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 2017

RESULTS HIGHLIGHTS

- Revenue increased by 29.3% to HK$1,275,923,000 for the Year, as compared with HK$987,027,000 for last year
- Gross profit margin significantly improved to 21.9% for the Year, as compared with 16.6% for last year
- EBITDA increased to HK$152,276,000, representing an EBITDA margin of 11.9% for the Year, as compared with 10.3% for last year
- Profit for the Year was HK$45,205,000, as compared with a loss of HK$13,102,000 for last year

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 2017 (the "Year").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	3 & 4	**1,275,923**	987,027
Cost of sales		**(995,877)**	(823,475)
Gross profit		**280,046**	163,552
Other income	4	**9,771**	13,928
Other net (losses)/gains	4	**(49)**	29,630
Selling and distribution costs		**(69,563)**	(51,108)
Administrative expenses		**(143,593)**	(133,744)
Reversal of/(provision for) impairment loss on trade and other receivables		**943**	(9,979)
Operating profit	5	**77,555**	12,279
Changes in fair values of derivative financial instruments	6	**(2,898)**	2,198
Finance costs	7	**(28,582)**	(29,897)
Finance income	8	**4,667**	4,750
Share of results of joint ventures		**11,457**	8,856
Share of results of an associate		**–**	(2,646)
Profit/(loss) before tax		**62,199**	(4,460)
Income tax	9	**(16,994)**	(8,642)
Profit/(loss) for the year		**45,205**	(13,102)
Profit/(loss) attributable to:			
– Equity holders of the Company		**48,177**	(14,905)
– Non-controlling interests		**(2,972)**	1,803
Profit/(loss) for the year		**45,205**	(13,102)
Earnings/(loss) per share attributable to equity holders of the Company	10		
– Basic		**10.13 HK cents**	(3.13) HK cents
– Diluted		**10.13 HK cents**	(3.13) HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) for the year	**45,205**	(13,102)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
– Assets revaluation surplus/(deficit), net of tax	**4,605**	(1,386)
– Remeasurement of net defined benefit assets, net of tax	**6**	771
Items that may be reclassified subsequently to profit or loss		
– Changes in fair value of available-for-sale investments	**–**	254
– Currency translation differences	**133,783**	(135,847)
Other comprehensive income for the year, net of tax	**138,394**	(136,208)
Total comprehensive income for the year	**183,599**	(149,310)
Total comprehensive income attributable to:		
– Equity holders of the Company	**181,811**	(149,095)
– Non-controlling interests	**1,788**	(215)
	183,599	(149,310)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**602,264**	625,220
Prepaid land premium		**68,718**	65,699
Investment properties	*12*	**136,522**	150,396
Intangible assets		**2,254**	2,401
Investments in joint ventures		**116,371**	96,461
Prepayments on purchase of property, plant and equipment		**66,428**	56,570
Financial assets at fair value through profit or loss		**23,374**	14,462
Loans to a joint venture		**108,903**	100,077
Other prepayments		**965**	1,768
Deferred tax assets		**16,463**	16,400
Total non-current assets		**1,142,262**	1,129,454
Current assets			
Inventories		**535,553**	456,560
Trade receivables	*13*	**640,594**	480,920
Prepayments, deposits and other receivables		**96,894**	86,715
Due from joint ventures		**22,609**	26,782
Financial assets at fair value through profit or loss		**36**	45
Net defined benefit retirement assets		**971**	879
Tax recoverable		**1,466**	2,921
Time deposits with banks		**–**	7,775
Cash and cash equivalents		**312,702**	283,116
Total current assets		**1,610,825**	1,345,713
Current liabilities			
Trade and bills payables	*14*	**225,069**	183,419
Other payables and accrued liabilities		**105,320**	93,429
Due to joint ventures		**39,465**	19,751
Derivative financial instruments		**3,680**	3,875
Tax payable		**8,631**	5,333
Bank loans	*15*	**718,795**	559,815
Dividends payable		**43**	43
Total current liabilities		**1,101,003**	865,665
Net current assets		**509,822**	480,048
Total assets less current liabilities		**1,652,084**	1,609,502

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	**2017** **HK$'000**	2016 *HK$'000*
Total assets less current liabilities		**1,652,084**	1,609,502
Non-current liabilities			
Bank loans	*15*	**128,284**	249,933
Derivative financial instruments		**2,476**	4,119
Provision for long service payments		**77**	188
Deferred tax liabilities		**34,677**	32,084
Deferred income		**11,031**	10,603
Total non-current liabilities		**176,545**	296,927
Net assets		**1,475,539**	1,312,575
Capital and reserves			
Share capital		**47,555**	47,555
Reserves		**1,368,952**	1,194,855
Equity attributable to equity holders of the Company		**1,416,507**	1,242,410
Non-controlling interests		**59,032**	70,165
Total equity		**1,475,539**	1,312,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

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 land and buildings, investment properties, derivative financial instruments, defined benefit retirement assets and financial assets and financial liabilities at fair value through profit or loss, which have been measured at fair value.

2 CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for early adoption of HKFRS 9 *Financial instruments*.

HKFRS 9 *Financial instruments*

The Group has early adopted HKFRS 9 *Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2017. The requirements of HKFRS 9 represent a significant change from HKAS 39 *Financial instruments: Recognition and Measurement*.

The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of HKFRS 9 are summarised below.

As a result of the adoption of HKFRS 9, the Group adopted consequential amendments to HKAS 1 *Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted consequential amendments to HKFRS 7 *Financial instruments: Disclosures* that are applied to disclosures about 2017 but generally have not been applied to comparative information.

(i) Classification of financial assets and financial liabilities

HKFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under HKFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. HKFRS 9 eliminates the previous HKAS 39 categories of held to maturity, loans and receivables and available for sale. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of HKFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

(ii) Impairment of financial assets

HKFRS 9 replaces the 'incurred loss' model in HKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instrument. Under HKFRS 9, credit losses are recognised earlier than under HKAS 39.

(iii) Transition

The general principle of HKFRS 9 is to apply the standard retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. For the new classification and measurement requirements, the Group has elected for the exception from the requirement to restate comparative information as set out in the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Changes in accounting policies resulting from the adoption of HKFRS 9 (2014) have been applied retrospectively, as described below.

– Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings as at 1 January 2017. Also, the available-for-sale investments revaluation reserve was transferred to retained earnings as a result of adopting HKFRS 9. Accordingly, the information presented for 2016 does not generally reflect the requirements of HKFRS 9 and therefore is not comparable to the information presented for 2017 under HKFRS 9.

– As an exception, the following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  • The determination of the business model within which a financial asset is held.

  • The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

The following table summarises the impact, net of tax, of transition to HKFRS 9 on reserves and retained earnings at 1 January 2017.

	Impact of adopting HKFRS 9 at 1 January 2017 *HK$'000*
Available-for-sale investments revaluation reserve	
Closing balance under HKAS 39 (31 December 2016)	1,879
Reclassification of available-for-sale investments revaluation reserve under HKFRS 9	(1,879)
Opening balance under HKFRS 9 (1 January 2017)	–
Retained earnings	
Closing balance under HKAS 39 (31 December 2016)	792,985
Recognition of expected credit losses under HKFRS 9	(7,714)
Reclassification of available-for-sale investments revaluation reserve under HKFRS 9	1,879
Opening balance under HKFRS 9 (1 January 2017)	787,150

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:

	2017	2016
	HK$'000	*HK$'000*
Revenue	**1,275,923**	987,027
Gross profit	**280,046**	163,552
Gross profit margin *(%)*	**21.9%**	16.6%
EBITDA [(i)]	**152,276**	101,368
EBITDA margin *(%)*	**11.9%**	10.3%
Operating expenses [(ii)]	**212,213**	194,831
Operating expenses/revenue *(%)*	**16.6%**	19.7%
Profit/(loss) for the year	**45,205**	(13,102)
Net profit/(loss) margin *(%)*	**3.5%**	(1.3%)
Total assets	**2,753,087**	2,475,167
Equity attributable to equity holders of the Company	**1,416,507**	1,242,410
Inventories (finished goods only)	**157,081**	164,258
Inventory turnover days (finished goods only)	**58**	73
Trade receivables	**640,594**	480,920
Trade receivables turnover days	**183**	178
Trade and bills payables	**225,069**	183,419
Trade and bills payables turnover days	**82**	81
Total interest-bearing debt	**847,079**	809,748
Cash and cash equivalents	**312,702**	283,116
Time deposits with banks	**–**	7,775
Net debt	**534,377**	518,857
Net gearing ratio *(%)*	**37.7%**	41.8%

Notes:

(i) EBITDA represents the earnings before interest expenses, tax, depreciation and amortisation.

(ii) 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 reversal of/(provision for) impairment loss on trade and other receivables.

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

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Revenue from external customers by geographical locations		
Hong Kong	**83,093**	122,278
Mainland China	**841,756**	582,429
Taiwan	**221,771**	165,676
Southeast Asia	**15,815**	23,590
Korea	**4,398**	4,955
United States	**32,871**	36,149
Europe	**50,284**	34,296
Other countries	**25,935**	17,654
	1,275,923	987,027

	At 31 December	
	2017	2016
	HK$'000	*HK$'000*
Non-current assets by physical locations (excluded deferred tax assets and financial instruments)		
Hong Kong	**75,872**	136,065
Mainland China	**1,026,230**	962,328
Other countries	**323**	199
	1,102,425	1,098,592

4 REVENUE, OTHER INCOME AND OTHER NET (LOSSES)/GAINS

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

An analysis of revenue, other income and other net (losses)/gains is as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Manufacturing and trading of electronic components	**1,275,416**	986,498
Trading of raw materials	**507**	529
	1,275,923	987,027

	2017	2016
	HK$'000	*HK$'000*
Other income		
Scrap sales	**768**	340
Subsidies from the Central People's Government	**1,603**	1,395
Rental income generated from investment properties	**3,539**	4,852
(Loss)/gain on disposal of property, plant and equipment	**(518)**	6,212
Others	**4,379**	1,129
	9,771	13,928

	2017	2016
	HK$'000	*HK$'000*
Other net (losses)/gains		
Dividend income	**1,157**	–
Fair value gain on investment properties	**15,696**	10,756
Net foreign exchange (loss)/gain	**(28,259)**	12,280
Write-off of other payable	**2,808**	6,594
Fair value gain on financial assets at fair value through profit or loss	**8,549**	–
	(49)	29,630

5 OPERATING PROFIT

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

	2017	2016
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**59,630**	73,499
Amortisation of prepaid land premium	**1,533**	1,547
Amortisation of intangible assets	**332**	885
Loss/(gain) on disposal of property, plant and equipment	**518**	(6,212)

6 CHANGES IN FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	2017	2016
	HK$'000	*HK$'000*
Fair value (losses)/gains on interest rate swaps	**(2,898)**	2,198

At 31 December 2017, the Group held certain interest rate swap contracts entered in 2009 and 2010 for a contracted period of ten years each. These contracts were entered into to stabilise the Group's overall interest expenses for the periods covered by these contracts.

7 FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on bank loans	**25,976**	26,506
Others	**2,606**	3,691
	28,582	30,197
Less: interest expenses capitalised into construction in progress	**–**	(300)
	28,582	29,897

8 FINANCE INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest income from loan to a joint venture	**3,701**	3,556
Interest income from term deposits and bank balances	**966**	1,194
	4,667	4,750

9 INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**1,771**	1,536
Outside Hong Kong	**15,339**	6,261
(Over)/under-provision in prior years	**(403)**	2,389
	16,707	10,186
Deferred tax	**287**	(1,544)
Total tax charge for the year	**16,994**	8,642

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 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, certain of the Company's subsidiaries in Mainland China enjoy tax exemptions. All subsidiaries in Mainland China are subject to income taxes at applicable rates ranging from 15% to 25%.

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

10 EARNINGS/(LOSS) 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$48,177,000 (2016: loss of HK$14,905,000) and the weighted average number of 475,548,000 (2016: 475,557,000) ordinary shares in issue during the Year.

Weighted average number of ordinary shares

	2017	2016
	HK'000	*HK'000*
Issued ordinary shares at 1 January	**475,548**	476,239
Effect of shares repurchased	**–**	(682)
Weighted average number of ordinary shares at 31 December	**475,548**	475,557

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 2016 were anti-dilutive potential ordinary shares.

11 DIVIDENDS

The Board of Directors did not recommend final dividend for the Year (2016: nil).

12 INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
At fair value		
At 1 January	**150,396**	141,530
Transfer from owner-occupied property	**40,300**	2,000
Disposal	**(74,209)**	–
Gain on fair value adjustment	**15,696**	10,756
Exchange realignment	**4,339**	(3,890)
At 31 December	**136,522**	150,396

13 TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**672,024**	504,047
Provision for impairment of trade receivables	**(31,430)**	(23,127)
	640,594	480,920

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 provision.

An ageing analysis of the trade receivables at the end of the reporting period, based on the payment due date and net of provision for doubtful debts, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Current and within payment terms:	**519,245**	352,154
1-3 months past due	**101,559**	102,278
4-6 months past due	**7,719**	11,144
7-12 months past due	**2,986**	3,496
Over 1 year past due	**9,085**	11,848
	640,594	480,920

14 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:

	2017	2016
	HK$'000	*HK$'000*
Trade payables:		
1-3 months	**172,177**	141,491
4-6 months	**31,645**	21,968
7-12 months	**3,795**	3,381
Over 1 year	**2,528**	10,438
	210,145	177,278
Bills payables	**14,924**	6,141
	225,069	183,419

15 BANK LOANS

	2017	2016
	HK$'000	*HK$'000*
Bank loans, unsecured, repayable:		
Within one year or on demand, with reference to the repayment schedule	**718,795**	544,815
Within one year or on demand, related to borrowings with breached covenants	**–**	15,000
In the second year	**82,619**	224,218
In the third to fifth years, inclusive	**45,665**	25,715
	847,079	809,748
Portion classified as current liabilities	**(718,795)**	(559,815)
Non-current portion	**128,284**	249,933

The Group breached the covenant requirements of certain banking facilities in the year ended 31 December 2016, banking facilities of HK$809,748,000 has been utilised as at 31 December 2016, of which HK$15,000,000 has been reclassified from non-current liabilities to current liabilities as a result of the breach. The Group has obtained one-off waivers from strict compliance with the covenant requirements in relation to all the outstanding bank borrowings classified as non-current liabilities in the year ended 31 December 2016.

The Group did not breach the covenant requirements of banking facilities in the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

2017 was an encouraging year for the Group. Not only the Group's sales revenue has increased by 29.3%, the Group has also achieved a successful turnaround with a net profit of HK$45,205,000 (2016: loss of HK$13,102,000). In 2017, the economy in Mainland China had achieved a solid growth momentum and the economy in Europe and America had also gradually recovered, leading to a notable improvement in consumer sentiment and overall demand in electronics market. Benefitting from the recovery in global economy coupled with the change in business strategy by focusing on the development of diversified market sectors as well as customers with market leadership, the Group has successfully achieved a remarkable growth in sales revenue during the Year.

The Group has long been well-known as a major global supplier of Aluminum Electrolytic Capacitors ("E-Caps") and Conductive Polymer Aluminum Solid Capacitors ("Polymer Caps") and, in particular, its flagship brands – SAMXON® and X-CON® have maintained a very strong market position in the niche segment. Riding on its brands' leading market position in providing pioneered and high quality capacitors, the Group has also further enhanced its global supply chain diversification and customer-orientated product development with an aim to achieve a stronger growth in sales revenue. The Group's redirection of its business focus by penetrating into the global supply chain of emerging market sectors as well as leading customers in the industries such as new energy, automobile, LED lighting and consumer electronics etc has eventually led to a significant increase in its sales revenue during the Year.

To further place itself above the competition in the ever-changing electronics landscape, the Group has exerted great effort in advancing its research and development ("R&D") and bringing forth new ideas for products' development. With its endless effort in R&D, the Group has successfully established a multi-product platform with high-technology products such as Multi-Layer Polymer Capacitors ("MLPC"), Electronic Double Layer Capacitors ("EDLC") and EDLC modules over the years. One of the Group's high-technology products, MLPC, is now widely used in central processing unit related products and, has already penetrated into the specialty server market in which efficient power use is required to support massive and around-the-clock data computing. In recognition of its endeavour and accomplishment in R&D as well as innovation in technology, the Group has been presented with the "The Hong Kong Innovation and Technology Innovative Technology Achievement Award – Innovative Technology" by The Hong Kong Federation of Innovative Technologies and Manufacturing Industries in December 2017.

In addition to the consumer electronics market, the Group is also committed to deliver new products to echo the major development direction in environmental protection of the Central People's Government. EDLC and EDLC modules have therefore been developed to provide a total solution for industrial power management and energy-storage applications. The development of these new lines of products have now reached out to a wide spectrum of applications in the new energy and energy saving related industries and areas; diverging from new energy vehicles, smart grid, wind turbine to energy regeneration system for rail transportation and port crane. The Group believes that the development of electronics and new energy related industries will continue to be overwhelming in the upcoming years. As such, the Group has always equipped itself to keep in step with the latest technologies which can drive the market.

FINANCIAL REVIEW

The Group's revenue for the Year increased by 29.3% to HK$1,275,923,000 (2016: HK$987,027,000), as compared with that of last year. The increase in revenue was mainly attributable to a successful change in the Group's business strategy by focusing on diversified market sectors as well as the gradual recovery of the global economy which had a positive impact to the electronics components industry.

Benefiting from the economies of scale in production resulting from the increase in revenue, gross profit for the Year rose sharply to HK$280,046,000 (2016: HK$163,552,000), representing an increase of 71.2%, as compared with that of last year. Gross profit margin had also improved significantly to 21.9% from 16.6% of last year.

During the Year, the Group had recognised a loss arising from changes in the fair values of derivative financial instruments of HK$2,898,000 (2016: profit of HK$2,198,000). The derivative financial instruments concerned referred to certain long term interest rate swap contracts entered into by the Group in 2009 and 2010 with the intention to hedge against the Group's future borrowing costs. The Group had to account for the changes in the fair values of these financial instruments in the consolidated statement of profit or loss at the year end.

The Group's EBITDA increased by 50.2% to HK$152,276,000 (2016: HK$101,368,000), representing an EBITDA margin of 11.9% (2016: 10.3%).

Following the sharp rise in gross profit, the Group had a turnaround financial performance for the Year with a profit of HK$45,205,000 in contrast with a loss of HK$13,102,000 for the pervious year. The Board did not recommend final dividend for the Year (2016: nil).

BUSINESS REVIEW

Market overview

In 2017, the global economy had been recovering at a good pace and thus, led to a revitalization of the electronics market and its supply chain. Being one of the major global suppliers of electronic components, the Group offers a broad range of products, namely E-Caps, Polymer Caps, MLPC and EDLC, which are widely used in various electronic products and energy saving applications. Benefitting from the gradual recovery of the global economy together with its adoption of new business strategies by focusing on the development of potential emerging market sectors and customers with market leadership, the Group had an excellent recovery in sales momentum in the consumer electronic and industrial sectors with an increase in revenue of 29.3% during the Year.

Environmental protection has been one of the major concerns of the Central People's Government. According to the National Energy Administration, it is estimated that the Central People's Government has planned to spend more than RMB2.5 trillion in the 13th Five-Year Plan on renewable power sources, aiming at the establishment of a sustainable and low-carbon energy country. As one of the few global suppliers with the capability to produce Energy Storage System ("ESS") products comprising EDLC and EDLC modules, and related solutions for energy-saving and storage applications, the Group has therefore been well positioned to capture the business opportunities arising from this emerging market.

Operation review

Following the revitalization of the electronics market caused by the solid global economic growth together with its adjustment in sales strategy, the Group was able to record a robust sales growth of 29.3% during the Year. Furthermore, the Group's results had been turnaround into net profit of HK$45,205,000 (2016: loss of HK$13,102,000) for the Year mainly attributable to increase in revenue and improvement in gross profit margin resulting from the enjoyment of economies of scale in production. During the Year, the Group had put strong focus on the fast growing industries such as new energy, automobile, consumer electronics and LED lighting etc and this new business strategy proved to be successful by capturing larger and more sizeable orders from the leading customers in that field. The Group will continue to go forward with this business direction and expect to have a sustainable business growth in the upcoming future.

In view of the inevitable trend of the Central People's Government's pursue in environmental protection, the Group has therefore devoted enormous research and development effort in the development of ESS product series which provide a total solution for the industrial power management and energy saving and storage applications for the use in new energy vehicles, smart grid, wind turbine and energy regeneration system for rail transportation and port crane. During the Year, orders had already been placed by various industry leaders to test the products on site. As one of the very few suppliers with the capability to produce ESS products and as a result, it is well positioned to capture the business opportunities in this market sector.

During the Year, the Group had further increased its equity shareholding in a non-wholly owned Taiwanese subsidiary, Luminous Town Electric Co., Ltd. ("Luminous Town"), by 8.0% at a total consideration of TWD53,350,000. As a result, the Group has currently an effective shareholding in Luminous Town of approximately 66.89% as at 31 December 2017.

On 8 May 2017, Searange Investment Limited, a wholly-owned subsidiary of the Group, sold an investment property at China Aerospace Centre, No. 143 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong at a consideration of HK$75,000,000. The disposal would provide a good opportunity for the Group to realize its investment at a gain, and to further enhance its financial position with more working capital and other possible investment opportunities.

On 19 June 2017, the Group entered into a non-legally binding memorandum of understanding ("MOU") with an independent third party whose shares are listed on the Shenzhen Stock Exchange in respect of a possible disposal of assets held by its wholly-owned subsidiary used for the production of aluminum foil in China in return for an issue of shares by the latter party. Since the Group could not reach an agreement with the counterparty on the major terms and conditions in relation to the disposal of such assets, the MOU had therefore been mutually agreed by both parties for a termination on 6 September 2017. The Group is in the opinion that this termination would not affect its normal business operations and financial position.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's cash and cash equivalents amounted to HK$312,702,000 (31 December 2016: HK$283,116,000 and time deposits with banks amounted to HK$7,775,000), 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$847,079,000 (31 December 2016: HK$809,748,000) which comprised mainly bank loans and trade finance facilities. The bank borrowings with maturities falling due within one year and in the second to the fifth year amounted to HK$718,795,000 and HK$128,284,000 respectively (31 December 2016: HK$559,815,000 and HK$249,933,000 respectively).

Total interest-bearing borrowings of the Group as at 31 December 2017 comprising bank loans and trade finance facilities were HK$847,079,000 (31 December 2016: HK$809,748,000). Most of these borrowings were either denominated in United States dollars or Hong Kong dollars to which the interest rates applied were primarily subject to floating interest rate.

As at 31 December 2017, the net gearing ratio (a ratio of the sum of total bank borrowings less cash and cash equivalents and time deposits with banks then divided by total equity) of the Group was 37.7% (31 December 2016: 41.8%).

As at 31 December 2017, the net current assets of the Group were HK$509,822,000 (31 December 2016: HK$480,048,000), which comprised current assets of HK$1,610,825,000 (31 December 2016: HK$1,345,713,000) and current liabilities of HK$1,101,003,000 (31 December 2016: HK$865,665,000), representing a current ratio of 1.46 (31 December 2016: 1.55).

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. In order to mitigate these risks, the Group had entered into foreign currency forward contracts to manage its foreign currency exposure.

OUTLOOK AND PROSPECTS

The global economy has already shown good signs of recovery in 2017 and in particular, with encouraging sentiment prevailing in the electronics market. Following the rapid economic growth in 2017, the global and Chinese electronics market is expected to stay booming in 2018. As such, the Group will continue to penetrate into the global supply chain of those emerging market sectors whilst remain its focus on the customers of international leading electronic brands with an aim to boost both sales revenue and profitability.

To cater for the potential sales growth ahead, the Group has already embarked on the construction of a new manufacturing facility in Qingyuan High-tech Industrial Development Zone of Guangdong province in China. The construction of this new production base is expected to be completed by the end of 2018 and will be used for the future expansion of the Group's MLPC business.

Meanwhile, the Group is delighted that several applications of EDLC and EDLC modules have been well-received by the market and entered into the stage of commercialization. Since the determination of the Central People's Government in environmental protection via energy saving and reduction of carbon emission is unalterable, the Group is thus optimistic that it is well positioned to capture the ample business opportunities arising from these new energy saving and storage related products.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2017, the Group employed 60 staff in Hong Kong (31 December 2016: 62) and employed a total work force of 3,254 (31 December 2016: 2,574) 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 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

OTHER CHANGES IN DIRECTOR'S INFORMATION

Since the publication date of the 2017 interim report of the Company, there were changes in Director's information which are reported as follow:

1. Dr Li Sau Hung, Eddy was appointed as an executive director of Chuang's China Investments Limited with effect from 1 December 2017. He resigned from the office of independent non-executive director of Midas International Holdings Limited with effect from 26 January 2018. Also, Dr Li ceased to be a member of the National Committee of Chinese People's Political Consultative Conference and the president of The Chinese Manufactures' Association of Hong Kong.

2. Mr Lo Kwok Kwei, David was appointed as an executive director of Futong Technology Development Holdings Limited with effect from 5 February 2018.

Save as disclosed above, there had not been any other changes to the Director's information as required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 of 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 of 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 2017 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 2017 have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the Year. 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 (2016: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 May 2018 to Thursday, 10 May 2018, 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 2018 annual general meeting of the Company. In order to be eligible to attend and vote at the 2018 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 3 May 2018.

PUBLICATION OF 2017 FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of HKEXnews (www.hkexnews.hk) and the website of 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 Monday, 30 April 2018.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all our employees for their loyalty and dedication and 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, 14 March 2018

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