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 2006

RESULTS HIGHLIGHTS

- Revenue grew by 12.2% to HK$1,239,119,000, achieving another height for the fifth consecutive year
- Gross Profit rose by 18.3% to HK$313,823,000, representing a gross margin of 25.3%
- EBITDA surged by 31.0% to HK$203,080,000, with EBITDA margin of 16.4%
- Net profit rose by 27.1% to HK$121,657,000, representing a net margin of 9.8%
- Basic EPS rose by 15.0% to HK28.48 cents per share
- Total dividend (proposed) for the year of HK5.50 cents per share
- Opened aluminum foil factory to stabilise material supply and improve profit margin
- Launched Conductive Polymer Aluminum Solid Capacitors ("Polymer Caps")
- Products comply with the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS") requirements

On behalf of the Board of Directors (the "Board"), I am pleased to present to the shareholders the results of Man Yue International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2006 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
REVENUE	3	**1,239,119**	1,104,134
Cost of sales		**(925,296)**	(838,882)
Gross profit		**313,823**	265,252
Other income and gains		**20,685**	3,682
Selling and distribution costs		**(60,274)**	(52,009)
Administrative expenses		**(116,908)**	(93,586)
Other operating expenses		**(2,359)**	(6,232)
Finance costs	5	**(20,935)**	(11,602)
Share of profits and losses of jointly controlled entities		**1,491**	1,225
PROFIT BEFORE TAX	6	**135,523**	106,730
Tax	7	**(13,866)**	(11,034)
PROFIT FOR THE YEAR		**121,657**	95,696
Attributable to:			
Equity holders of the Parent		**121,657**	95,696
DIVIDENDS	8	**25,615**	14,438
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		**HK28.48 cents**	HK24.76 cents
Diluted		**HK27.76 cents**	HK22.72 cents

CONSOLIDATED BALANCE SHEET
31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**499,068**	376,520
Prepaid land premiums		**59,158**	30,849
Other intangible asset		**94**	270
Interests in jointly controlled entities		**33,453**	24,457
Deposit on purchase of items of property, plant and equipment		**6,588**	4,029
Deferred tax assets		**1,912**	4,377
Total non-current assets		**600,273**	440,502
CURRENT ASSETS			
Inventories		**206,470**	222,262
Trade receivables	*10*	**287,120**	234,912
Prepayments, deposits and other receivables		**32,567**	27,505
Available-for-sale investments		**17,126**	13,806
Short term investments		**90**	116
Tax recoverable		**–**	82
Derivative financial instruments		**112**	1,554
Cash and cash equivalents		**90,636**	82,395
Total current assets		**634,121**	582,632
CURRENT LIABILITIES			
Trade payables	*11*	**173,036**	176,322
Other payables and accrued liabilities		**61,979**	63,576
Derivative financial instruments		**898**	1,667
Tax payable		**4,750**	6,215
Bank loans		**144,464**	88,733
Finance lease payables		**389**	2,278
Dividend payable		**8**	6
Total current liabilities		**385,524**	338,797
NET CURRENT ASSETS		**248,597**	243,835
TOTAL ASSETS LESS CURRENT LIABILITIES		**848,870**	684,337
NON-CURRENT LIABILITIES			
Bank loans		**225,664**	221,267
Finance lease payables		**333**	722
Provision for long service payments		**1,789**	3,076
Deferred tax liabilities		**2,902**	2,705
Deferred income		**11,879**	12,126
Total non-current liabilities		**242,567**	239,896
Net assets		**606,303**	444,441
EQUITY			
Share capital		**44,723**	41,398
Reserves		**545,040**	394,738
Proposed final dividend	*8*	**16,540**	8,305
Total equity		**606,303**	444,441

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 (the "HKICPA"), 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 Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretation has had no material effect on these financial statements except for, in certain cases, giving rise to new and revised accounting policies and additional disclosures.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 27 *Consolidated and Separate Financial Statements*

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements.

(c) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(d) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no effect on these financial statements.

3. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for trade returns and discounts.

An analysis of revenue is as follows:

	2006	2005
	HK$'000	*HK$'000*
Manufacture and trading of electronic components	**1,182,429**	1,048,550
Trading of raw materials	**56,690**	55,584
	1,239,119	1,104,134

4. SEGMENT INFORMATION

No business segment information is presented as over 90% of the Group's revenue and assets relate to the manufacture and trading of electronic components.

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.

Geographical segments

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

	Hong Kong		Mainland China		Taiwan		Southeast Asia		Korea		Other countries		Group	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	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	**219,992**	160,292	**274,745**	263,345	**398,649**	342,618	**221,141**	191,814	**103,921**	124,291	**20,671**	21,774	**1,239,119**	1,104,134
Other segment information:														
Segment assets	**197,274**	162,794	**851,099**	703,951	**56,313**	42,364	**52,601**	51,638	**15,747**	16,535	**8,797**	3,014	**1,181,831**	980,296
Interests in jointly controlled entities	**–**	–	**33,453**	24,457	**–**	–	**–**	–	**–**	–	**–**	–	**33,453**	24,457
Unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**19,110**	18,381
													1,234,394	1,023,134
Capital expenditure	**47,396**	2,605	**138,707**	128,611	**–**	–	**–**	–	**–**	–	**–**	177	**186,103**	131,393

5. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest expenses on bank loans, overdrafts and other loans	**20,822**	11,314
Interest on finance leases	**113**	288
	20,935	11,602

6. PROFIT BEFORE TAX

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

	2006 *HK$'000*	2005 *HK$'000*
Staff costs (including directors' remuneration):		
Wages and salaries	**119,684**	100,944
Costs in the granting of share option*	**6,174**	–
Pension scheme contributions	**2,141**	1,969
Provision/(reversal of unutilised amounts) for long service payments	**(1,287)**	567
Cost of inventories sold	**768,405**	699,776
Minimum lease payments under operating leases for land and buildings	**13,432**	12,355
Depreciation for items of property, plant and equipment	**46,446**	36,548
Amortisation of other intangible assets	**183**	187
Impairment of goodwill	**–**	484
Impairment of trade receivables, net	**567**	3,935
Auditors' remuneration	**1,380**	1,100
Foreign exchange losses, net	**10,583**	704
Loss on disposal of items of property, plant and equipment	**234**	2,321
Write-down of inventories to net realisable value	**539**	1,422
Fair value loss on available-for-sale investments	**26**	29
Fair value gain on derivative instruments – transactions not qualifying as hedges	**–**	(655)
Bank interest income	**(1,102)**	(557)
Deferred income recognised as income	**(247)**	(248)
Dividend income from listed investments	**(1,008)**	(1,189)
Gain on disposal of investment on a jointly controlled entity	**(4,800)**	–
Reinvestment tax credit	**(7,077)**	–
Realized gain on disposal of available-for-sale investments, net	**(788)**	(37)

* During the year ended 31 December 2006, the Company has granted 5,600,000 share options to its employees, including executive directors, in accordance with the Share Option Scheme adopted on 26 May 2006. The total fair value of these options, using binomial valuation model, amounted to HK$8,135,000 and, of which, a cost in granting share option of HK$6,174,000 was recognised in the consolidated income statement for the year.

7. TAX

	Group	
	2006 *HK$'000*	2005 *HK$'000*
Charge for the year:		
Current:		
Hong Kong	**4,027**	6,403
Mainland China	**7,191**	3,914
Overseas	**6**	6
	11,224	10,323
Deferred	**2,642**	711
Total tax charge for the year	**13,866**	11,034

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 year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions 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 under 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 2006.

8. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
2005		
Additional 2005 final dividend	**276**	–
2006		
Interim – HK2.0 cents (2005: HK1.5 cents) per ordinary share	**8,799**	6,133
Proposed final – HK3.5 cents (2005: HK2.0 cents) per ordinary share	**16,540**	8,305
	25,615	14,438

Subsequent to the approval of the 2005 financial statements and prior to the book close period of the 2005 final dividends, an additional 13,800,000 ordinary shares were issued by the Company as a result of share options being exercised by the employees. Accordingly, an additional 2005 final dividend amounted to HK$276,000 were paid in 2006.

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

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$121,657,000 (2005: HK$95,696,000), and the weighted average of 427,121,000 (2005: 386,558,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$121,657,000 (2005: HK$95,696,000) The weighted average number of ordinary shares used in the calculation is the 427,121,000 (2005: 386,558,000) ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 6,529,000 (2005: 29,417,000) and 4,600,000 (2005: 5,186,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants and share options, respectively, during the year.

10. TRADE RECEIVABLES

An aged analysis of trade receivables, based on the invoice date and net of provisions, at the balance sheet date is as follows:

	2006		2005	
	HK$'000	*%*	*HK$'000*	*%*
Less than 3 months	**237,284**	**83**	207,913	89
4 – 6 months	**40,270**	**14**	23,585	10
7 – 12 months	**9,043**	**3**	3,196	1
Over 1 year	**523**	**–**	218	–
	287,120	**100**	234,912	100

Trade receivables generally have credit terms ranging from 15 to 150 days.

11. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	2006		2005	
	HK$'000	***%***	*HK$'000*	*%*
Accounts payable:				
Less than 3 months	**97,596**	**76**	95,824	87
4 – 6 months	**27,948**	**22**	12,630	12
7 – 12 months	**674**	**1**	460	–
Over 1 year	**999**	**1**	1,480	1
	127,217	**100**	110,394	100
Bills payable	**45,819**		65,928	
	173,036		176,322	

Liabilities for trade payables, which are normally settled on terms of 7 to 120 days, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

12. BONUS WARRANTS ISSUED BY THE COMPANY IN 2004

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 ordinary 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, 22,048,142 (2005: 39,327,494) warrants were exercised for 22,048,142 shares of HK$0.10 each at a price of HK$0.48 per share. At 3 November 2006, there were 765,031 warrants lapsed due to the expiry of the warrants.

13. POST BALANCE SHEET EVENTS

(a) PRC Corporate Income Tax Law

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.

(b) Placement and top-up subscriptions of shares

Pursuant to a placing letter signed on 8 March 2007 between Mr. Chan Ho Sing (the "Chairman") and UOB Kay Hian (Hong Kong) Limited (the "Placing Agent"), the Chairman agreed to sell 23,630,000 ordinary shares of HK$0.10 each of the Company which were beneficially owned by him at that time (the "Placing Shares") and the Placing Agent agreed to place the Placing Shares to Credit Suisse (Hong Kong) Limited (the "Investor") at a price of HK$2.03 per share. This placing is conditional upon several events to occur, which include, among other things, that the Chairman will be allotted 23,630,000 new ordinary shares of HK$0.10 each of the Company at a subscription price of HK$2.03 per share. Pursuant to a subscription letter signed on 8 March 2007 between the Chairman and the Company, the Company agreed to issue 23,630,000 ordinary shares of HK$0.10 each to the Chairman at a price of HK$2.03 per share. The placing and subscription were duly completed on 20 March 2007. The net proceed from the placing and subscription received by the Company amounted to HK$46,597,000, which were used by the Company in funding its general working capital requirements for the business expansion.

(c) Proposal for bonus warrant issue

Subsequent to the balance sheet date, on 18 April 2007, the Board proposed a conditional bonus warrant issue to the shareholders of the Company on the basis of one bonus warrant for every ten ordinary shares of HK$0.10 each of the Company. The initial subscription price was determined at HK$2.25 per share, subject to adjustments, and the bonus warrants are exercisable at any time during the period between Wednesday, 6 June 2007 and Friday, 5 June 2009 (both days inclusive).

FINANCIAL REVIEW

The Group continued to report good financial performance for the year ended 31 December 2006 ("FY2006"). Despite the many challenges faced by all electronic manufacturers, including the Group, in FY2006, the Group managed to grow its revenue to a new record high of HK$1,239,119,000, approximately 12.2% higher than the HK$1,104,134,000 for FY2005. For the fifth consecutive year, 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 12.8% to HK$1,182,429,000. Revenue from the trading of raw materials increased slightly by 2.0% to HK$56,690,000.

Gross profit for the year increased by 18.3% to HK$313,823,000, representing a gross margin of 25.3%, against 24.0% for FY2005. During the year, total production costs surged as a result of: (i) sharp increases in direct raw material costs as a result of rising 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 year.

Profit for the year attributable to equity holders of the Company was up by approximately 27.1% to HK$121,657,000, representing a net margin of 9.8%, which compared with 8.7% for last year.

Basic and diluted earnings per share for the year were HK28.48 cents and HK27.76 cents respectively, which compared with HK24.76 cents and HK22.72 cents respectively for last year.

BUSINESS REVIEW

Electronic components

Sale of Electronic Components, mainly Aluminum Electrolytic Capacitors ("E-Caps"), accounted for 95.4% of the Group revenue in FY2006. During the year, revenue from the sale of E-Caps grew by 12.8% to HK$1,182,429,000. Despite the global E-Cap market was merely growing by approximately 2.3% (by value) in FY2006, the Group continued to out-perform the market growth rate. For the five years ended 31 December 2006, the Group has achieved a cumulative annual growth rate of 26.9% per annum. The revenue growth in FY2006 has been mainly driven by the increase in sales orders from customers and the rise in average unit selling prices.

During FY2006, more orders were received from the Group's existing customers as well as new global customers based in the USA and Europe, most of whom are global technology leaders in the computing fields. Sales had been booming in several industry segments with particularly strong performance in the computer motherboard and power charger industry segments. Consumer electronic products segment such as game consoles, audio and video products, home appliances, and industrial equipments are also performing as expected.

To cope with the increased sales demands, the Group has continued to expand its manufacturing capacities in FY2006. As at 31 December 2006, the total production capacity of the Group reached 790,000,000 pieces per month, which compared with 710,000,000 pieces a month at 31 December 2005. This horizontal expansion has been caused by the accelerating production capacity in the existing Dongguan facilities with present production capacity of 590,000,000 pieces per month and the new Wuxi facility with present production capacity of 200,000,000 pieces per month.

The Group also made major advancement on the product front. The launch of the brand new Conductive Polymer Aluminum Solid Capacitors ("Polymer Caps") series represented a major technological breakthrough. Polymer is hundreds of times more conductive than the electrolytes used in the traditional E-Caps. Besides, Polymer Caps are known for their reliability, durability, adaptability to high temperatures environments and added safety measures. Polymer Caps are mainly used in high-speed computer mother boards and advanced consumer electronic products. Shipment of these products already started in June 2006 but larger scale production will commence in 2007 when more production space is available at the new Dongguan manufacturing facility.

Raw materials

With the Group's production volume expanded, its demand, particularly high quality aluminum foils for the production of E-Caps, has also risen. Aluminum foil is the most critical raw material component used in the production of E-Caps and accounts for 40% to 60% of the total cost of the E-Caps product. In the past, these aluminum foils were purchased from overseas vendors. Starting from January 2006, the Group produces aluminum foils through its wholly owned foil factory located in Qingyuan. This factory is now capable of fulfilling 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. As substantial raw materials, i.e. aluminum foils, were consumed by the Group in 2006, the revenue from the trading of raw materials has merely increased by 2% to HK$56,590,000 (2005: HK$55,584,000).

Man Yue and the environment

All the manufacturing facilities of the Group comply with the relevant environmental regulations in the places where these facilities operate. In addition, during the year, new equipments were purchased and a comprehensive set of policies and procedures were established to ensure that the Group's products completely satisfies the "Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment" ("RoHS") requirements for the European Community and similar requirements in other major markets. The Group had also made it mandatory for all vendors and business partners to comply with the relevant environmental requirements.

Research and Development

Apart from the successful launch of the Polymer Caps in 2006, the Group also made progress in launching several hot items of E-Caps. These new products include: Long-life Screw Type or Snap-in series, Long life V-Chip series for mobile phones and PDAs etc. The co-operation with the Research Institute of the Tsing Hua University in Shenzhen ("Shenzhen Tsinghua") continues to allow the Group to maintain a leadership role in the technological development in the capacitors' field.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Group's gross borrowings in respect of bank loans and finance leases amounted to HK$370,850,000 (2005: HK$313,000,000), of which HK$144,853,000 was repayable within one year, HK$151,415,000 was repayable within one and two years and HK$74,582,000 was repayable between three and five years. After deducting cash and cash equivalents of HK$90,636,000 (2005: HK$82,395,000), the Group's net borrowing amounted to HK$280,214,000 (2005: HK$230,605,000). The increase in borrowing was mainly used to finance capital expenditure and investment in a jointly-controlled entity. Shareholders' equity at 31 December 2006 was HK$606,303,000 (2005: HK$444,441,000). Accordingly, the Group's net borrowing to shareholder's equity ratio reduced to 46.2% from 51.9% in last year.

Net cash inflow from operating activities during the Year amounted to HK$123,194,000, which compared with HK$95,183,000 for last year. This figure represents profit before tax of HK$135,523,000, adding back adjustments for non-cash items such as depreciation and amortization of HK$70,256,000 and deducting net increase in working capital of HK$51,153,000 and other adjustments of HK$31,432,000. The net increase in working capital is mainly caused by the increase in trade debtors in line with the business expansion of the Group.

FY2006 is also a year for major capital investments. Accordingly, the Group's net cash outflow for investing activities for the year was increased to HK$188,491,000, which compared with HK$152,143,000 for last year. 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 bank loan finances.

Despite the fact that FY2006 is a year for large-scale capital expenditure investments, the Group's net gearing ratio has dropped from 51.9% in FY2005 to 46.2%. In addition, with the Group's rising profitability trend, earnings before interest, tax, depreciation and amortization ("EBITDA") of HK$203,080,000 for the year which compared with HK$155,067,000 for last year, 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 2006.

Inventory turnover days for FY2006 was improved to 81 days against 97 days in FY2005. The debtor turnover days for FY2006 was slightly increased 85 days from 78 days in last year, which is primarily due to expanded business activities in the second half of 2006. Creditor turnover days in FY2006 were approximately 68 days, which is slightly shorter than 77 days in last year.

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. After netting off the receipt with payments, there was a minor exchange rates exposure in Renminbi. Accordingly, the Group is considering to enter into cash flow hedging contracts to stabilize the exchange rates in converting Renminbis. The Group monitors its foreign exchange exposure in Japanese yens by entering into cash flow hedging forward contracts. Credit risks are mitigated by credit insurance policies and other kinds of credit protection initiatives.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2006, the Group had capital commitments, which were contracted but not provided for, in respect of construction in progress of HK$20,670,000 (2005: HK$9,296,000) and plant and machinery of HK$13,838,000 (2005: HK$9,696,000). As at 31 December 2006, the Company had issued guarantees amounting to HK$953,545,000 (2005: HK$687,900,000) in respect of banking facilities and finance lease contracts granted to its subsidiaries.

EMPLOYMENT AND REMUNERATION POLICY

At 31 December 2006, the Group employed 93 employees in Hong Kong (2005: 103) and employed a total work force of approximately 5,769 (2005: 5,445) inclusive of its staff in China and overseas offices. Total headcount increased during the year due to expansion of the Group's business in Dongguan and Wuxi. 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 FY2007. Firm orders were received from existing customers as well as new customers that we acquired in 2006. Strong sales are anticipated 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 FY2007. To cope with increased sales demands, we shall continue to expand our production capacity. In Dongguan, the brand new centralized manufacturing facility has just been completed. The Group is now moving into this new 1.1 million square foot manufacturing facility on a stage by stage basis. The present Dongguan production capacity is approximately 590,000,000 pieces per month. The Group expects that with the operation of the new Dongguan manufacturing facility, the Group can generate up to 690,000,000 pieces per month in Dongguan by the end of this year. The Group will further expand the production capacity in this new facility in the next two years until it actualized its maximum potential (i.e. producing over 1,000,000,000 pieces per month). In Wuxi, the production capacity for phase 1 has already reached its peak (producing up to 200,000,000 pieces a month). The Group will start to plan the Phase 2 development of this Wuxi facility by the end of 2007. In order words, towards the end 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 2007 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. By the end of 2007, we hope we can produce up to 50% 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 commenced mass production of Polymer Caps in last year. More machinery will be added in the new Dongguan facility to boost the production of Polymer Caps. As the global supply of Polymer Caps is still very tight, the Group will continue to enjoy first movers' benefits, i.e. higher price and higher margin, in 2007 and the years beyond.

Research and development excellence is a key factor to the success of the Group. To fully realise this expertise, the Group is setting up a "Technical Panel" composing of renowned researchers and scientists in electronic fields. To be chaired by Professor Feng Guan Ping, President of Shenzhen Tsinghua, this Panel will guide the Group in the areas of new technology applications and product development roadmaps.

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. With the continuous revenue and profit growth trend, we expect that the Group to out perform some of the key competitors in Japan and Korea and take its place among the five largest E-Cap manufacturers in the world by 2009.

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 Thursday, 17 May 2007 to Wednesday, 23 May 2007 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 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 Wednesday, 16 May 2007.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Board of Directors is committed to maintaining high standards of corporate governance. The principles of corporate governance adopted by the Group emphasise on an effective Board for leadership and control, sound business ethics and integrity in all business activities, and transparency and accountability to shareholders.

The Group has adopted the Code Provisions as 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:–

(i) 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 person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

(ii) The Independent Non-Executive Directors ("INEDs") 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.

MODE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the code of conduct regarding directors' securities transactions as set out in the Appendix 10 to the Listing Rules ("Model Code"). Upon specific enquiry by the Company, all Directors have fully confirmed that they 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

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 websites of the Stock Exchange and the Company in due course. The annual report containing the financial statements will be published and despatched to the shareholders on or before 30 April 2007.

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 out 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 Mr. Mar, Selwyn, Dr. Li Sau Hung, Eddy and Mr. Lo Kwok Kwei, David are INEDs.

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

Hong Kong, 18 April 2007

* *For identification purpose only*

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