on the survey, most top eight players in the world are growing steadily but the group achieved an average annual growth rates of 23% between 2002 and 2004. We have also seen that the top eight players together are occupying incremental market shares between 2002 and 2004.

The Group's rapid revenue growth was primarily driven by increase in demand in the end product market particularly in the sectors of computer and peripherals, digital consumer electronic products such as flat panel TV, DVD and digital cameras, and in the energy sector. The Group grew its revenue by 26.8% in FY2005. This significant growth was mainly contributed by incremental orders from the existing global customer and revenue generated from new global customers. Satisfactory growth was recorded both in the sale of SAMXON brand products as well as our ODM/OEM revenue.

From the geographical perspective, the Group has already made successful penetration in all major markets. In FY2005, sales growth was particularly strong in the Taiwanese, North American, European, Mainland China and Northeast Asian markets.

The Group is one of the few global E-Cap manufacturers that deliver a full range of products to its customers, ranging from miniature to large can. The Group's products are widely applied in various electrical and electronic end-products industries. In FY2005, the sales growth was particularly strong in the market segment of computer and peripherals; power supply equipment including battery charger for mobile phones; digital consumer electronic products including flat panel TV, digital cameras, DVDs and energy saving lamps and audio equipments.

The Group's E-cap products are manufactured by its wholly owned manufacturing facilities in Dongguan, Wuxi and Xiamen. The Dongguan manufacturing facility is the largest in scale. It currently produces up to 520,000,000 pieces of E-Cap per month. The second largest manufacturing facility is located in Wuxi which produces up to 150,000,000 pieces per month. The Xiamen manufacturing facility produces up to 40,000,000 pieces per month. In summary, the Group's total production capacity reaches 710,000,000 pieces of E-caps per month.

The Group has uncompromising demand for high quality products. The Group believes that quality assurance starts from procurement and, as a result, key raw materials such as aluminum foils, electrolytes and electrolytic papers, etc are sourced from the world's best suppliers in Japan. Apart from sourcing the best raw materials, each production process is cautiously monitored by over 1,000 quality assurance personnel. As a result, the quality of our products has received world-wide recognition. The Group has already obtained several world class quality management certificates such as ISO 9001: 2000 and ISO 14001. The Group is also in the process of obtaining the quality management systems certificate of TS 16949 for the automobile industry segment. In addition, the Group has won the Productivity and Quality Certificate of Merits in the 2005 Hong Kong Award for Industries as organised by the Hong Kong Productivity Council.

## LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2005, the Group's gross borrowings in terms of bank loans and finance leases amounted to HK$313,000,000 (2004: HK$229,849,000), of which HK$91,011,000 (2004: HK$152,947,000) was repayable within one year, HK$111,073,000 (2004: HK$66,902,000) was repayable between one and two years and HK$110,916,000 (2004: HK$10,000,000) was repayable between three and five years. After deducting cash and cash equivalents of HK$82,395,000 (2004: HK$50,961,000), the Group's net borrowing amounted to HK$230,605,000 (2004: HK$178,888,000). Shareholders' equity at the year end stood at HK$444,441,000 (2004: HK$325,109,000). Accordingly, the Group's net borrowing to shareholders' equity ratio improved from last year's 55.0% to this year's 51.9%.

In FY2005, the Group generated a net cash inflow from operating activities of HK$95,183,000 (2004: HK$61,664,000). In addition, the Group also obtained a net cash inflow from financing activities of HK$88,084,000 (2004: HK$27,646,000) mainly through the refinancing of the bank loans amounted to HK$310,000,000 (2004: HK$48,663,000). The above cash inflows were partly consumed in investing activities, mainly the construction of new manufacturing facilities, purchase of plant and machinery and investment in jointly controlled entities amounted to HK$153,447,000 (2004: HK$79,486,000).

Profit before interest, taxation, depreciation and amortisation ("EBITDA") for FY2005 was HK$155,067,000 (2004: HK$112,083,000, as restated), representing an increase of approximately 38.4% (2004: 51.5%) as compared to that of last year. Interest coverage expressed as a multiple of EBITDA to total interest expenses decreased to 13.4 times (2004: 15.9 times).

Capital expenditure incurred on the purchase of fixed assets for FY2005 amounted to HK$131,393,000 (2004: HK$79,486,000), representing an increase of approximately 65.3% (2004: decrease of 17.4%) as compared to that of last year. This was funded by internally generated cash resources, finance lease payable and long term bank financings.

The Group's reporting currency is in Hong Kong dollars and it conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese yens. Revenue is mainly received in United States dollars, Hong Kong dollars and Renminbi whereas purchases are mainly settled in Japanese yen, Hong Kong dollars and Renminbi. As Hong Kong dollars are more or less pegged to the United States dollar, there is no major currency exposure in this area. In addition, the Group's receipts in Renminbi roughly matches with its payments in Renminbi, so the currency risks in Renminbi are, to a large extent, naturally hedged. Forward foreign currency contracts were used by the Group to hedge against its anticipated cash flows and currency exposures arising from Japanese yen. The Group also entered into interest rate swap contracts to partially hedge the interest payable in the bank loans stated above. Credit risk was hedged through export credit insurance coverage.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2005, the Group had capital commitments, which were contracted but not provided for, in respect of construction in progress of HK$9,296,000 (2004: HK$11,343,000) and plant and machinery of HK$9,696,000 (2004: HK$7,025,000). As at 31 December 2005, the Company had issued guarantees amounting to HK$687,900,000 (2004: HK$483,857,000) in respect of banking facilities and finance lease contracts granted to its subsidiaries.

## EMPLOYMENT AND REMUNERATION POLICY

At 31 December 2005, the Group had 103 employees (2004: 93) located in Hong Kong and employed a total work force of approximately 5,445 (2004: 3,676) inclusive of its operations in Mainland China and overseas offices. Total headcount increased mainly due to the expansion of existing production facilities, both in Dongguan and Wuxi, to meet increasing sales order demands. 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 is confident of sustaining satisfactory sales growth in the near future. Revenue growth will generally be driven by the expansion in its existing board and solid customer base; launching of new innovative products; penetrating into new industry segments; and further expansion of production capacity.

The development of phase 1 of the new manufacturing facility in Dongguan will be completed by mid 2006. Upon completion of this phase, the Group will relocate its Dongguan manufacturing operations to the new centralized state-of-the-art manufacturing facility, which will progressively deliver up to 650,000,000 pieces of output per month by the end of 2006. This represents an increase of approximately 130,000,000 pieces of the existing Dongguan operation. Our production capacity in the new Wuxi manufacturing facility will be further increased by 50,000,000 pieces to deliver up to 200,000,000 pieces of output per month by the end of 2006. The Xiamen plant will continue to operate at its existing scale of up to 40,000,000 pieces per month.

Besides the expansion of production capacity, the Group has started to integrate its business operations upstream. In this regard, a new aluminum foil factory has commenced operation in January 2006. This integration process will allow the Group to further secure the supply of high quality aluminum foils in the market and improve the overall cost efficiency.

Research and development capability is a key to the success in product innovation and diversification. In this regard, the Group is benefiting from its cooperation with The Research Institute of the Tsinghua University in Shenzhen. Several new products and technological innovations are being registered for patent in several market territories. By mid 2006, the Group will launch a brand new product series know as "polymer based solid capacitor". The launching of this new product further demonstrates the Group's ability to state competitive in the keen competitive industry environment.

All in all, the coming years will be very exciting for the Group. We are expecting to reach new heights in revenue, market shares and profitability. We are integrating certain manufacturing processes upstream to enhance cost efficiency. We are launching new products to capture untapped future market segments.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 22 May 2006 to Friday, 26 May 2006, both days inclusive, during which period no transfer of shares and no share of the Company will be issued upon exercise of any subscription right attaching to the outstanding warrants issued by the Company will be effected. In order to qualify for the final dividend or to ascertain the right to attend the Company's annual general meeting, all transfer, accompanied by the relevant share certificates and all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies, must be lodged for registration with the Company's Branch Share Registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 19 May 2006.

## CODE ON CORPORATE GOVERNANCE PRACTICE

The Board is committed to principles of corporate governance practices and procedures. The corporate governance principles of the Company emphasize transparency, accountability and independence.

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

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 as Mr. Chan Ho Sing currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same individual provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

The Company's Independent Non-executive Directors ("INDEs") are not appointed for specific terms but are subject to retirement by rotation under Bye-law 87 of the Company's Bye-laws.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the code of conducts regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all Directors have fully confirmed that they have fully complied with the Model Code throughout the year.

## AUDIT COMMITTEE

The Audit Committee, comprising three INEDs, 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 annual results for the year.

## PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

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

## APPRECIATION

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

## MEMBERS OF THE BOARD

As at the date of this announcement, the Board 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 INEDs.

By order of the Board
**Man Yue International Holdings Limited**
**Chan Ho Sing**
*Chairman*

Hong Kong, 19 April 2006

* *For identification purpose only*

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