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MAN YUE TECHNOLOGY HOLDINGS LIMITED
萬裕科技集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 00894)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2019	2018	
	HK$'000	HK$'000	Change
Revenue	**1,292,160**	1,361,718	-5.1%
Gross profit	**245,293**	274,126	-10.5%
EBITDA	**161,851**	146,667	+10.4%
Profit attributable to shareholders	**31,578**	43,046	-26.6%
Earnings per share	**6.64 HK cents**	9.05 HK cents	-26.6%

FINAL RESULTS

The board of directors (the "Board") of Man Yue Technology Holdings Limited (the "Company") is pleased to submit the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 (the "Year").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019** **HK$'000**	2018 (Note) HK$'000
Revenue	3 & 4	**1,292,160**	1,361,718
Cost of sales		**(1,046,867)**	(1,087,592)
Gross profit		**245,293**	274,126
Other income	5	**10,275**	7,544
Other net gain/(loss)	6	**17,258**	(2,079)
Selling and distribution costs		**(66,316)**	(63,540)
Administrative expenses		**(154,249)**	(161,184)
Impairment losses on trade and other receivables		**(3,900)**	(3,010)
Operating profit	7	**48,361**	51,857
Changes in fair values of derivative financial instruments	8	**(98)**	413
Finance costs	9	**(41,244)**	(32,181)
Finance income	10	**5,199**	4,686
Share of results of joint ventures		**30,950**	31,891
Profit before tax		**43,168**	56,666
Income tax	11	**(16,692)**	(15,990)
Profit for the year		**26,476**	40,676
Profit/(loss) attributable to:			
Equity holders of the Company		**31,578**	43,046
Non-controlling interests		**(5,102)**	(2,370)
Profit for the year		**26,476**	40,676
Earnings per share attributable to equity holders of the Company:	12		
Basic		**6.64 HK cents**	9.05 HK cents
Diluted		**6.64 HK cents**	9.05 HK cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018 (Note)
	HK$'000	HK$'000
Profit for the year	**26,476**	40,676
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Assets revaluation surplus, net of tax	**2,499**	20,318
Remeasurement of net defined benefit assets, net of tax	**–**	(268)
Item that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(55,190)**	(100,809)
Other comprehensive income for the year, net of tax	**(52,691)**	(80,759)
Total comprehensive income for the year	**(26,215)**	(40,083)
Total comprehensive income attributable to:		
Equity holders of the Company	**(21,066)**	(35,856)
Non-controlling interests	**(5,149)**	(4,227)
	(26,215)	(40,083)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	**2019**	2018 (Note)
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment		**666,340**	575,604
Prepaid land premium		**59,084**	61,858
Investment properties	14	**158,256**	147,778
Intangible assets		**1,521**	1,783
Investments in joint ventures		**167,215**	140,474
Prepayments on purchases of property, plant and equipment		**74,521**	99,540
Financial assets at fair value through profit or loss		**24,433**	23,936
Loans to a joint venture		**133,908**	118,501
Other prepayments		**5,430**	5,530
Deferred tax assets		**10,299**	14,173
Total non-current assets		**1,301,007**	1,189,177
Current assets			
Inventories		**595,600**	608,425
Trade receivables	15	**657,884**	585,226
Prepayments, deposits and other receivables	15	**106,303**	108,342
Due from joint ventures		**29,884**	28,823
Financial assets at fair value through profit or loss		**17**	20
Net defined benefit retirement assets		**701**	689
Tax recoverable		**1,701**	1,633
Cash and cash equivalents		**225,715**	202,338
Total current assets		**1,617,805**	1,535,496
Current liabilities			
Trade and bills payables	16	**254,770**	201,160
Other payables and accrued liabilities and contract liabilities		**105,404**	106,629
Due to joint ventures		**36,822**	43,781
Derivative financial instruments		**245**	1,989
Tax payable		**11,989**	8,989
Bank loans		**975,677**	800,019
Dividends payable		**43**	43
Lease liabilities		**17,091**	–
Total current liabilities		**1,402,041**	1,162,610
Net current assets		**215,764**	372,886
Total assets less current liabilities		**1,516,771**	1,562,063

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

	2019	2018
		(Note)
	HK$'000	HK$'000
Non-current liabilities		
Bank loans	–	89,336
Derivative financial instruments	–	284
Provision for long service payments	**77**	77
Deferred tax liabilities	**43,817**	39,614
Deferred income	**9,706**	10,224
Lease liabilities	**66,858**	–
Total non-current liabilities	**120,458**	139,535
Net assets	**1,396,313**	1,422,528
Capital and reserves		
Share capital	**47,555**	47,555
Reserves	**1,312,030**	1,333,096
Equity attributable to equity holders of the Company	**1,359,585**	1,380,651
Non-controlling interests	**36,728**	41,877
Total equity	**1,396,313**	1,422,528

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

NOTES TO THE FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The financial results set out in this announcement do not constitute the Group's consolidated financial statements for the Year, but are derived from those consolidated financial statements.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties, buildings, defined benefit retirement assets, financial assets and financial liabilities at fair value through profit or loss and derivative financial instruments, which have been measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16 *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16 *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, and the related interpretations, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives*, and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and there was no impact to the opening balance of equity at 1 January 2019 upon initial application of HKFRS 16. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.67%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 HK$'000
Operating lease commitments at 31 December 2018	24,238
Less: commitments relating to leases exempt from capitalisation:	
Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(8,282)
Leases of low-value assets	(14)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	62,326
	78,268
Less: total future interest expenses	(8,098)
Total lease liabilities recognised at 1 January 2019	70,170

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 HK$'000	Capitalisation of operating lease contracts HK$'000	**Carrying amount at 1 January 2019** **HK$'000**
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	575,604	70,170	645,774
Total non-current assets	**1,189,177**	**70,170**	**1,259,347**
Lease liabilities (current)	–	15,308	15,308
Total current liabilities	**1,162,610**	**15,308**	**1,177,918**
Net current assets	**372,886**	**(15,308)**	**357,578**
Total assets less current liabilities	**1,562,063**	**54,862**	**1,616,925**
Lease liabilities (non-current)	–	54,862	54,862
Total non-current liabilities	**139,535**	**54,862**	**194,397**
Net assets	**1,422,528**	**–**	**1,422,528**

(c) Impact on the financial result and segment results of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported operating profit in the Group's statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

The following table gives an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and segment results for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A) HK$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (C) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B+C) HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Financial result for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Operating profit	**48,361**	**19,531**	**(21,974)**	**45,918**	**51,857**
Finance costs	(41,244)	4,391	–	(36,853)	(32,181)
Profit before tax	**43,168**	**23,922**	**(21,974)**	**45,116**	**56,666**
Profit for the year	**26,476**	**23,922**	**(21,974)**	**28,424**	**40,676**
Reportable segment profit for the year ended 31 December 2019 impacted by the adoption of HKFRS 16	**26,476**	**23,922**	**(21,974)**	**28,424**	**40,676**

3 SEGMENT INFORMATION

As substantial business operations of the Group relate to the manufacturing, selling and distribution of electronic components, the Group's executive team, which is considered as the Chief Operating Decision Maker (the "CODM", comprising all Executive Directors and being headed by the Managing Director of the Company), makes decisions about resources allocation and performance assessment based on the entity-wide financial information. Accordingly, there is only one single reportable segment for the Group. Set out below is a summary list of key performance indicators reviewed by the CODM on a regular basis:

	2019	2018
		(Note)
	HK$'000	HK$'000
Revenue	**1,292,160**	1,361,718
Gross profit	**245,293**	274,126
Gross profit margin (%)	**19.0%**	20.1%
EBITDA [1]	**161,851**	146,667
EBITDA margin (%)	**12.5%**	10.8%
Operating expenses [2]	**224,465**	227,734
Operating expenses/revenue (%)	**17.4%**	16.7%
Profit for the year	**26,476**	40,676
Net profit margin (%)	**2.0%**	3.0%

Notes:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

1 EBITDA represents the earnings before interest expenses, tax, depreciation and amortisation.

2 Operating expenses represent the expenditure that the Group incurs as a result of performing its normal business operations, including selling and distribution costs, administrative expenses and impairment losses on trade and other receivables.

The following tables present the revenue from external customers and specified non-current assets of the Group by geographical locations:

	2019	2018
	HK$'000	HK$'000
Revenue from external customers by geographical locations		
Hong Kong	**82,176**	70,544
Mainland China	**892,892**	938,762
Taiwan	**190,758**	207,727
Southeast Asia	**35,807**	17,695
Korea	**2,528**	3,027
United States	**15,225**	38,209
Europe	**55,477**	59,160
Other countries	**17,297**	26,594
	1,292,160	1,361,718

	At 31 December	
	2019	2018
		(Note)
	HK$'000	HK$'000
Non-current assets by physical locations (excluding deferred tax assets and financial assets at fair value through profit or loss)		
Hong Kong	**114,790**	75,474
Mainland China	**1,151,251**	1,075,323
Other countries	**234**	271
	1,266,275	1,151,068

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

4 REVENUE

Revenue represents the net value of goods sold, after allowances for trade returns and discounts.

Disaggregation of revenue from contracts with customers by major product lines is as follows:

	2019	2018
	HK$'000	HK$'000
Revenue from contracts with customers with the scope of HKFRS 15		
Manufacturing and trading of electronic components	**1,290,400**	1,361,270
Trading of raw materials	**1,760**	448
	1,292,160	1,361,718

5 OTHER INCOME

	2019	2018
	HK$'000	HK$'000
Scrap sales	**631**	1,432
Subsidies from the Central People's Government	**4,961**	983
Rental income generated from investment properties	**2,406**	2,346
(Loss)/gain on disposal of property, plant and equipment	**(61)**	6
Others	**2,338**	2,777
	10,275	7,544

6 OTHER NET GAIN/(LOSS)

	2019	2018
	HK$'000	HK$'000
Dividend income	**2**	867
Fair value gain on investment properties	**12,245**	3,403
Net foreign exchange gain/(loss)	**2,183**	(7,348)
Fair value gain on financial assets at fair value through profit or loss	**697**	999
Write-back of other payables	**2,131**	–
	17,258	(2,079)

7 OPERATING PROFIT

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

	2019	2018
		(Note)
	HK$'000	HK$'000
Depreciation charge:		
Owned property, plant and equipment	**56,173**	55,907
Right-of-use assets	**19,531**	–
Amortisation of prepaid land premium	**1,446**	1,505
Amortisation of intangible assets	**289**	408
Write-down of inventories	**8,843**	4,614
Reversal of write-down of inventories	**(169)**	(3,037)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

8 CHANGES IN FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	2019	2018
	HK$'000	HK$'000
Fair value (loss)/gain on interest rate swaps	**(98)**	413

At 31 December 2019, the Group held an interest rate swap contract entered into in 2010 for a contracted period of ten years. The contract was entered into to stabilise the Group's overall interest expense for the periods covered by these contracts.

9 FINANCE COSTS

	2019	2018
		(Note)
	HK$'000	HK$'000
Interest expense on bank loans	**37,155**	31,107
Interest expense on lease liabilities	**4,391**	–
Others	**927**	1,804
	42,473	32,911
Less: interest expenses capitalised into construction in progress *	**(1,229)**	(730)
	41,244	32,181

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

* The borrowing costs have been capitalised at a rate of 3.9% per annum (2018: 3.5%).

10 FINANCE INCOME

	2019	2018
	HK$'000	HK$'000
Interest income from loan to a joint venture	**4,636**	4,213
Interest income from time deposits and bank balances	**563**	473
	5,199	4,686

11 INCOME TAX

	2019	2018
	HK$'000	HK$'000
Current tax:		
Hong Kong	**–**	18
Outside Hong Kong	**11,781**	13,524
Over-provision in prior years	**(3,620)**	(125)
	8,161	13,417
Deferred tax	**8,531**	2,573
Total tax charge for the year	**16,692**	15,990

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) 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.

In accordance with the relevant tax rules and regulations in Mainland China, two (2018: two) of the Group's subsidiaries in Mainland China enjoys a preferential tax rate of 15% (2018: 15%). Other subsidiaries of the Group in Mainland China are subject to income taxes at a statutory rate of 25% (2018: 25%).

Taxation for subsidiaries outside Hong Kong and Mainland China is charged at the appropriate current rates of taxation ruling in the relevant countries.

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Year attributable to equity holders of the Company of HK$31,578,000 (2018: HK$43,046,000), and the weighted average number of 475,548,000 (2018: 475,548,000) ordinary shares in issue during the Year.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The diluted earnings per share is the same as the basic earnings per share as the Company's share options outstanding during the Year and the year ended 31 December 2018 were anti-dilutive ordinary shares.

13 DIVIDENDS

The Board did not recommend final dividend for the Year (2018: Nil).

14 INVESTMENT PROPERTIES

	2019	2018
	HK$'000	HK$'000
At fair value		
At 1 January	**147,778**	136,522
Transfer from prepaid land premium	**–**	11,437
Gain on fair value adjustment	**12,245**	3,403
Exchange realignment	**(1,767)**	(3,584)
At 31 December	**158,256**	147,778

15 TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Trade receivables	**697,380**	618,631
Loss allowance	**(39,496)**	(33,405)
	657,884	585,226
Prepayments, deposits and other receivables	**106,303**	108,342
	764,187	693,568

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 days, extending up to 150 days for major customers. 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 reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. Credit risk was hedged mainly through credit insurance policies.

The Group categories its trade receivables based on the ageing. Future cash flow for each group of trade receivables are estimated on the basis of historical loss experience, adjusted to effects of current conditions of each customer as well as forward looking information. For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies, they are assessed individually for impairment.

An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	HK$'000	HK$'000
1-3 months	**504,766**	413,578
4-6 months	**127,966**	149,402
7-12 months	**16,350**	12,926
Over 1 year	**8,802**	9,320
	657,884	585,226

16 TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	HK$'000	HK$'000
Trade payables:		
1-3 months	**218,866**	117,733
4-6 months	**10,564**	66,993
7-12 months	**11,897**	5,715
Over 1 year	**5,214**	5,369
	246,541	195,810
Bills payables	**8,229**	5,350
	254,770	201,160

17 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the outbreak of novel coronavirus (COVID-19) in January 2020 has caused disruptions to many industries, including electronics manufacturing industry, in China as well as other countries. These disruptions have inevitably posed a significant threat to the global economy in 2020. Despite the challenges, governments and international organizations have implemented a series of measures to contain the epidemic. The time duration and scope of these disruptions cannot be accurately assessed at this point in time. Given the dynamic nature of these circumstances, the financial impact will be reflected in the Group's subsequent financial statements. The Group will closely monitor the development of the epidemic and assess its impact on its operations.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

In 2019, the shadow of the trade war between China and the United States has gradually subsided. Despite the shadow in the macro environment causing negative impact on consumers' sentiment and in turn, undermining their orders especially in the first half of 2019, the Group stood guard against these challenges and recovered a lot of lost ground in revenue during the second half of the year. This was mainly attributable to our long-term cultivation in business and strong capability in research and development ("R&D") in product innovation, as well as our strategic focus towards the development of diversified market sectors and dominant players in the market.

As a major global supplier of Aluminum Electric Capacitors ("E-Caps") and Conductive Polymer Aluminum Solid Capacitors ("Polymer Caps"), the Group has put a lot of effort in providing visionary and quality products to the world's leading companies in various electronic sectors. Our flagship brands – SAMXON® and X-CON® still hold a very strong market position in multiple specific segments. With its high technology positioning, the Group has been able to seize a rigid demand in the electronics industry for its products. The strategic layout from the past years in penetrating into the global supply chain of emerging market sectors and leading customers in the industries began to reveal results. Our continuous business and product development in artificial intelligence (AI), Internet of Things (IoT), cloud computing, blockchain, new energy vehicles, consumer electronics as well as 5G mobile networks has helped to open up new ventures. These solid foundations not only safeguard the Group from the global economic fluctuations, but also acquire a stronger and more stable profitability in the upcoming future.

We believe that one of the determinants for the outstanding performance is the technology leadership. The Group has put a lot of resources in manpower and R&D on new products and won quality recognition from international leading brands. Our determination in the R&D of material science, production technology and innovation has enriched the Group with an establishment of a multi-product platform with new and high technology products such as Multi-layer Polymer Capacitors ("MLPC"), Electric Double Layer Capacitors ("EDLC") and EDLC modules. This allows us to capture the constantly evolving electronics' demand, whilst differentiating us from market competitors.

Unfortunately, the recent outbreak of novel coronavirus (COVID-19) has brought uncertainties to the global economy as well as the Group's operating environment in China. As far as the Group's businesses are concerned, the outbreak has so far caused operational delays and the Group has put in place various measures to alleviate the negative impact from this outbreak.

FINANCIAL REVIEW

Shadowed by the impact of trade dispute between China and the United States in 2019 which led to the increase in trade tariff, the consumers' sentiment as well as the overall demand in electronics market had been undermined, especially in the first half of 2019. Despite the adverse changes in the macro environment looming in the first half of 2019, the Group managed to have a slight decrease in revenue for the Year by 5.1% to HK$1,292,160,000 (2018: HK$1,361,718,000) as compared with that of last year. This modest decline in revenue was mainly attributable to the Group's business strategy of focusing on the development of a multi-product platform with high technology products as well as a wider spectrum of leading customers in various emerging and prosperous industries.

Gross profit for the Year also dropped by 10.5% to HK$245,293,000 (2018: HK$ HK$274,126,000) whilst the gross profit margin also decreased to 19.0% from 20.1% of last year. Nevertheless, the Group's EBITDA recorded an increase by 10.4% to HK$161,851,000 (2018: HK$146,667,000), representing an EBITDA margin of 12.5% (2018: 10.8%) which was mainly caused by the first adoption of HKFRS 16 for the Year.

Following the decrease in gross profit, the Group's profit attributable to shareholders for the Year also declined to HK$31,578,000, as compared to HK$43,046,000 in previous year. The Board did not recommend final dividend for the Year (2018: Nil).

BUSINESS REVIEW

Market Overview

Due to the cloud of the trade disputes between China and the United States in 2019, market players tended to remain cautious and prudent on the potential outcome and economic impact on global trade and supply chain and in turn, slowed down the global business activities. This had adversely and inevitably worsened the confidence and sentiment of customers in various end-markets. However, despite the change of consumption behavior, China remained as a major and strong manufacturing country for electronic applications and continued to take large proportion in the export and played an important role in the global trade. According to the Market Analysis of Electronic Manufacturing Services Industry in China 2016-2021 research, the proportion of China's electronic manufacturing services (EMS) market will continue to grow faster than that of the overall global market, with gross annual growth rate of 10% and in 2023, the value of China's market is expected to break USD500 billion. As such, China's electronic products will remain a stable rising trend for the next few years.

In the second half of 2019, the uncertain and fluctuating trade negotiations gradually evolved into constructive discussions, and finally reached the signing of first stage agreement in early 2020. Along with the becoming more positive market sentiment towards the end of 2019, the electronics market had regained its momentum, mainly resulted from the surging determination on high-technological development and 5G-related applications for most of the countries. As a result, the revenue of the Group in the second half of 2019 was performing much better than that of its first half.

Operation Review

Major contributing markets of the Group's revenue were inevitably impacted by the political and economic uncertainties caused by the Sino-US trade disputes. Consequently, the Group's revenue for the Year recorded a year-on-year decrease of 5.1% as a result of more conservative orders from our customers in the first half of the year. Nevertheless, benefitting from the Group's diversified customer base as well as product portfolio, the decline in revenue stemmed from this trade conflict has been alleviated to a large extent. The Group's renowned multi-product platform, including but not limited to E-Caps, Polymer Caps, MLPC, EDLC and EDLC modules, continued to support a wide range of electronic products applications from home appliances to specialized high-tech products for leading brands' customers.

Facing the challenges of international trade, the Group has not slowed down its R&D efforts in the advancement of its technological edge and production competence. During the Year, the Group has remained its sincere commitment in reinforcing the technological strength as well as production lines' automation with an aim to enhance production capacity, product quality and cost effectiveness. The Group has been able to stabilize its strong foothold and attain a greater market share in the fast-growing emerging markets of 5G mobile network, artificial intelligence (AI), blockchain, as well as cloud computing. In particular, domestic customers have also begun to consider the Group as the primary choice for their local sourcing.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's cash and cash equivalents amounted to HK$225,715,000 (2018: HK$202,338,000), most of which were either denominated in United States dollars, Renminbi or Hong Kong dollars. Total outstanding bank borrowings of the Group amounted to HK$975,677,000 (2018: HK$889,355,000) which comprised mainly bank loans and trade finance facilities.

As at 31 December 2019, the net current assets of the Group were HK$215,764,000 (2018: HK$372,886,000), which comprised current assets of HK$1,617,805,000 (2018: HK$1,535,496,000) and current liabilities of HK$1,402,041,000 (2018: HK$1,162,610,000), representing a current ratio of 1.15 (2018: 1.32).

The Group's financial statements are presented in Hong Kong dollars. However, most of the Group's transactions were conducted in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. The Group is aware of the potential foreign exchange currency risk that may arise from the fluctuation of exchange rates between Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. The Group will closely monitor its overall foreign exchange exposure with a view to safeguarding the Group from exchange rate risks.

OUTLOOK AND PROSPECTS

Indisputably high-tech electronics will continue to be a major global trend, which will stimulate new applications and new product launches. The Group strives to leverage on its shrewd market acumen, outstanding technical know-how, extensive industry experience and long term partnership with internationally renowned electronic products' brands to capture new business opportunities. With the signing of first stage agreement in trade negotiations between China and the United States in early 2020, the electronics market began to show signs of recovery. As a result, the Group remains cautiously optimistic about its long-term business development and will continue to be prudent towards formulation and implementation of corporate strategies to provide strong support for the stable growth of our business in the forthcoming future.

However, the recent outbreak of novel coronavirus (COVID-19) epidemic since late January 2020 has constituted fluctuations in the global demand of different markets and customers. As such, the degree of impact of this pandemic to different markets and customers may be varied and cannot be predicted at this stage.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the Group employed 47 staff in Hong Kong (2018: 54) and employed a total work force of 2,610 (2018: 3,011) inclusive of all staff in Mainland China and overseas offices. The Group's remuneration policy is built on the principle of equitability with incentive-based, motivating, performance oriented and market-competitive remuneration packages for its employees. Remuneration packages are reviewed on a regular basis. Apart from salary, other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has adopted the code provisions as its own code of corporate governance practices throughout the Year with the exception of the following deviation:

Pursuant to Code Provision A.4.1, non-executive directors and independent non-executive directors should be appointed for a specific term. Currently, all the Independent Non-executive Directors of the Company are not appointed for a specific term but are subject to the requirement of retirement by rotation at the annual general meeting of the Company under Bye-law 87 of the Bye-laws of the Company.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that corporate governance practices of the Company were in line with the code provisions as contained in the Corporate Governance Code throughout the Year.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct regulating Directors' dealings in securities of the Company. After having made specific enquiries by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the Year.

AUDIT COMMITTEE AND SCOPE OF WORK OF KPMG

The final results of the Company for the year ended 31 December 2019 have been reviewed by the Audit Committee of the Company. The financial figures in this announcement of the Group's results for the year ended 31 December 2019 have been compared by the Group's auditor, KPMG, to the amounts set out in the Group's consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with *Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements* or *Hong Kong Standards on Assurance Engagements* issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on this announcement.

FINAL DIVIDEND

The Board did not recommend final dividend for the Year (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15 May 2020 to Thursday, 21 May 2020, both days inclusive, during which period no transfer of shares will be registered for the purpose of determining shareholders' entitlement to attend and vote at the 2020 annual general meeting of the Company. In order to be eligible to attend and vote at the 2020 annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged for registration with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 14 May 2020.

PUBLICATION OF 2019 FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.manyue.com).

The annual report of the Company containing all the information, as required by the Listing Rules, will be dispatched to shareholders and published on the websites of HKEXnews and the Company on or before Wednesday, 29 April 2020.

APPRECIATION

The Board would like to take this opportunity to express their sincere gratitude to all our employees for their loyalty and dedication and for the continuing support from our customers, suppliers, banks and shareholders.

By Order of the Board
Man Yue Technology Holdings Limited
Kee Chor Lin
Chairman

Hong Kong, 30 March 2020

As at the date of this announcement, the Executive Directors of the Company are Ms Kee Chor Lin, Mr Chan Yu Ching, Eugene and Mr Chan Tat Cheong, Alan and the Independent Non-executive Directors of the Company are Dr Li Sau Hung, Eddy, Mr Lo Kwok Kwei, David and Mr Mar, Selwyn.