



MAN YUE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2001

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The Board of Directors of Man Yue International Holdings Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 30 June 2001 together with comparative figures for the corresponding period in 2000. The condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the six months ended	
		2001	2000
		Unaudited	Unaudited
		HK\$'000	HK\$'000
TURNOVER	3	140,718	165,414
Cost of sales		<u>(101,216)</u>	<u>(122,916)</u>
Gross profit		39,502	42,498
Other revenue	4	1,225	311
Selling and distribution costs		(4,288)	(3,796)
Administrative expenses		(30,074)	(28,502)
Other operating expenses		<u>(617)</u>	<u>(456)</u>
PROFIT FROM OPERATING ACTIVITIES	3	5,748	10,055
Finance costs		(4,503)	(2,790)
Share of profits less losses of jointly controlled entities		269	607
Share of profits less losses of associates		<u>—</u>	<u>(174)</u>
PROFIT BEFORE TAX	5	1,514	7,698
Tax	6	200	(1,390)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>1,714</u>	<u>6,308</u>
EARNINGS PER SHARE	7		
Basic		<u>HK0.46 cent</u>	<u>HK2.05 cents</u>
Diluted		<u>N/A</u>	<u>HK2.05 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	For the six months ended	
	30 June	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Exchange differences on translation of the financial statements of foreign entities	<u>69</u>	<u>(55)</u>
Net gains/(losses) not recognised in the profit and loss account	69	(55)
Net profit attributable to shareholders	<u>1,714</u>	<u>6,308</u>
Total recognised gains	<u>1,783</u>	<u>6,253</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30 June 2001 Unaudited HK\$'000	31 December 2000 Audited HK\$'000
NON-CURRENT ASSETS			
Fixed assets		114,223	115,992
Intangible assets		1,351	1,666
Interests in jointly controlled entities		32,252	16,992
Interests in associates	9	—	—
Long term investments		22,000	22,000
Long term other receivable		2,074	2,074
		171,900	158,724
CURRENT ASSETS			
Short term investments		225	190
Inventories		73,353	70,473
Trade receivables	10	102,733	118,801
Prepayments, deposits and other receivables		19,592	20,249
Tax recoverable		4	28
Cash and bank balances		5,315	5,697
		201,222	215,438
CURRENT LIABILITIES			
Trade payables	11	51,825	56,279
Other payables and accrued liabilities		10,330	18,258
Tax payable		1,669	1,188
Interest-bearing bank loans and overdrafts		92,148	84,814
Current portion of finance lease payables		7,215	5,396
Dividend payable		3	3
		163,190	165,938
NET CURRENT ASSETS		38,032	49,500
TOTAL ASSETS LESS CURRENT LIABILITIES		209,932	208,224

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	<i>Notes</i>	30 June 2001 Unaudited HK\$'000	31 December 2000 Audited HK\$'000
NON-CURRENT LIABILITIES			
Long term portion of interest-bearing bank loans		3,458	4,032
Long term portion of finance lease payables		10,272	9,773
		<u>13,730</u>	<u>13,805</u>
		<u>196,202</u>	<u>194,419</u>
CAPITAL AND RESERVES			
Share capital		37,344	37,344
Reserves	<i>12</i>	158,858	157,075
		<u>196,202</u>	<u>194,419</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2001*

	Unaudited HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	13,834
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(4,463)
TAX REFUNDED	705
INVESTING ACTIVITIES	<u>(14,307)</u>
Net cash outflow before financing activities	(4,231)
FINANCING ACTIVITIES	<u>(3,614)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(7,845)
Effect of foreign exchange rate changes, net	69
Cash and cash equivalents at beginning of period	<u>(30,095)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>(37,871)</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	5,315
Bank overdrafts	(3,903)
Trust receipt loans with maturity within three months	<u>(39,283)</u>
	<u><u>(37,871)</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

The condensed consolidated interim financial statements are prepared in accordance with Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2000, except that the Group has changed certain of its accounting policies following its adoption of SSAP 9 (revised) "Events after balance sheet date", SSAP 28 "Provisions, contingent liabilities and contingent assets", SSAP 30 "Business Combinations" and SSAP 31 "Impairment of assets" issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001. There is no impact on the profit and loss account for the six months ended 30 June 2000 and 2001 because of this change.

2. Comparative Cash Flow Statement

The comparative cash flow statement for the six months ended 30 June 2000 has not been prepared as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. Segment Information

The Group is principally engaged in the manufacture and trading of electronic components, the trading of electrical products, raw materials and production machinery, as well as the provision of portal services.

	For the six months ended 30 June			
	Turnover		Profit/(loss)	
	2001	2000	2001	2000
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>By activity:</i>				
Manufacture and trading of electronic components and trading of electrical products	137,046	140,942	10,488	8,568
Trading of raw materials	3,322	23,320	255	1,417
Trading of production machinery	305	1,152	23	70
Provision of portal services	45	—	(5,018)	—
	<u>140,718</u>	<u>165,414</u>	<u>5,748</u>	<u>10,055</u>
<i>By geographical area:</i>				
The People's Republic of China:				
Hong Kong, SAR	29,872	32,500	(2,732)	1,976
Elsewhere	63,479	122,264	4,855	7,432
	<u>93,351</u>	<u>154,764</u>	<u>2,123</u>	<u>9,408</u>
Malaysia	28,125	—	2,152	—
Other countries	19,242	10,650	1,473	647
	<u>140,718</u>	<u>165,414</u>	<u>5,748</u>	<u>10,055</u>

Revenue arising from other sources is disclosed in note 4 to the interim financial statements.

4. Other Revenue

	For the six months ended	
	30 June	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Exchange gain	1,042	—
Interest income	39	9
Sundry income	144	302
	<u>1,225</u>	<u>311</u>

5. Profit Before Tax

Profit before tax was determined after charging/(crediting) the following:

	For the six months ended	
	30 June	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest expenses	4,503	2,790
Depreciation	7,067	3,493
Amortisation of trademark and website development costs	315	—
Exchange (gains)/losses, net	(1,042)	77
Interest income	(39)	(9)
	<u>(39)</u>	<u>(9)</u>

6. Tax

	For the six months ended	
	30 June	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
The People's Republic of China:		
Hong Kong, SAR		
Provided for the period	300	1,390
Overprovision in prior year	(500)	—
	<u>(200)</u>	<u>1,390</u>

Hong Kong profits tax had been provided for at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable for elsewhere in the PRC has been calculated based on existing legislation, interpretations and practices at the prevailing rates of taxes. In accordance with the relevant tax rules and regulations in the PRC, certain of the Company's PRC subsidiaries and jointly controlled entities enjoy income tax exemption and reductions.

7. Earnings Per Share

The calculation of basic earnings per share for the period is based on the net profit attributable to shareholders of HK\$1,714,000 (2000: HK\$6,308,000) and the weighted average of 373,440,000 (2000: 307,040,176) shares in issue during the period.

Diluted earnings per share for period ended 30 June 2001 has not been shown as the share options outstanding had an anti-dilutive effect on the basic earnings per share for the period.

The calculation of diluted earnings per share for the period ended 30 June 2000 was based on the net profit attributable to shareholders of HK\$6,308,000 and the weighted average number of 307,923,987 ordinary shares in issue during the period ended 30 June 2000.

8. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2001 (2000: Nil).

9. Interests In Associates

	30 June 2001 Unaudited HK\$'000	31 December 2000 Audited HK\$'000
Share of net liabilities	(33)	(33)
Amount due from an associate	<u>1,170</u>	<u>1,170</u>
	1,137	1,137
Less: Provisions for impairments in values	<u>(1,137)</u>	<u>(1,137)</u>
	<u>—</u>	<u>—</u>

10. Trade Receivables

	30 June 2001 Unaudited HK\$'000	31 December 2000 Audited HK\$'000
The ageing analysis of trade receivables was as follows:		
Less than 3 months	70,005	70,377
4 — 6 months	13,693	29,352
7 — 12 months	15,118	13,584
Over 1 year	<u>4,949</u>	<u>19,615</u>
	103,765	132,928
Provisions for bad and doubtful debts	<u>(1,032)</u>	<u>(14,127)</u>
	<u>102,733</u>	<u>118,801</u>

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 90 days of issuance, except for certain well established customers, where the credit terms are ranging from 120 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management.

11. Trade Payables

30 June	31 December
2001	2000
Unaudited	Audited
HK\$'000	HK\$'000

Ageing analysis of trade payables was as follows:

Less than 3 months	16,597	20,961
4 — 6 months	10,526	14,638
7 — 12 months	9,359	6,508
Over 1 year	5,676	3,105
	<hr/>	<hr/>
Accounts payables	42,158	45,212
	<hr/>	<hr/>
Bills payables	9,667	11,067
	<hr/>	<hr/>
	51,825	56,279
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12. Reserves

	Share premium account Unaudited HK\$'000	Contributed surplus Unaudited HK\$'000	Capital reserve Unaudited HK\$'000	Revaluation reserve Unaudited HK\$'000	Exchange fluctuation reserve Unaudited HK\$'000	PRC reserve funds Unaudited HK\$'000	Retained profits/ (accumulated losses) Unaudited HK\$'000	Total Unaudited HK\$'000
At 1 January 2001	72,641	2,800	(86)	2,008	156	785	78,771	157,075
Exchange realignment	—	—	—	—	69	—	—	69
Net profit for the period	—	—	—	—	—	—	1,714	1,714
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2001	72,641	2,800	(86)	2,008	225	785	80,485	158,858
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13. Commitments

(i) Capital commitments:

	30 June 2001 Unaudited HK\$'000	31 December 2000 Audited HK\$'000
Capital contributions to jointly controlled entities: Contracted, but not provided for	<u>12,505</u>	<u>26,777</u>

(ii) Annual commitments payable under non-cancellable operating leases in respect of land and buildings:

	30 June 2001 Unaudited HK\$'000	31 December 2000 Audited HK\$'000
Land and buildings expiring:		
Within one year	18	45
In second to fifth years, inclusive	3,188	3,188
After five years	<u>6,714</u>	<u>6,714</u>
	<u>9,920</u>	<u>9,947</u>

Other annual commitments payable under non-cancellable operating leases:

	30 June 2001 Unaudited HK\$'000	31 December 2000 Audited HK\$'000
Expiring:		
Within one year	51	51
In second to fifth years, inclusive	<u>234</u>	<u>234</u>
	<u>285</u>	<u>285</u>
(iii) Forward foreign exchange contracts	<u>732</u>	<u>—</u>

14. Contingent Liabilities

At the balance sheet date, the Group had 22 (31 December 2000: 20) employees who had completed the required number of years of service under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong, to be eligible for long service payments on termination of their employment. The Group is liable to make such payments only where the termination of employment meets the circumstances specified in the Employment Ordinance. If the termination of employment of all of these employees met the circumstances set out in the Employment Ordinance, the Group's liability as at 30 June 2001 would be approximately HK\$2,182,000 (31 December 2000: HK\$2,175,000). No provision has been made for this amount in the financial statements.

At the balance sheet date, the Company had guarantees amounting to HK\$187.3 million (31 December 2000: HK\$193.3 million) to banks for facilities granted to its subsidiaries, approximately HK\$105.3 million (31 December 2000: HK\$100.3 million) of which was utilised as at the balance sheet date.

15. Related Party Transactions

During the period, the Group had the following material transactions with its jointly controlled entities:

	For the six months ended	
	30 June	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Purchases of finished goods	8,365	16,789
Sales of finished goods	<u>7</u>	<u>5</u>

The above sales transactions were carried out in accordance with the Group's pricing policy, which is calculated on a cost-plus basis. The above purchases transactions are carried out in accordance with bases mutually agreed by the Group and the jointly controlled entities.

16. Comparative Figures

Certain comparative amounts have been reclassified to conform with the current period's presentation.

17. Approval Of The Interim Financial Report

These condensed interim financial statements were approved by the board of directors on 21 September 2001.

BUSINESS REVIEW

The core business of the Group, the manufacturing and trading of electronic components, accounted for approximately 97% of total turnover for the six months ended 30 June 2001 (2000: 85%). Despite the global economic climate has been affected by the slow down of U.S. economy, the Group recorded a turnover of approximately HK\$141 million for the six months ended 30 June 2001 (2000: HK\$165 million), of which steady turnover was maintained as compared with the corresponding period of previous year. Attributable to the tightened control in manufacturing cost, the Group recorded an increase in the gross profit margin by 2.4% to 28.1%.

The Group has strived to expand the overseas markets so as to enhance global market share and emboldening results were recorded. Attributable to the successful market diversification, turnover generated from the sales in overseas markets surged by approximately 26.6% to approximately 33%, of which the sales to Japanese multinational corporations in Malaysia accounted for almost 60%.

In light of the unfavourable atmosphere in e-business, the operation of a B2B marketplace subsidiary, TradeUNIT Limited has been scaled down since February 2001. During the period under review, expenses of about HK\$5 million were incurred in restructuring the B2B marketplace. The Board has decided that no material expenses shall be emerged for the B2B marketplace.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Capital Structure and Financial Resources

Notwithstanding the expenses of HK\$5 million for the restructuring of TradeUNIT during the period under review, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) slightly decreased by approximately 4.2% to HK\$13.40 million (30 June 2000: HK\$13.98 million). As a result of an increase in the machinery investments, depreciation charges increased from HK\$3.5 million to HK\$7 million as compared with the corresponding period in 2000.

The daily operation of the Group was financed by the profit generated and short term banking facilities such as factoring, overdraft and trust receipt loans. Purchase of machineries was supported by internal resource and also by leasing facilities which would become due within 36 months from the respective commencement date of such facilities.

As at 30 June 2001, gearing ratio, calculated as a percentage of long-term debt to equity, was 7% (30 June 2000: 4.8%). No new share had been issued by the Company during the period under review.

The Group is conservative towards foreign currencies exposure and thus, foreign exchange contracts are utilized to hedge the exchange risk.

Segmental Information

Geographically, the Group has diversified its market and for the six months ended 30 June 2001, turnover generated from the sales in oversea markets accounted for approximately 33% of the Group's total turnover. Aiming at growing to be a global supplier in the capacitors industry, the Group endeavours its effort to expand the oversea markets and it is anticipated that this segment will contribute a promising result in future.

Sales from the Group's Taiwan office accounted for approximately 3% of the turnover for the six months ended 30 June 2001. This was attributable to the economic downturn in Taiwan and the fluctuation of the New Taiwan Dollars. Under the circumstances, the management is cautious and prudent in developing the Taiwan market. However, Taiwan still remains as an important strategic market for the Group and turnover is expected to be increased should the market conditions become stable.

Employees

As at balance sheet date, the Group hired approximately 70 employees in Hong Kong. Salaries, bonus and benefits were decided in accordance with the market condition and the performance of the respective employees.

Future Plans for Material Investments or Capital Assets

The Group has completed the additional machinery investment in Wuxi Heli Electronic Company Ltd. ("WHE") in late August 2001. Shareholding in WHE held by the Group therefore increased from approximately 48.39% to approximately 70.64%, making WHE a subsidiary of the Group. It is also the Group's intention to increase the shareholding of WHE should opportunity arises. WHE is expected to be the Group's flagship in cultivating the Eastern China market.

Taking the current low interest rate into account, the Group considers amplifying the production capacity in its wholly owned subsidiary, Samxon Electronics (Dongguan) Company Limited, by means of additional injection in machineries. In respect to other investments with minority interests being held, the Group would dispose a certain percentage of such investment on a gradual basis but to focus on its core business, the trading and manufacturing of aluminium electrolytic capacitors as well as the related research and developments.

By Order of the Board
Chan Ho Sing
Chairman

Hong Kong, 21 September 2001

SUPPLEMENTARY INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2001, the interests of the directors and their respective associates in the issued share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) were as follows:

Name of Director		Nature of interest	Number of shares held	Number of share options
Chan Ho Sing	<i>Note 1</i>	Family	179,514,000	—
Chan Ho Sing	<i>Note 2</i>	Family	—	5,500,000
Chan Ho Sing		Personal	—	17,500,000
Hui Sing Cheung, Dave		Personal	300,000	2,000,000

Note 1: These shares are owned by Man Yue Holdings Inc., a company incorporated in the Bahamas, the entire issued share capital of which is ultimately beneficially owned by the family trust of Chan Ho Sing.

Note 2: The family interests represent share options held by Kee Chor Lin, the spouse of Chan Ho Sing.

In addition to the above, Chan Ho Sing has non-beneficial person equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirement.

Save as disclosed above and as disclosed under the heading “Directors’ rights to acquire shares”, none of the directors or their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance, as at 30 June 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company’s share option scheme, the Company granted share options in favour of the following directors to subscribe for ordinary shares in the Company’s share capital, the details of which are as follows:

Name of directors	<i>Note</i>	Number of share options as at 31 December 2000	Number of share options exercised during the period	Number of share options outstanding at end of period	Exercise period of share options	Exercise price of share options
Chan Ho Sing	<i>1</i>	11,000,000	—	11,000,000	13 February 1997 to 12 February 2007	HK\$0.7856
Chan Ho Sing		12,000,000	—	12,000,000	5 June 2000 to 12 February 2007	HK\$0.4320
Hui Sing Cheung, Dave		2,000,000	—	2,000,000	21 January 2000 to 12 February 2007	HK\$0.3192

Note 1: The interests disclosed under Chan Ho Sing included 5,500,000 share options held by Kee Chor Lin, the spouse of Chan Ho Sing.

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or its associated corporations granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 16(1) of the SDI Ordinance.

Name of Shareholder	Number of shares held	Interest %
Man Yue Holdings Inc.	179,514,000	48
Chan Ho Sing	179,514,000	48
Li Tung Lok	47,760,000	13

Note: Man Yue Holdings Inc. is ultimately beneficially owned by the family trust of Chan Ho Sing. The interests disclosed under Chan Ho Sing represent his deemed interests in the shares of the Company by virtue of his interests in Man Yue Holdings Inc. and have been disclosed under the heading “Directors’ interests in shares” above.

AUDIT COMMITTEE

The Audit Committee, comprising two independent non-executive directors was formed in 1999 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2001.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The directors are not aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, for any part of the accounting period covered by the interim report.