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 2006

RESULTS HIGHLIGHTS

- Revenue grew by 12.39% to HK$530,612,000
- Net profit rose by 16.85% to HK$52,076,000
- Basic EPS rose by 4.02% to HK12.43 cents per share
- Interim dividend of HK2.0 cents per share

INTERIM RESULTS

On behalf of the Board of Directors (the "Board"), I am pleased to present to the shareholders the unaudited interim results of Man Yue International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006 (the "Period") together with the comparative figures for the corresponding period. These unaudited interim results for the Period have been reviewed by Messrs Ernst & Young, the auditors of the Company, in accordance with Statement of Auditing Standards 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 2006

	Notes	For the six months ended 30 June 2006 (Unaudited) HK$'000	2005 (Unaudited) HK$'000
REVENUE	3	**530,612**	472,111
Cost of sales		**(393,881)**	(356,527)
Gross profit		**136,731**	115,584
Other income and gains		**3,184**	3,320
Selling and distribution costs		**(24,542)**	(20,441)
Administrative expenses		**(50,761)**	(38,448)
Other operating expenses		**(465)**	(4,605)
Finance costs	4	**(9,299)**	(3,429)
Share of profits and losses of jointly controlled entities		**906**	103
PROFIT BEFORE TAX	5	**55,754**	52,084
Tax	6	**(3,678)**	(7,516)
PROFIT FOR THE PERIOD		**52,076**	44,568
ATTRIBUTABLE TO:			
Equity holders of the Company		**52,076**	44,568
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic	7	**HK12.43 cents**	HK11.95 cents
Diluted	7	**HK11.82 cents**	HK11.68 cents
INTERIM DIVIDEND PER SHARE	8	**HK2.0 cents**	HK1.5 cents

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2006

	30 June 2006 (Unaudited)	31 December 2005 (Audited)
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**433,259**	376,520
Prepaid land premiums	**59,004**	30,849
Intangible assets	**761**	270
Interests in jointly-controlled entities	**26,008**	24,457
Deferred tax assets	**4,398**	4,377
Total non-current assets	**523,430**	436,473
CURRENT ASSETS		
Inventories	**236,588**	222,262
Trade receivables	**222,718**	234,912
Prepayments, deposits and other receivables	**36,115**	31,534
Available-for-sales equity investments	**11,833**	13,922
Tax recoverable	**—**	82
Derivative financial instruments	**443**	1,554
Cash and cash equivalents	**80,229**	82,395
Total current assets	**587,926**	586,661
CURRENT LIABILITIES		
Trade payables	**158,182**	176,322
Other payables and accrued liabilities	**51,625**	63,576
Derivative financial instruments	**2,103**	1,667
Tax payable	**4,973**	6,215
Interest-bearing bank loans	**160,567**	88,733
Finance lease payables	**1,096**	2,278
Dividend payable	**3,393**	6
Total current liabilities	**381,939**	338,797
NET CURRENT ASSETS	**205,987**	247,864
TOTAL ASSETS LESS CURRENT LIABILITIES	**729,417**	684,337
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	**208,925**	221,267
Finance lease payables	**530**	722
Provision for long service payments	**2,142**	3,076
Deferred tax liabilities	**2,705**	2,705
Deferred income	**12,003**	12,126
Total non-current liabilities	**226,305**	239,896
Net assets	**503,112**	444,441
EQUITY		
Share capital	**42,937**	41,398
Reserves	**451,587**	394,738
Proposed dividend	**8,588**	8,305
Total equity	**503,112**	444,441

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Company's 2005 Annual Report except for the adoption of new HKFRSs and HKASs as disclosed in note 2 below.

2.1 Impact of new HKFRSs and HKASs

The HKICPA has issued a number of new HKFRSs, HKASs and Interpretations, which are generally effective for accounting periods beginning on or after 1 January 2006. The Group has adopted the following HKFRSs and HKASs which are pertinent to its operations and relevant to these interim financial statements.

• HKAS 21 Amendment	Net Investment in a Foreign Operation
• HKAS 39 Amendment	The Fair Value Option
• HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
• HK(IFRIC)-lnt 4	Determining whether an Arrangement contains a Lease

There was no material impact on the basis of preparation of the unaudited condensed consolidated interim financial statements arising from the above-mentioned accounting standards.

2.2 Impact of issued but not yet effective HKFRSs and HKASs

The Group has not applied the following new and revised HKFRS and HKAS, that have been issued but are not yet effective, to these interim financial statements:

(a) HKAS 1 Amendment "Presentation of Financial Statements: Capital Disclosures"

(b) HKFRS 7 "Financial Instruments: Disclosures"

HKAS 1 Amendment will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital, quantitative data about what the Group regards as capital; and compliance with any capital requirements and consequences of any non-compliance.

HKFRS 7 will replace HKAS 30 and modify the disclosure requirements of HKAS 32 relating to financial instruments.

The Group expects that the adoption of the above pronouncements will not have significant impact on the Group as at the date of the interim financial statements.

3. Segment Information

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

(a) Business segments

The following table presents revenue and results by business segments for the six months ended 30 June 2006 and 2005.

	Electronic components		Trading of raw materials		Corporate and others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**510,635**	437,983	**19,977**	34,128	**—**	—	**530,612**	472,111
Other revenue	**2,544**	3,220	**—**	—	**—**	—	**2,544**	3,220
Total	**513,179**	441,203	**19,977**	34,128	**—**	—	**533,156**	475,331
Segment results	**63,013**	54,630	**626**	525	**(132)**	161	**63,507**	55,316
Interest income and unallocated gains							**640**	94
Finance costs							**(9,299)**	(3,429)
Share of profits and losses of jointly controlled entities	**906**	103	**—**	—	**—**	—	**906**	103
Profit before tax							**55,754**	52,084
Tax							**(3,678)**	(7,516)
Profit for the Period							**52,076**	44,568

(b) Geographical segments

The following table presents revenue of the Group by geographical segments for the six months ended 30 June 2006 and 2005.

	Greater China													
	Hong Kong		Mainland China		Taiwan		Southeast Asia		Korea		Other countries		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	(Unaudited)	(Unaudited)	**(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*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**90,551**	77,256	**116,365**	114,849	**169,710**	155,962	**81,557**	70,841	**57,194**	46,378	**15,235**	6,825	**530,612**	472,111

4. Finance costs

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**9,221**	3,266
Interest on finance leases	**78**	163
	9,299	3,429

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	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation for property, plant and equipment	**20,968**	17,802
Recognition of prepaid land premiums	**494**	104
Amortisation of intangible assets	**379**	98
Foreign exchange losses/(gains), net	**5,119**	(1,597)
Gain on disposal of available-for-sale equity investments	**(465)**	—
Fair value gain on derivative instruments — transactions not qualifying as hedges	**(239)**	—
Bank interest income	**(401)**	(94)

6. Tax

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current :		
Hong Kong	**480**	5,469
Mainland China	**3,192**	2,344
Other Overseas	**6**	—
	3,678	7,813
Deferred	**—**	(297)
Total tax charge for the Period	**3,678**	7,516

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period. 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.

In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries in Mainland China enjoy tax exemptions and reductions. Certain subsidiaries in Mainland China are subject to income taxes at applicable rates ranging from 10% to 27%.

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 day 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 30 June 2006.

7. Earnings per share attributable to equity holders of the Company

The calculation of basic earnings per share is based on the profit for the Period attributable to equity holders of the Company of HK$52,076,000 (2005: HK$44,568,000), and the weighted average of 418,888,000 (2005: 372,884,000) ordinary shares in issue during the Period .

The calculation of diluted earnings per share is based on the profit for the Period attributable to equity holders of the Company of HK$52,076,000 (2005: HK$44,568,000). The weighted average number of ordinary shares used in the calculation is the 418,888,000 (2005: 372,884,000) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average of 15,117,000 (2005: 8,480,000) and 6,495,000 (2005: 245,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants and share options during the Period.

8. **Interim dividend**

The directors recommend the payment of an interim dividend of HK2.0 cents (2005: HK1.5 cents) per share, totalling HK$8,588,000 (2005: HK$6,015,000), for the six months ended 30 June 2006.

9. **Post balance sheet events**

Subsequent to the balance sheet date, a total of 5,600,000 share options with an exercise price of HK$1.60 per share were granted to certain directors and employees of the Company on 8 August 2006 in respect of their services to the Group in the forthcoming years. Of the share options granted, 3,300,000 share options are exercisable between 8 August 2006 and 25 May 2016 and the remaining 2,300,000 share options have a vesting period ranging from 8 August 2006 to 7 August 2007, and exercisable from 8 August 2007 to 25 May 2016. The price of the Company's share at the date of grant was HK$1.60 per share.

At the date of approval of these financial statements, the Company had 12,700,000 share options outstanding, including 5,600,000 share options under a new share option scheme which was adopted by the Company on 26 May 2006. The total outstanding share options and the share options under the new share option scheme represented approximately 2.96% and 1.30% respectively of the Company's shares in issue as at this date.

10. **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.

At 30 June 2006, the Company had 13,127,508 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 13,127,508 additional shares of HK$0.10 each.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group continued to report good performance in its financial results for the six months ended 30 June 2006 (the "Period"). Despite many challenges were faced by electronic industries from around the world during the Period, the Group still managed to grow its revenue by approximately 12.39% to a new record high of HK$530.6 million, which compared with HK$472.1 million for the six months ended 30 June 2005 (the "Corresponding Period"). For the fifth consecutive interim periods, the Group has broken its all time highest revenue records. This continued revenue growth was mainly attributable to the increase in sales of Aluminum Electrolytic Capacitors ("E-Caps") to existing and new customers, which showed an increase of 16.59% to HK$510.6 million. Revenue from the trading of raw materials, however, reduced by 41.46% to HK$20.0 million.

Gross profit for the Period increased by 18.30% to HK$136.7 million, representing a gross margin of 25.77%, which compared with 24.48% for the Corresponding Period. During the Period, total production costs surged as a result of: (i) sharp increases in direct raw material costs as a result of rapid increases in commodities prices such as petroleum, copper and aluminum; and (ii) the rise of labour costs, electricity and other production overhead expenditures. To counteract these adverse factors, the Group had launched a series of profit improvement initiatives such as: (i) processing of aluminum foils in-house; (ii) enhancing product-mixes by focusing more on the sale of E-Caps that consumes relatively less raw materials but offer higher margin; and (iii) shifting part of the incremental costs to customers by adjusting E-Cap selling prices. The results of these have been successful as reflected in the improvement in gross margin for the Period.

Profit for the Period attributable to equity holders of the Company was up by approximately 16.85% to HK$52.1 million, representing a net margin of 9.81%, which compared with 9.44% for the Corresponding Period.

Basic and diluted earnings per share ("EPS") for the Period were HK12.43 cents and HK11.82 cents respectively, which compared with HK11.95 cents and HK11.68 cents respectively for the Corresponding Period.

The Board of Directors has resolved to declare an interim dividend of HK2.0 cents per share, totalling HK$8.59 million.

Business Review

Electronic components

Sale of Electronic Components, namely E-Caps, accounted for 96.24% of the total revenue. During the Period, revenue from the sale of E-Caps grew by 16.59% to HK$510.6 million. We expect the global E-Cap market to grow steadily between 5% and 7% (in volume terms) in 2006 primarily driven by the launching of new electronic and electrical products. However, the launch of certain key products in the computer and digital consumer electronics markets in 2006 have been delayed from the first half to the second half of 2006. As a result, sales orders placed by the customers in these concerned markets had been shifted towards the end of first half or beginning of the second half of 2006, to better match with customers' own product launching timetable. The Group's strategic move to focusing on sale of E-Caps that consumes less materials allowed the Group to sustain a good profit margin.

To cope with the increased demands, the Group has continued to expand its manufacturing capacities in 2006. As at 30 June 2006, the monthly production capacity for each of the Group's manufacturing facility is as follows: Dongguan: 550,000,000 pieces; Wuxi: 180,000,000 pieces; and Xiamen: 40,000,000 pieces. Thus, the total production capacity for the Group stood at 770,000,000 pieces per month at 30 June 2006, which compared with 710,000,000 pieces per month at 31 December 2005.

The operating environment in 2006 have been quite challenging for the Group as there has been significant increases in raw material costs (except for aluminum foils), labour, electricity and other manufacturing overhead expenditures. Thanks to the realignment of the Group's product-mix and the upstream vertical integration process started in January 2006, the Group has been able to improve its gross margin from 24.48% in the Corresponding Period to 25.77% in the current Period.

Since 2005, the Group saw the rising trend for raw material prices (particularly for aluminum and petroleum related raw materials) and had adjusted its product marketing strategies accordingly. Instead of pursuing the growth in the sales of higher priced E-Caps (those carry a higher selling price but consumes more raw materials), the Group decided to focus on pushing the sales of E-Caps that consumes less raw materials but offer higher profit margin. This change in policy significantly reduces the Group's vulnerability in profit margin at times of hyper-inflation. This is evidenced by the improvement in the gross margin.

Aluminum foil is the most critical raw material component used in the production of E-Caps and it may account for up to 50% of the total cost of the product. In the past, these aluminum foils were purchased from overseas vendors. Starting in January 2006, the Group started to process aluminum foils through its wholly owned foil factory located in Qing Yuan. This factory is now capable of fulfiling over 20% of the Group's internal consumption. This upstream vertical integration process delivers the following benefits to the Group: (i) it assures a stable supply of aluminum foils in a tight raw material market; (ii) profits made by this aluminum foil factory goes directly into the Group's gross margin; and (iii) it has strategic value as proprietary technology or know-how in processing aluminum foils can be contained within the Group.

Trading of raw materials

Trading of raw materials, mainly aluminum foils, accounts for about 3.77% of the Group's revenue. Revenue derived from this business dropped 41.46% to HK$20.0 million for the Period. As the price of aluminum rose rapidly during the Period, trading return shrunk. Therefore, it was less attractive for the Group to carry out the trading of aluminum foils. In addition, the majority of the aluminum foils purchased from overseas vendors are now used in the production of aluminum foils by the Group's Qing Yuan foil factory. Going forward, the Group will gradually reduce the trading of raw materials as it expands its own aluminum foil facilities.

Environmental protection

During the Period, new equipments were installed and a comprehensive set of policies and procedures were established to ensure that the Group's products completely satisfies the Restriction on Hazardous Substance ("RoHS") requirements for the European Community and equivalent requirements for the rest of the world. The Group had also made it mandatory for all vendors and business partners to comply with its RoHS requirements.

Research and Development

During the Period, the Group has successfully launched a brand new type of capacitor known as "Polymer Based Solid Capacitors". Polymer is hundreds of times more conductive than the materials used in the traditional E-Caps. This type of capacitor is known for its reliability, durability, adaptability in high temperature environments and added safety measures. They are mainly used in high-speed computer or digital consumer electronic equipment. These products offer a much attractive profit margin than the traditional E-Caps. The shipment of this type of products already started in June 2006 although large scale production is expected to take place in 2007.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2006, the Group's gross borrowings in respect of bank loans and finance leases amounted to HK$371.1 million (31 December 2005: HK$313.0 million), of which HK$161.7 million was repayable within one year, HK$78.8 million was repayable within one and two years and HK$130.6 million was repayable between three and five years.

After deducting cash and cash equivalents of HK$80.2 million (31 December 2005: HK$82.4 million), the Group's net borrowing amounted to HK$290.9 million (31 December 2005: HK$230.6 million). The increase in borrowing was mainly used to finance capital expenditure and investment in a jointly-controlled entity. Shareholders' equity at 30 June 2006 was HK$503.1 million (31 December 2005: HK$444.4 million). Accordingly, the Group's net borrowing to shareholder's equity ratio increased to 57.82% (31 December 2005: 51.89%).

Net cash inflow from operating activities during the Period amounted to HK$35.7 million, which compared with HK$31.5 million for the Corresponding Period. This figure represents profit before tax of HK$55.8 million, adding back adjustments for non-cash items such as depreciation and amortisation of HK$21.8 million and deducting net increase in working capital of HK$41.9 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 2006 is also a year for major capital investments. Accordingly, the Group's net cash outflow for investing activities for the Period was increased to HK$100.6 million, which compared with HK$75.3 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.

As 2006 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$86.9 million for the Period which compared with HK$73.5 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 expects that the gearing ratio for 2007 will be lower than that for 2006 as less capital expenditure is expected for 2007.

The debtor turnover days in the Period was improved to 77 days from 80 days in the Corresponding Period as a result of timely following up of customer payments. Creditor turnover days in the Period was approximately 73 days, which is slightly shorter than the Corresponding Period of 78 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 policies.

EMPLOYMENT AND REMUNERATION POLICY

At 30 June 2006, the Group employed 100 employees in Hong Kong (31 December 2005: 103) and employed a total work force of approximately 5,350 (31 December 2005: 5,445) inclusive of its staff in China and overseas offices. Total headcount decreased during the Period due to natural attrition and shortage in the supply of labour forces in Dongguan and Wuxi where the Group operates. Salaries, bonuses and benefits were determined with reference to market terms and the performance, qualifications and experience of individual employees.

OUTLOOK

We expect to see a stronger growth for our business in the second half of 2006. Firm orders were received from existing global customers as well as new international customers that we acquired in 2006. Sales would be particularly strong in the computer and peripheral, digital consumer electronic and game consoles, power supply equipment, flat panel plasma or LCD televisions, and household and industrial electrical appliances.

On the manufacturing front, we expect to be operating at full capacity for most of the second half year. To cope with these increased sales demands, we shall continue to expand our production capacity. In Wuxi, machinery will be added to further expand its production capacity from 180,000,000 pieces a month to 200,000,000 pieces a month. In Dongguan, we originally expect that the construction of the new centralized manufacturing facility shall be completed by the middle of 2006. However, such project was delayed by a few months due to unfavourable weather conditions. We are now pushing for the completion of this new facility and hopefully we will move into it by November 2006. When the relocation process is completed, we shall increase the production capacity in Dongguan to 650,000,000 pieces per month (current capacity is 550,000,000 pieces per month). Our Xiamen manufacturing unit will continue to deliver approximately 40,000,000 pieces per month. In order words, towards the end of 2006 or beginning of 2007, the Group will be capable of producing up to 890,000,000 pieces per month.

Expansion of production capacity will only be meaningful if the Group can secure abundant and stable supply of raw materials. We expect the supply of aluminum foils in the market will remain tight in the second half of 2006 and after. Accordingly, we will speed up and expand our capability of producing aluminum foils for our own consumption. We will add machinery to expand the aluminum foils production lines in the near future. By early 2007, we hope we can produce up to 40% of the aluminum foils for the Group's internal consumption. All these upstream vertical integration processes will allow the Group to secure the supply of high quality aluminum foils and improve its profit margin.

The Group has successfully launched its "Polymer Based Solid Capacitors" in first half of 2006 and has commenced mass production of the product in a smaller scale. When the new Dongguan manufacturing facility is completed, the Group will purchase more machinery and expand the production volume. As these products offer higher margin than the traditional E-Caps, the increase in production will provide further improvement to the Group's profit margin.

Although the Group is facing challenges such as on-going pricing pressure from customers; rising costs of raw materials, labour, energy and manufacturing overheads; and the shortage of labour forces in Mainland China, the Group is confident about its future development. The Group will relentlessly pursue both horizontal and upstream vertical growth in the years to come.

CORPORATE GOVERNANCE

The Group has adopted all the Code Provisions in the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Throughout the six months ended 30 June 2006, the Group has complied with all the Code Provisions except for 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. Under A.4.1 of the Code, executive directors should be appointed for a specific term, subject to re-election. Under the Period, all the Independent Non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company 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.

REVIEW BY AUDIT COMMITTEE

The interim financial statements for the Period are unaudited, but have 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 statements for the Period.

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.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend for the six months ended 30 June 2006 of HK2.0 cents (2005: HK1.5 cents) in cash per share, totalling HK$8,588,000 payable on Tuesday, 31 October 2006 to shareholders whose names appear on the register of members of the Company on Friday, 13 October 2006.

CLOSURE OF REGISTERS OF MEMBERS AND WARRANTHOLDERS

The registers of members and warrantholders will be closed from Monday, 9 October 2006 to Friday, 13 October 2006, both days inclusive, during which period no transfer of shares will be effected and no share of the Company will be issued upon exercise of any subscription rights attaching to the outstanding warrants issued by the Company. In order to ascertain the right to receive interim dividend, all transfers, accompanied by the relevant share certificate 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, 6 October 2006.

PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the websites of the Stock Exchange and the Company.

An interim report for the six months ended 30 June 2006 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company by the end of September 2006.

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.

By order of the Board
Chan Ho Sing
Chairman

Hong Kong, 18 September 2006

As at the date of this announcement, the Board of Directors of the Company comprises of 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.