

Cover Character Profile 封面人物簡介

Wong Hiu Ping 王曉平

Mr. Wong Hiu Ping, aged 41, is a director of CEC-Chung Cheuk Electronics Limited with effect from January 2001. He is mainly responsible for the sales and marketing of electronic components for the television and audio sectors. Mr. Wong has over 13 years of experience in the sales and marketing of electronic components in Mainland China.

王曉平先生，41歲，於二零零一年一月獲委任為高雅中卓電子有限公司之董事，負責代理電視及音響設備用之電子元件的銷售及市場推廣工作。彼於中國國內之電子元件銷售及市場推廣方面積逾十三年經驗。

So Chor Ming 蘇楚明

Mr. So Chor Ming, aged 38, is the senior sales manager of CEC-Smart Good Enterprises Limited. He is responsible for the sales and marketing of the Samsung passive components distribution business. Mr. So has over 14 years of experience in the sales and marketing of electronic components. He joined the Group in 1993.

蘇楚明先生，38歲，為高雅駿升企業有限公司之高級營業經理，負責南韓三星品牌之無源元件分銷業務的銷售及市場推廣工作。彼於電子元件之銷售及市場推廣方面積逾十四年經驗。蘇先生於一九九三年加入本集團。

Liu Chun Shan 廖震山

Mr. Liu Chun Shan, aged 31, is a director of CEC-Unitech Electronics Limited with effect from February 2001. He is mainly responsible for the sales and marketing of semiconductors and other electronic components. Mr. Liu has over 10 years of experience in the sales and marketing of electronic components.

廖震山先生，31歲，於二零零一年二月獲委任為高雅聯科電子有限公司之董事，負責代理半導體及其他電子元件的銷售及市場推廣工作。彼於電子元件之銷售及市場推廣方面積逾十年經驗。

Chan King Man 陳勁文

Mr. Chan King Man, aged 42, is a director of CEC-Smart Good Enterprises Limited with effect from November 2000. He is responsible for the sales and marketing of the Samsung passive components distribution business. He has over 20 years of experience in the sales and marketing of electronic components.

陳勁文先生，42歲，於二零零零年十一月獲委任為高雅駿升企業有限公司之董事，負責南韓三星品牌之無源元件分銷業務的銷售及市場推廣工作。彼於電子元件之銷售及市場推廣方面積逾二十年經驗。

Law Hoo Shan 羅浩山

Mr. Law Hoo Shan, aged 41, is a director and the general manager of the sales and marketing department of CEC-Electric Co., Limited. He has over 15 years of experience in the sales and marketing of coils. He joined the Group in 1985.

羅浩山先生，41歲，為高雅電氣有限公司之董事兼銷售及市場推廣部總經理。彼於線圈銷售及市場推廣方面積逾十五年經驗。羅先生於一九八五年加入本集團。

Lam Wing Kin, Sunny 林永健

Mr. Lam Wing Kin, Sunny, aged 36, is the senior subsidiary coordination manager of the Group and is a director of CEC-Smart Good Enterprises Limited, CEC-Chung Cheuk Electronics Limited and CEC-Unitech Electronics Limited. He is responsible for the general management, coordination and supervision of the Group's subsidiaries in Hong Kong. He holds a bachelor degree in economics and a bachelor degree in public policy and management from University of Ottawa, Canada. He joined the Group in December 2000.

林永健先生，36歲，本集團高級關係企業聯繫經理及高雅駿升企業有限公司、高雅中卓電子有限公司及高雅聯科電子有限公司之董事，負責本集團於香港各附屬公司之管理、協調及監督。彼持有加拿大University of Ottawa 經濟學學士學位及公共行政及管理學學士學位。林先生於二零零零年十二月加入本集團。

Cheung Man Ho 張文浩

Mr. Cheung Man Ho, aged 27, is the senior finance manager of the Group. He is responsible for the accounting and corporate finance functions of the Group. He has over 3 years of audit experience in an international audit firm. He holds a bachelor degree of arts (Honours) in accountancy from the City University of Hong Kong. He is an associate member of the Hong Kong Society of Accountants and an associate member of the Association of Chartered Certified Accountants. He joined the Group in January 1999.

張文浩先生，27歲，本集團高級財務經理，負責本集團之會計及企業財務工作。彼於國際核數師行積逾三年核數經驗，持有香港城市大學會計學(榮譽)文學士學位，為香港會計師公會及英國特許公認會計師公會之會員。張先生於一九九九年一月加入本集團。





CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lam Wai Chun
(Chairman and Managing Director)
Mr. Saito Misao (Deputy Chairman)
Ms. Tang Fung Kwan
Ms. Hu Yan Huan
Mr. Iwata Kenji

Non-executive Director

Mr. Tang Tin Sek

Independent Non-executive Directors

Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis

AUDIT COMMITTEE

Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis
Mr. Tang Tin Sek

COMPANY SECRETARY

Ms. Li Lai Sheung ACIS

AUDITORS

Arthur Andersen & Co
Certified Public Accountants

LEGAL ADVISERS

F Zimmern & Co
Richards Butler
Appleby Spurling & Kempe

PRINCIPAL BANKERS

BNP Paribas
Dah Sing Bank Limited
Dao Heng Bank Limited
Standard Chartered Bank
The Hongkong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flats A and B, 2nd Floor
Hing Win Factory Building
No. 110 How Ming Street
Kwun Tong
Kowloon
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar
Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar
Central Registration Hong Kong Limited
Rooms 1901-5, 19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Web: <http://www.ceccoils.com>
<http://www.0759.com>

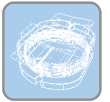
E-mail: info@ceccoils.com
Listed on The Stock Exchange of
Hong Kong Limited
Stock Code: 0759 (shares)
0337 (warrants)

2000/2001 THIRD QUARTER RESULTS

The Board of Directors (the "Directors") of CEC International Holdings Limited (the "Company") is pleased to present the unaudited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 31st January, 2001 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st January,		Nine months ended 31st January,	
		2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
Turnover	2	81,718	63,660	269,393	196,942
Cost of sales		(55,702)	(42,009)	(181,996)	(128,990)
Gross profit		26,016	21,651	87,397	67,952
Distribution and selling expenses		(2,989)	(2,589)	(8,010)	(6,763)
General and administrative expenses		(10,859)	(8,174)	(30,128)	(19,549)
Profit from operations		12,168	10,888	49,259	41,640
Interest income		650	596	1,945	1,341
Interest expense		(5,532)	(2,594)	(13,924)	(7,590)
Profit before taxation	3	7,286	8,890	37,280	35,391
Taxation	4	(757)	(858)	(3,240)	(3,557)
Profit after taxation but before minority interests		6,529	8,032	34,040	31,834
Minority interests		-	-	-	76
Profit attributable to shareholders		6,529	8,032	34,040	31,910
Earnings per share					
- Basic	5	1.26 cents	1.65 cents	6.70 cents	7.74 cents
- Diluted	5	1.18 cents	N/A	6.25 cents	N/A

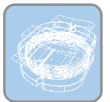


CONSOLIDATED BALANCE SHEET

	Notes	As at 31st January, 2001 HK\$'000 (Unaudited)	As at 30th April, 2000 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	6	373,643	244,064
CURRENT ASSETS			
Inventories		62,911	42,888
Trade receivables	7	21,554	26,201
Prepayments, deposits and other current assets		17,585	5,312
Pledged bank deposits		46,920	43,201
Cash and other bank deposits		8,453	6,442
Total current assets		157,423	124,044
CURRENT LIABILITIES			
Short-term bank borrowings		(64,050)	(35,446)
Long-term bank loans, current portion		(19,484)	(3,623)
Finance lease obligations, current portion		(30,326)	(20,487)
Trade payables	8	(22,714)	(39,615)
Bills payable		(4,183)	–
Accruals and other payables		(10,107)	(14,559)
Proposed final dividend		–	(10,000)
Taxation payable		(3,132)	(552)
Total current liabilities		(153,996)	(124,282)
Net current assets (liabilities)		3,427	(238)
Total assets less current liabilities		377,070	243,826
NON-CURRENT LIABILITIES			
Long-term bank loans		(40,177)	(4,824)
Finance lease obligations		(52,434)	(32,854)
Deferred taxation		(9,637)	(9,637)
Total non-current liabilities		(102,248)	(47,315)
Net assets		274,822	196,511
CAPITAL AND RESERVES			
Share capital	9	52,803	20,000
Reserves	12	73,258	61,790
Retained profit		148,761	114,721
Shareholders' equity		274,822	196,511

CONSOLIDATED CASH FLOW STATEMENT

	Nine months ended 31st January,	
	2001	2000
	<i>HKS'000</i>	<i>HKS'000</i>
	(Unaudited)	(Unaudited)
Operating activities	28,148	49,337
Returns on investments and servicing of finance		
Interest received	1,945	1,341
Interest paid	(13,924)	(7,590)
Dividend paid	(2,395)	(1,088)
	(14,374)	(7,337)
Taxation		
Hong Kong profits tax paid	(450)	(2,288)
Overseas tax paid	(210)	(247)
	(660)	(2,535)
Investing activities		
Additions of property, plant and equipment	(105,126)	(28,810)
Proceeds from disposals of property, plant and equipment	–	4
Attributable to reorganisation	–	10
Increase in pledged bank deposits	(3,719)	(18,686)
Effect of foreign exchange rate changes	54	10
	(108,791)	(47,472)
Net cash outflow before financing	(95,677)	(8,007)
Financing		
Proceeds from issue of shares	–	55,000
Share issuance expenses	(178)	(10,593)
Proceeds from issue of warrants	25,000	–
Warrant issuance expenses	(2,109)	–
Proceeds from exercise of warrants	14,012	–
New long-term bank loans	58,267	5,915
Repayment of long-term bank loans	(7,053)	(4,231)
Repayment of capital element of finance lease obligations	(18,855)	(17,794)
Decrease in due from a director	–	2,860
Decrease in due to intermediate holding company	–	(2,087)
	69,084	29,070
(Decrease) Increase in cash and cash equivalents	(26,593)	21,063
Cash and cash equivalents, beginning of period	(29,004)	(41,016)
Cash and cash equivalents, end of period	(55,597)	(19,953)



CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Nine months ended 31st January,	
	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
Surplus on revaluation of properties	-	234
Exchange differences arising from translation of the financial statements of foreign entities	(59)	16
Net (losses) gains not recognised in the consolidated income statement	(59)	250
Profit attributable to shareholders	34,040	31,910
Total recognised gains	33,981	32,160
Elimination of goodwill arising from acquisition of additional interest in a subsidiary	-	(72)
	33,981	32,088

Notes:

1. Principal accounting policies

The same principal accounting policies and methods of computation are followed in these quarterly financial statements for the three months and nine months ended 31st January, 2001 as compared with the most recent published annual financial statements for the year ended 30th April, 2000. These quarterly financial statements comply with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. Principal activities and turnover

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, development, manufacture and sale of a wide range of ferrite materials, coils, line filters and transformers. The Group's products are generally used in the manufacture of various kinds of electronic and electrical products.

An analysis of the Group's turnover by geographical location where merchandise is delivered is as follows:

	Three months ended 31st January,		Nine months ended 31st January,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	64,526	51,487	213,042	164,119
Mainland China	4,839	5,345	16,450	15,818
Europe	3,962	2,762	15,610	8,907
Others	8,391	4,066	24,291	8,098
	81,718	63,660	269,393	196,942

No analysis of profit attributable to shareholders by geographical location is presented as they were generally in line with the distribution of turnover as set out above.

3. Profit before taxation

Profit before taxation in the consolidated income statement was determined after charging or crediting the following items:

	Three months ended 31st January,		Nine months ended 31st January,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
After charging –				
Depreciation of property, plant and equipment	8,404	5,841	23,624	15,899
Interest expense on				
– bank overdrafts and loans wholly repayable within five years	2,480	741	5,617	3,301
– factoring of trade receivables	648	765	2,721	2,052
– finance leases	2,404	1,088	5,586	2,237
After crediting –				
Interest income from bank deposits	650	596	1,945	1,341

4. Taxation

	Three months ended 31st January,		Nine months ended 31st January,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Current taxation				
– Hong Kong profits tax	700	856	3,030	3,539
– Mainland China enterprise income tax	57	2	210	178
Write-back of deferred taxation	–	–	–	(160)
	757	858	3,240	3,557

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax was provided at the rate of 16% (2000: 16%) on the estimated assessable profit arising in or derived from Hong Kong for the periods. Mainland China enterprise income tax was provided at the applicable rate relating to the profit of a subsidiary of the Company established in Zhongshan, Mainland China.

5. Earnings per share

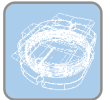
The calculation of basic earnings per share for the three months ended 31st January, 2001 was based on the profit attributable to shareholders of approximately HK\$6,529,000 (2000: HK\$8,032,000) and on the weighted average number of 519,882,543 (2000: 486,413,043) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January, 2001 was based on the profit attributable to shareholders of approximately HK\$34,040,000 (2000: HK\$31,910,000) and on the weighted average number of 508,185,970 (2000: 412,137,681) shares in issue during the period.

The comparative weighted average number of shares in issue and basic earnings per share for the three months and nine months ended 31st January, 2000 have been adjusted to reflect the bonus issue of shares on the basis of three bonus shares for every two shares held by shareholders on 17th August, 2000.

The calculation of diluted earnings per share for the three months ended 31st January, 2001 was based on the profit attributable to shareholders of approximately HK\$6,529,000 and on the weighted average number of 552,412,995 shares, adjusted to reflect the effects of all dilutive potential shares in issue during the period.

The calculation of diluted earnings per share for the nine months ended 31st January, 2001 was based on the profit attributable to shareholders of approximately HK\$34,040,000 and on the weighted average number of 544,988,545 shares, adjusted to reflect the effects of all dilutive potential shares in issue during the period.



A reconciliation of the weighted average number of shares used in the calculation of basic earnings per share for the three months and nine months ended 31st January, 2001 to that used in the calculation of diluted earnings per share is as follows:

	Three months ended 31st January, 2001	Nine months ended 31st January, 2001
Weighted average number of shares used in the calculation of basic earnings per share	519,882,543	508,185,970
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	31,128,847	36,335,373
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period	1,401,605	467,202
Weighted average number of shares used in the calculation of diluted earnings per share	552,412,995	544,988,545

Diluted earnings per share for the three months and nine months ended 31st January, 2000 was not presented because there was no dilutive potential shares in existence during those periods.

6. Property, plant and equipment

During the nine months ended 31st January, 2001, the additions to property, plant and equipment were approximately HK\$153,490,000 (nine months ended 31st January, 2000: HK\$66,668,000).

7. Trade receivables

The Group usually grants a credit period of approximately 30 days to 90 days to its customers who have good payment records and well-established relationship with the Group.

As at 31st January, 2001, an ageing analysis of trade receivables is as follows:

	As at 31st January, 2001 HK\$'000	As at 30th April, 2000 HK\$'000
Current – 1 month	14,987	23,734
2 – 3 months	6,865	2,516
Over 3 months	1,684	1,857
	23,536	28,107
Less: Provision for bad and doubtful debts	(1,982)	(1,906)
	21,554	26,201

8. Trade payables

As at 31st January, 2001, an ageing analysis of trade payables is as follows:

	As at 31st January, 2001 HK\$'000	As at 30th April, 2000 HK\$'000
Current – 1 month	20,121	35,068
2 – 3 months	1,927	2,425
Over 3 months	666	2,122
	22,714	39,615

9. Share capital

	Nine months ended 31st January, 2001		Year ended 30th April, 2000	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised shares of HK\$0.10 each				
Beginning of period/year	1,000,000,000	100,000	-	-
Upon incorporation	-	-	1,000,000	100
Addition	-	-	999,000,000	99,900
End of period/year	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid shares of HK\$0.10 each				
Beginning of period/year	200,000,000	20,000	-	-
Issued upon incorporation	-	-	1,000,000	100
Issue of shares arising from reorganisation	-	-	1,000,000	100
Issue of shares through public offering and private placement	-	-	50,000,000	5,000
Capitalisation of share premium	-	-	148,000,000	14,800
Bonus issue of shares	300,000,000	30,000	-	-
Issue of new shares pursuant to scrip dividend scheme	4,277,108	428	-	-
Issued upon exercise of warrants	23,750,000	2,375	-	-
End of period/year	528,027,108	52,803	200,000,000	20,000

10. Warrants

In July 2000, the Company issued 400,000,000 units of warrants at HK\$0.0625 per unit of warrant through a private placement. Such warrants carry the subscription rights entitling the holders thereof to subscribe in cash for new shares in the Company up to a maximum aggregate amount of HK\$59,000,000 at a subscription price of HK\$0.59 per new share (subject to adjustment). The warrants are exercisable at any time from 3rd July, 2000 to 30th September, 2003, both dates inclusive. During the nine months ended 31st January, 2001, warrants with an aggregate subscription value of approximately HK\$14,012,000 were exercised for 23,750,000 new shares.

11. Share options

Under the terms of the Company's share option scheme approved by the shareholders on 26th October, 1999, the Directors of the Company may grant options to any employees or executives of the Company or any of its subsidiaries, including executive directors (but excluding independent non-executive directors of the Company) of the Company or any of its subsidiaries to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued upon exercise of options granted pursuant to the share option scheme. The subscription price will be determined by the Directors, and will not be less than (i) 80% of the average closing price of the shares of the Company quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the options or (ii) the nominal value of the shares, whichever is the higher.

As at 31st January, 2001, the outstanding share options were as follows:

Date of grant	Exercisable period	Subscription price per share	Number of shares under options outstanding
21/09/2000	22/09/2002 – 21/01/2005	HK\$1.22	11,795,864
01/11/2000	01/11/2002 – 28/02/2005	HK\$0.90	37,650,000

12. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Cumulative translation adjustments HK\$'000	Total HK\$'000
Balance as at 1st May, 1999	5,932	14,000	-	-	17,242	(28)	37,146
Attributable to reorganisation	(5,932)	6	5,810	-	-	-	(116)
Premium arising from issue of shares	50,000	-	-	-	-	-	50,000
Share issuance expenses	(10,593)	-	-	-	-	-	(10,593)
Capitalisation of share premium	(14,800)	-	-	-	-	-	(14,800)
Elimination of goodwill arising from acquisition of additional interest in a subsidiary	-	(72)	-	-	-	-	(72)
Surplus on revaluation of properties	-	-	-	-	234	-	234
Translation adjustments	-	-	-	-	-	(9)	(9)
Balance as at 30th April, 2000	24,607	13,934	5,810	-	17,476	(37)	61,790
Proceeds from issue of warrants	-	-	-	25,000	-	-	25,000
Warrant issuance expenses	-	-	-	(2,109)	-	-	(2,109)
Bonus issue of shares	(24,190)	-	(5,810)	-	-	-	(30,000)
Share issuance expenses	(178)	-	-	-	-	-	(178)
Premium arising from issue of shares pursuant to scrip dividend scheme	7,177	-	-	-	-	-	7,177
Premium arising from exercise of warrants	17,575	-	-	(5,938)	-	-	11,637
Translation adjustments	-	-	-	-	-	(59)	(59)
Balance as at 31st January, 2001	24,991	13,934	-	16,953	17,476	(96)	73,258

13. Contingent liabilities

Contingent liabilities not provided for in the financial statements were:

	As at 31st January, 2001 HK\$'000	As at 30th April, 2000 HK\$'000
Factoring of trade receivables with recourse	33,770	31,803
Shipping guarantees	1,071	315
	34,841	32,118

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current periods' presentation. In particular, the comparative figures have been adjusted or expanded to take into account Statement of Standard Accounting Practice 1 "Presentation of Financial Statements" issued by the Hong Kong Society of Accountants which became effective during the year ended 30th April, 2000.

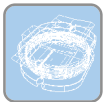
DIVIDEND

The Directors resolved not to declare any interim dividend in respect of the nine months ended 31st January, 2001 (2000: HK\$1,088,000 paid by a subsidiary of the Company to its then shareholders prior to the Group's reorganisation and the listing of the Company's shares on The Stock Exchange of Hong Kong Limited).

BUSINESS REVIEW

The Directors are pleased to announce that the Group has managed to sustain its trend of double-digit growth in turnover during the period. The turnover for the three months and nine months ended 31st January, 2001 was approximately HK\$81,718,000 and HK\$269,393,000 respectively, representing a robust growth of approximately 28% and 37% respectively from the corresponding periods in 2000. The growth, when compared to the same periods last year, reflects the Group's success in upholding its position in the electronics market coupled with its timely expansion of production capacity in line with the demand of its customers.

Although the third quarter was a season marked with the normal pattern of industrial slowing and extended holidays around Christmas and Lunar New Year, the Group was engaged during the third quarter in accelerating the reinforcement of its business foundation, which the Group believes is a critical investment in its own future. This embraced efforts in strengthening the Group's international marketing network and a substantial investment in the enrichment of its production facilities in Zhongshan, Guangdong Province, which was financed mainly with new long-term bank loans and finance leases of approximately HK\$30,000,000 and HK\$23,801,000 respectively during the third quarter. As a result, interest expense was up 113% from approximately HK\$2,594,000 for the three months ended 31st January, 2000 to approximately HK\$5,532,000 for the third quarter of the current financial year. Combined with the adverse impact on production cost resulting from the significant rise in petroleum price on a global basis, a temporary problem that the Group shared with the industry as a whole, the Group experienced a mild slowdown in the growth in profit performance during the third quarter. The profit attributable to shareholders for the three months ended 31st January, 2001 was approximately HK\$6,529,000, down 19% from the comparable quarter last year. On a year-to-date basis, the Group achieved a moderate 7% growth in profit attributable to shareholders for the nine months ended 31st January, 2001 to approximately HK\$34,040,000 as compared to the same period last year. Had the price of petroleum remained stable over both periods, the profit attributable to shareholders for the three quarters in the current financial year would have grown 21% year-over-year, to about HK\$38,663,000. Apart from the factor of petroleum price, the 49% increase in depreciation from approximately HK\$15,899,000 to HK\$23,624,000 during the nine months ended 31st January, 2001 resulting from the Group's dedicated investment in property, plant and equipment in a bid to power the further growth in future profitability also accounted for part of the temporary slight drop in gross profit margin from 34.5% to 32.4% for the nine months ended 31st January, 2001. On the other hand, in order to reinforce all levels of management, the Group has devoted a lot to the investment on human resources. For the nine months ended 31st January, 2001, human resources cost surged by approximately 75% and reached approximately HK\$22,659,000. The net profit margin was correspondingly slightly down from 16.2% for the comparable period last year to 12.6% for the same period in the current year.



While the outcome is largely anticipated, the Group's fundamental outlook, however, remains bright and encouraging in the remaining quarter of the financial year and beyond. This is mainly attributable to the Group's long-established commitment to persistent improvement, which positions the Group well on its way to generate promising returns to its shareholders in the future. This is evidenced when we take a more in-depth review of the Group's operations during the third quarter as follows:



Capturing the Market Opportunities

Thanks to the flourishing information technology era as the world entered into the new millennium, it remains clear that the dynamic growth in global demand for high-quality and miniaturised electronic components will be sustaining well into the future. With a vast amount of network deployment and upgrading throughout the world still ahead, the Group was implementing a number of expansion strategies in the current period to take full advantage of the strong demand cycle in the data networking, telecommunications and power conversion markets. The Group's commitment to, as well as ability in, capturing the emerging business opportunities are evidenced by the substantial capital investment of more than HK\$153,000,000 in the aggregate over the nine months ended 31st January, 2001. During the same period, the Group has been undertaking a large-scale investment in expanding its production infrastructure in Zhongshan. The construction of the new phase of factory blocks there was already completed during the third quarter of the financial year. Installation of new and fully automated production facilities for manganese-zinc series ferrite cores, line filters and electromagnetic interference ("EMI") filters was underway as at 31st January, 2001. With this upgraded production environment, the Group will soon be fully prepared to elevate to a higher level of business endeavours.

Managing the Production Cost Structure

The Group believes that consistently strong earnings performance is attributable to continuous attention to production cost management. This strategy continued to be the Group's game plan in the current period, as evidenced by the commencement of self-production of tubular ceramic capacitors, which are one of the key components of the Group's products, near the end of the third quarter of the financial year, as well as the installation of a new power conversion station for its factory in Zhongshan, which will save the costs of raw materials and power generation respectively to a considerable extent and mitigate the adverse impact from the fluctuating petroleum market.

Broadening the Sales Network

During the third quarter, the Group equipped itself with an experienced sales and marketing arm for the trading of a wide range of electronic components. Capitalising on the strengthened marketing capabilities, the Group diversified the categories of non-mainstream products offered, built up stronger customer relationships and successfully gained the distribution right for various types of Samsung passive components such as chip capacitors, chip resistors, electrolytic capacitors and ceramic capacitors. Ongoing were the Group's efforts in diversifying further its business in the marketing of multiple categories of innovative electronic devices, including audio noise reduction systems and integrated circuits, etc, which are expected to play an appreciable role in contributing to the Group's turnover growth.

FUTURE PLANS AND PROSPECTS

Meeting the Future Challenges

With the impending accession of China to the World Trade Organization ("WTO"), economic globalisation will be an irresistible trend in the future. The development of a knowledge-based global economy as well as information and communication infrastructure to support demand for international trade and commerce applications will be gathering momentum at an amazing speed. The Group is not going to be insulated from both the opportunities and challenges rapidly emerging in the electronics industry arising from this trend. The Group will maintain its proactive approach to operations that will allow it to leverage the capabilities to achieve an even stronger market presence. As appreciable business volume for such miniaturised components as chip inductors, ceramic capacitors, toroidal transformers, line filters and EMI filters, etc., is expected to result from the dynamic information technology and telecommunications sectors, the Group's dedication to strengthening its production infrastructure in Zhongshan for the manufacture of those components will eventually pay dividend in the near future to come.

Expanding the Product Line

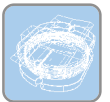
The Group expects continued strength in the electronics market. In the coming financial year, the Group will pursue attractive opportunities to enrich its product line and better serve the strong electronics market by launching the production of miniature multi-layer chip inductors, which complement the existing series of wire-wound chip inductors by catering for the different self-resonant frequencies required in such electronic products as MP3 players, mobile phones, cable modems, broadband network equipment and computers, etc.

Focusing on Research and Development

With the continual high-tech advances in electronic applications throughout the world, the evolution of ferrite materials, being the core components of such electronic devices as inductors, line filters and EMI filters, etc., continues to play an indispensable role in sustaining those advances. The requirements for permeability and operating frequency of ferrite materials are becoming more and more demanding. The Group owed its dynamic growth in the past to its dedication in the research and development of ferrite powders and ferrite cores. In order to extend its technological and market strengths even further, the Group intends to intensify its efforts in the research and development of ferrite materials in the coming year. Capital expenditures amounting to approximately HK\$25,000,000 will be devoted to the set-up of advanced research and development facilities. The investment is expected to enable the Group to keep pursuing its strategy of constant innovation, which will remain one of most important pillars of the Group's success in the future.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31st January, 2001.



DIRECTORS' INTERESTS IN SECURITIES

As at 31st January, 2001, the Directors of the Company had the following interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) and in the warrants of the Company as recorded in the register required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

(a) The Company

	Number of shares of HK\$0.10 each			Number of warrants
	Family interests	Personal interests	Corporate interests	Personal interests
Mr. Lam Wai Chun (Note 1)	332,574,381	2,000,000	-	-
Mr. Saito Misao (Note 2)	-	-	42,125,000	-
Ms. Tang Fung Kwan (Note 2)	-	-	42,125,000	-
Ms. Hu Yan Huan (Note 2)	-	-	42,125,000	-
Mr. Au Son Yiu	-	-	-	1,000,000

Notes:

- As at 31st January, 2001, Ka Yan China Development (Holding) Company Limited held 332,574,381 shares in the Company. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately beneficially owned by Ka Yan China Family Trust, the family trust of Mr. Lam Wai Chun. The beneficiaries under this family trust were Mr. Lam Wai Chun's spouse, Ms. Law Ching Yee, and his children who were under the age of 18 years, and accordingly Mr. Lam Wai Chun was deemed under the SDI Ordinance to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited.
- As at 31st January, 2001, CMPP Investment Holdings Limited ("CMPP") held 42,125,000 shares in the Company. The issued share capital of CMPP was US\$471.49 divided into 47,149 shares of US\$0.01 each, of which Mr. Saito Misao, Ms. Tang Fung Kwan and Ms. Hu Yan Huan, the directors of the Company, respectively held 700 shares, 3,514 shares and 1,230 shares of US\$0.01 each.

(b) Associated Corporation

Coils Electronic Co., Limited

	Number of non-voting deferred shares of HK\$1.00 each (Note 5)		
	Personal interests	Family interests	Total
Mr. Lam Wai Chun (Notes 3 and 4)	7,500,000	6,500,000	14,000,000

Notes:

- Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK\$1.00 each in Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of HK\$1.00 each in the share capital of Coils Electronic Co., Limited.

4. In respect of the 6,000,000 non-voting deferred shares of HK\$1.00 each held by Ka Yan China Development (Holding) Company Limited and the remaining 500,000 non-voting deferred shares of HK\$1.00 each held by Ms. Law Ching Yee in Coils Electronic Co., Limited, representing approximately 42.86% and approximately 3.57% respectively of the 14,000,000 non-voting deferred shares of HK\$1.00 each in the share capital of Coils Electronic Co., Limited, Mr. Lam Wai Chun was deemed to be interested in all those shares under the SDI Ordinance by virtue of, in the case of Ka Yan China Development (Holding) Company Limited, the reasons set out in Note (a)1 above and, in the case of Ms. Law Ching Yee, the fact that Ms. Law Ching Yee is the spouse of Mr. Lam Wai Chun.
5. Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of Coils Electronic Co., Limited exceeds HK\$100,000,000,000,000, and are not entitled to any distributions upon winding up unless a sum of HK\$100,000,000,000,000 has been distributed to the holders of ordinary shares.

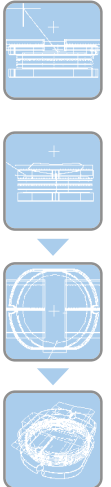
Save as disclosed above, as at 31st January, 2001, none of the Directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) had any interests in the securities of the Company or its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31st January, 2001, the Directors had the following personal interests in share options to subscribe for shares in the Company granted under the share option scheme, as recorded in the register required to be kept under Section 29 of the SDI Ordinance:

Name	Date of grant	Exercisable period	Subscription price per share	Number of shares under options outstanding
Mr. Lam Wai Chun	21/09/2000	22/09/2002 – 21/01/2005	HK\$1.22	2,948,966
Mr. Saito Misao	21/09/2000	22/09/2002 – 21/01/2005	HK\$1.22	2,948,966
Ms. Tang Fung Kwan	21/09/2000	22/09/2002 – 21/01/2005	HK\$1.22	2,948,966
Ms. Hu Yan Huan	21/09/2000	22/09/2002 – 21/01/2005	HK\$1.22	2,948,966

Save as disclosed above, at no time during the nine months ended 31st January, 2001 was the Company or any of its associated corporations (within the meaning of the SDI Ordinance) a party to any arrangement to enable the Directors of the Company or any of their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



SUBSTANTIAL SHAREHOLDERS

As at 31st January, 2001, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, other than the Directors of the Company, the following persons were interested or taken or deemed to be interested in 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage holding
Ka Yan China Development (Holding) Company Limited (<i>Notes 1 and 2</i>)	332,574,381	62.984%
Ka Yan China Investments Limited (<i>Note 2</i>)	332,574,381	62.984%
HSBC Holdings plc (<i>Note 3</i>)	332,574,381	62.984%
HSBC Finance (Netherlands) (<i>Note 3</i>)	332,574,381	62.984%
HSBC Holdings B.V. (<i>Note 3</i>)	332,574,381	62.984%
HSBC Investment Bank Holdings B.V. (<i>Note 3</i>)	332,574,381	62.984%
HSBC International Trustee Limited (<i>Note 3</i>)	332,574,381	62.984%

Notes:

1. The 332,574,381 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited, the entire issued share capital of which was ultimately beneficially owned by Ka Yan China Family Trust, the family trust of Mr. Lam Wai Chun, a director of the Company.
2. The interests of Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, the ultimate holding company of the Company, in respect of 332,574,381 shares duplicated with each other.
3. The interests of HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings B.V., HSBC Investment Bank Holdings B.V., HSBC International Trustee Limited in respect of 332,574,381 shares in the Company duplicated with each other. The 332,574,381 shares in which HSBC International Trustee Limited was interested were the shares referred to in Note 2 above.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company which was required to be recorded under Section 16(1) of the SDI Ordinance as at 31st January, 2001.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the nine months ended 31st January, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

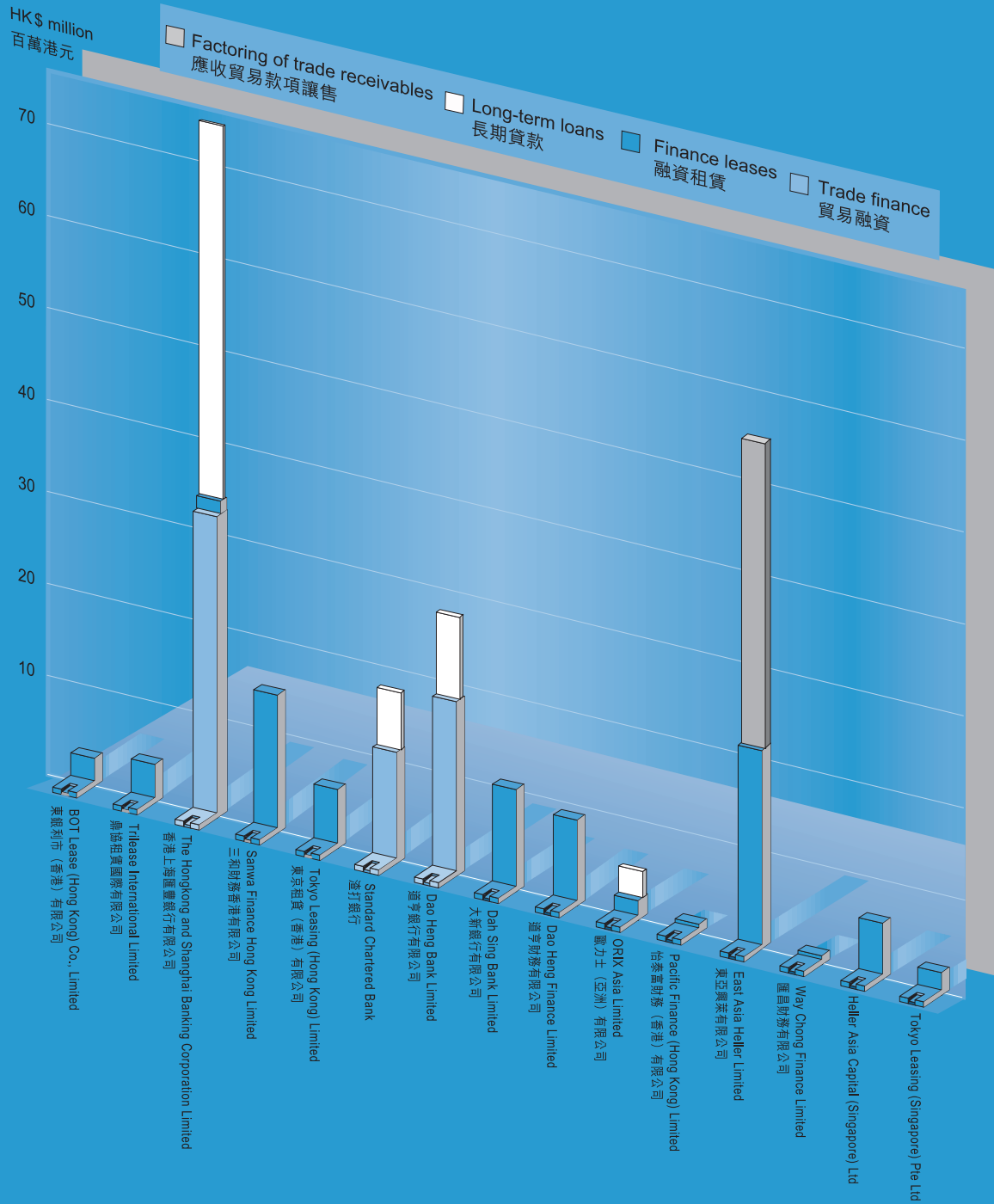
By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 14th March, 2001

Summary of Credit Facilities Utilisation

融資信貸動用摘要

As at 31st January, 2001 於二零零一年一月三十一日





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