

Summary of Credit Facilities Utilisation

融資信貸動用摘要

As at 31st July, 2001 於二零零一年七月三十一日

HK\$'000
千港元

140,000

120,000

100,000

80,000

60,000

40,000

20,000

0

BOI Lease (Hong Kong) Co., Limited
東銀租賃(香港)有限公司

Trilease International Limited
鼎浩租賃國際有限公司

Banking Corporation Limited
香港上海匯豐銀行有限公司

The Hongkong and Shanghai Banking Corporation Limited
三和行務香港有限公司

Sarwa Finance Hong Kong Limited
奧芬租賃(香港)有限公司

Tokyo Leasing (Hong Kong) Limited
法國巴黎銀行

BNP Paribas
渣打銀行

Standard Chartered Bank
道亨銀行有限公司

Dao Heng Bank Limited
大新銀行有限公司

Dai-ning bank limited
道亨銀行有限公司

ORIX Asia Limited
怡泰租賃(香港)有限公司

Pacific Finance (Hong Kong) Limited
東亞興業有限公司

East Asia Helix Limited
渣打銀行有限公司

Woo Cheong Finance Limited
Heller Asia Capital (Singapore) Ltd

Indeco Leasing (Singapore) Pte. Ltd

31st July, 2001
二零零一年七月三十一日

30th April, 2001
二零零一年四月三十日

31st January, 2001
二零零一年一月三十一日

31st October, 2000
二零零零年十月三十一日

31st Dec, 2000
二零零零年十二月三十一日

- Factoring of trade receivables
應收貿易款項讓售
- Finance lease obligations
融資租賃責任
- Long-term bank loans
長期銀行貸款
- Trust receipts bank loans
信託收據銀行貸款
- Short-term bank loans
短期銀行貸款
- Bank overdrafts
銀行透支

“CEC New People”

Movement – Non-coils Manufacturing Business and Trading Business

Listed on The Stock Exchange of Hong Kong Limited for nearly two years since November 1999, CEC's goal is the maximisation of shareholders' value through working closely and actively with its customers, in an efficient and effective manner, to supply the products that suit their needs most. In a bid to broaden its distribution network and product lines, CEC equipped itself with a multiple of experienced arms for non-coils manufacturing business and trading business, namely the “CEC New People”, for the production, sales and marketing of electronic components. Four new subsidiaries have been set up since CEC's listing in order to meet the challenges ahead.

As to the manufacture of electronic components, in response to the growing demand of CEC's existing customers for electrolytic capacitors, CEC-ECAP Limited (“CEC-ECAP”) was formed in March 2000. CEC-ECAP has been dedicating to the design, development, manufacture and sale of a wide range of high-quality aluminum electrolytic capacitors with high temperature endurance. Its factory premise is located in Dongguan, Guangdong Province, with over ten years of experience in the production of electrolytic capacitors. CEC-ECAP's pursuit of quality assurance was recognised by the accreditation of ISO9002 certificate from DNV Certification Ltd. in 2000.

In August 2001, CEC-Electric Co., Limited (“CEC-Electric”) transformed from a trader of electronic components to a manufacturer of power supply devices. Its factory premise is also located in Dongguan, Guangdong Province. CEC-Electric's product series include AC/DC power converters, battery chargers, power transformers, linear adaptors and switching power supply, etc., all of which have already complied with international safety standards. Its major markets consist of Hong Kong, South-East Asia, Europe, North America, South Africa, Australia and New Zealand, etc.

Electrolytic capacitors and power supply devices are, in fact, indispensable components in many categories of electronic products. Therefore, CEC-ECAP's and CEC-Electric's products are widely applied in telecommunication and information technology equipment, office automation equipment, home electrical appliances, toys, audio and visual products, etc. For the first quarter of the financial year 2001/2002, CEC-ECAP and CEC-Electric respectively achieved a turnover of approximately HK\$4,754,000 and HK\$75,000, compared to approximately HK\$6,483,000 and HK\$460,000, respectively, for the fourth quarter of the financial year 2000/2001.

On the electronic components trading front, CEC established CEC-Smart Good Enterprises Limited (“CEC-Smart Good”) in November 2000, which successfully gained the distribution right for various types of Samsung passive components such as chip capacitors, chip resistors, electrolytic capacitors and ceramic capacitors, etc. In February 2001, CEC took another step forward to strengthen its sales and marketing power by the establishment of CEC-Unitech Electronics Limited (“CEC-Unitech”), which is mainly engaged in the distribution of semiconductors, kit set of consumer electronic products and

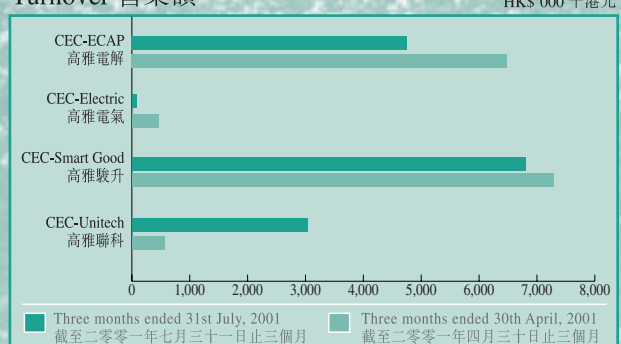
other electronic components. Both CEC-Smart Good's and CEC-Unitech's major markets are Hong Kong and Mainland China. For the first quarter of the financial year 2001/2002, CEC-Smart Good and CEC-Unitech achieved a turnover of approximately HK\$6,798,000 and HK\$3,037,000, respectively, whereas the comparative figures for the fourth quarter of the financial year 2000/2001 were approximately HK\$7,291,000 and HK\$560,000, respectively.

Amidst the increasingly keen competition in nowadays' electronics markets, customers' requirements in terms of product quality and price are becoming tougher and tougher. Subsequent to the attack on the United States of America by terrorists, the global economy was severely stricken and has been falling into a precipitous downturn since then. Faced with the unprecedented challenges and harsh operating environment, “CEC New People” targeted to maintain their stable business development in the second half of the financial year. With respect to the manufacturing side, CEC-ECAP will strengthen its research and development for materials in a bid to lower the production cost and maintain its quality competitiveness, thereby establishing closer relationships with customers. CEC-Electric's manufacturing business was also launched after both extended and intensive planning. With CEC's sophisticated and advanced manufacturing systems, such as the production facilities for ferrite cores, metal parts and plastic accessories, etc., CEC-Electric is expected to still have plenty of rooms for improvement in production cost structure. On the trading side, CEC-Smart Good will stick to its role as the bridge between Samsung and customers. Also, both CEC-Smart Good and CEC-Unitech will stay close to the latest market dynamics and reinforce their relationships with the international supply network, all with a view to meeting the needs of customers.

As at 31st July, 2001, the aggregate investment in CEC-ECAP, CEC-Electric, CEC-Smart Good and CEC-Unitech was approximately HK\$35,000,000. Looking ahead, with CEC's never-ending marketing development and sharp acumen for the international electronics markets, “CEC New People” will definitely launch more products of even higher quality and diversity in order to cater for the demands of customers and create win-win solutions in the near future.

(End of first edition; to be continued)

Turnover 營業額



「CEC 新人類」▶

動向篇 — 非線圈生產業務與貿易業務

CEC於一九九九年十一月在香港聯合交易所有限公司上市，至今已接近兩年。CEC之宗旨為透過與客戶緊密及積極聯繫，以快捷及有效之方式提供最能滿足其需求之產品，從而提高股東之投資價值。為著進一步擴闊其銷售層面及產品線，CEC已在非線圈生產業務與貿易業務方面增添多支具有豐富經驗的電子元件生產、銷售及市場推廣隊伍，名為「CEC新人類」，並於上市後成立四間新的附屬公司，以迎接未來的挑戰。

在電子元件生產方面，由於CEC現有客戶對電解電容器之需求日益殷切，高雅電解電容器有限公司（「高雅電解」）於二零零零年三月成立，專門從事設計、開發、生產及銷售多種類優質而極耐熱的鋁質電解電容器，其廠房設於廣東省東莞市，已有超過十年生產電解電容器之經驗，並已於二零零零年獲DNV Certification Ltd.頒發ISO9002證書，證明其對品質之保證已獲得認定。

高雅電氣有限公司（「高雅電氣」）則於二零零一年八月開始由經營電子元件貿易業務轉型為製造電源供應產品，其廠房亦設於廣東省東莞市，產品系列包括AC/DC電源轉接器、電池充電器、電源變壓器、線性電源供應器及交換式電源供應器等，均已符合世界各國的安全標準，主要銷售往香港、東南亞、歐洲、北美洲、南非、澳洲及新西蘭等市場。

電解電容器及電源供應產品均為眾多電子產品中不可缺少之零部件，因此高雅電解及高雅電氣之產品均廣泛應用於電訊及資訊科技設備、辦公室自動化設備、家居電器、玩具及影音器材等。高雅電解及高雅電氣於二零零一／二零零二年度第一季之營業額分別約為4,754,000港元及75,000港元，比對二零零零／二零零一年度第四季則分別約為6,483,000港元及460,000港元。

在電子元件之貿易業務方面，於二零零零年十一月，CEC成立高雅駿升企業有限公司（「高雅駿升」），並成功取得南韓三星（「Samsung」）品牌之

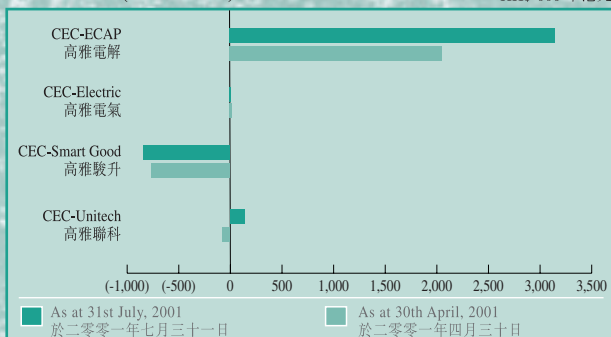
無源元件，如片狀電容器、片狀電阻器、電解電容器及陶瓷電容器等之分銷權。於二零零一年二月，CEC進一步加強其銷售及市場推廣之力量，成立高雅聯科電子有限公司（「高雅聯科」），主要從事半導體、消費電子產品之套件及其他電子元件之分銷。高雅駿升及高雅聯科之客戶均以香港及中國內地為主，而這兩支銷售及市場推廣隊伍亦已取得不俗之成績，高雅駿升及高雅聯科於二零零一／二零零二年度第一季之營業額分別約為6,798,000港元及3,037,000港元，而比對二零零零／二零零一年度第四季則分別約為7,291,000港元及560,000港元。

在現今的電子市場上，競爭日趨激烈，客戶對產品質素及價格的要求均一天比一天嚴謹。加上美國受恐怖襲擊事件的影響，全球經濟受到嚴重打擊而急速下滑。面對前所未有的挑戰及艱苦的經營環境，「CEC新人類」於下半財政年度的經營目標為達致平穩發展。在電子元件生產方面，高雅電解將會不斷於物料方面加強研究與開發，務求既可降低成本，亦能保持質素之競爭力，從而與客戶建立更緊密之關係。高雅電氣之生產業務亦經過長時間而周密的部署，憑藉CEC完善及先進的生產系統，如鐵氧體磁芯、五金元件及塑膠配件等之生產設施，高雅電氣之生產成本結構預期將仍有改良的空間。至於貿易業務方面，高雅駿升將會緊守其作為Samsung與客戶之間的橋樑角色。此外，高雅駿升及高雅聯科均會緊貼市場最新動態，加強其與國際供應網絡之關係，以迎合客戶的需要。

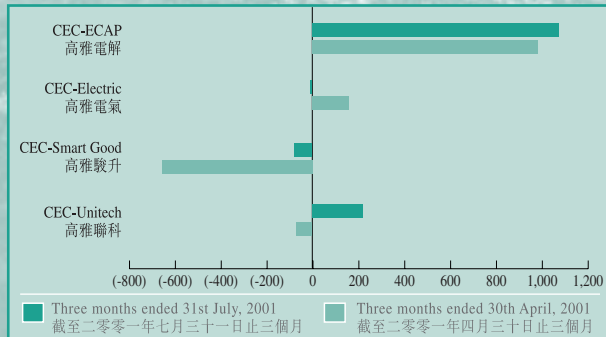
於二零零一年七月三十一日，CEC於高雅電解、高雅電氣、高雅駿升及高雅聯科四間附屬公司之總投資額約為35,000,000港元。展望未來，隨著CEC不斷拓展市場及具備對國際電子市場的敏銳觸覺，「CEC新人類」於不久的將來定會推出更優質、更多元化的產品，以滿足客戶的需求，達致雙贏局面。

（首篇完；待續）▶

Net assets (liabilities) 資產（負債）淨值 HK\$'000 千港元

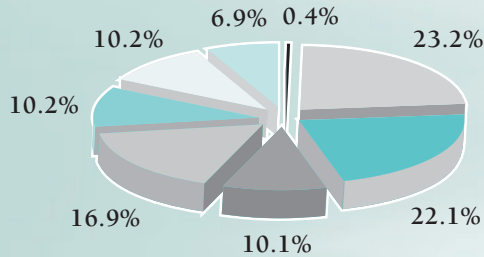


Net profit (loss) 純利（虧損） HK\$'000 千港元

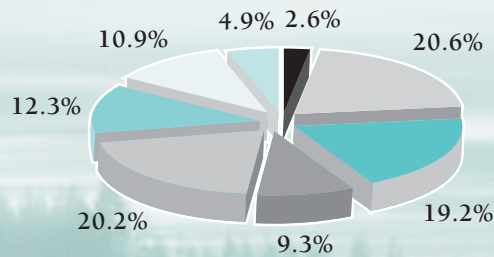


Analysis of Turnover by Customers' Industry Segments 按客戶行業劃分之營業額分析

Three months ended 31st July, 2000
截至二零零零年七月三十一日止三個月

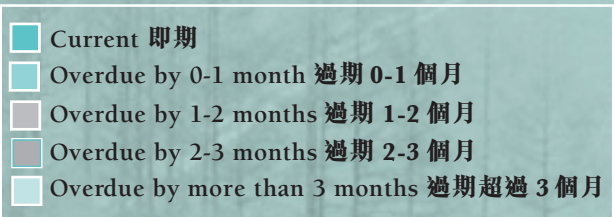
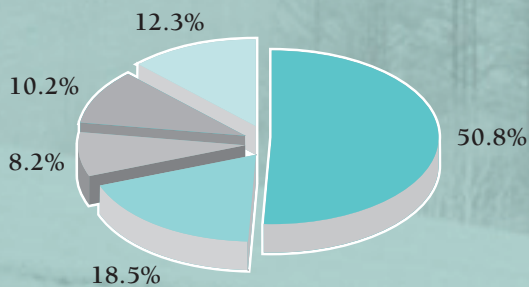


Three months ended 31st July, 2001
截至二零零一年七月三十一日止三個月

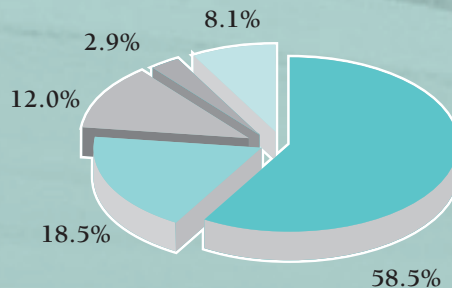


Aging Analysis of Trade Receivables 應收貿易款項賬齡分析

As at 31st July, 2001
於二零零一年七月三十一日



As at 30th April, 2001
於二零零一年四月三十日



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. Lam Wing Kin, Sunny

(Appointed on 27th September, 2001)

Mr. Iwata Kenji

(Retired on 14th September, 2001)

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 HM 12

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 3507-09, Level 35

Tower I, Millennium City 1

388 Kwun Tong Road

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)

2001/2002 FIRST 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 ended 31st July, 2001 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st July	
		2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
Turnover	2	79,770	90,617
Cost of sales		(53,741)	(59,379)
Gross profit		26,029	31,238
Distribution and selling expenses		(2,358)	(2,268)
General and administrative expenses		(10,763)	(9,758)
Profit from operations	2	12,908	19,212
Interest income		438	665
Interest expense		(6,769)	(3,800)
Profit before taxation	3	6,577	16,077
Taxation	4	(765)	(1,408)
Profit after taxation but before minority interests		5,812	14,669
Minority interests		(65)	(81)
Profit attributable to shareholders		5,747	14,588
Earnings per share	5		
– Basic		1.09 cents	2.92 cents
– Diluted		1.06 cents	2.82 cents

■ CONSOLIDATED BALANCE SHEET

	Notes	As at 31st July, 2001 HK\$'000 (Unaudited)	As at 30th April, 2001 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	6	451,084	432,417
Intangible asset		2,577	2,844
Investment in jointly controlled entities		234	234
Total non-current assets		453,895	435,495
CURRENT ASSETS			
Inventories		73,564	58,762
Trade receivables	7	35,592	30,780
Prepayments, deposits and other current assets		10,599	8,071
Pledged bank deposits		47,802	47,387
Cash and other bank deposits		8,959	8,327
Total current assets		176,516	153,327
CURRENT LIABILITIES			
Short-term bank borrowings		(114,254)	(88,803)
Long-term bank loans, current portion		(24,428)	(73,266)
Finance lease obligations, current portion		(35,346)	(33,092)
Trade payables	8	(29,911)	(23,427)
Bills payable		(1,705)	(11,971)
Accruals and other payables		(13,268)	(13,033)
Proposed final dividend		(5,280)	(5,280)
Taxation payable		(681)	(59)
Total current liabilities		(224,873)	(248,931)
Net current liabilities		(48,357)	(95,604)
Total assets less current liabilities		405,538	339,891
NON-CURRENT LIABILITIES			
Long-term bank loans, non-current portion		(73,350)	(11,252)
Finance lease obligations, non-current portion		(46,782)	(49,145)
Deferred taxation		(13,262)	(13,262)
Total non-current liabilities		(133,394)	(73,659)
MINORITY INTERESTS		(70)	(5)
Net assets		272,074	266,227
CAPITAL AND RESERVES			
Share capital	9	52,803	52,803
Reserves	12	73,220	73,120
Retained profit		146,051	140,304
Shareholders' equity		272,074	266,227

■ CONSOLIDATED CASH FLOW STATEMENT

	Three months ended 31st July,	
	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
Operating activities	(1,883)	(19,494)
Returns on investments and servicing of finance		
Interest received	438	665
Interest paid	(6,769)	(3,800)
	(6,331)	(3,135)
Taxation		
Hong Kong profits tax refunded	5	–
Mainland China enterprise income tax paid	(179)	(108)
	(174)	(108)
Investing activities		
Additions of property, plant and equipment	(18,592)	(12,958)
Increase in pledged bank deposits	(415)	(639)
Effect of foreign exchange rate changes	(11)	22
	(19,018)	(13,575)
Net cash outflow before financing	(27,406)	(36,312)
Financing		
Proceeds from issue of warrants	–	25,000
Warrant issuance expenses	–	(2,055)
New long-term bank loans	18,734	9,360
Repayment of long-term bank loans	(5,474)	(1,257)
Repayment of capital element of finance lease obligations	(10,673)	(6,142)
	2,587	24,906
Decrease in cash and cash equivalents	(24,819)	(11,406)
Cash and cash equivalents, beginning of period	(80,476)	(29,004)
Cash and cash equivalents, end of period	(105,295)	(40,410)

■ CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Three months ended 31st July,	
	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
Translation adjustments	100	22
Net gains not recognised in the consolidated income statement	100	22
Profit attributable to shareholders	5,747	14,588
Total recognised gains	5,847	14,610

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 ended 31st July, 2001 as compared with the most recent published annual financial statements for the year ended 30th April, 2001. These quarterly financial statements comply with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. **Turnover and segmental information**

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

Analysis of turnover and profit (loss) from operations by product category is as follows:

	Turnover Three months ended 31st July,		Profit (loss) from operations Three months ended 31st July,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Coils	65,106	81,714	11,225	18,723
Capacitors	4,754	5,843	1,286	(45)
Other electronic components	9,910	3,060	397	534
	79,770	90,617	12,908	19,212

Analysis of turnover by geographical location as determined on the basis of the location where merchandise is delivered is as follows:

	Three months ended 31st July,	
	2001 HK\$'000	2000 HK\$'000
Hong Kong	59,202	69,249
Mainland China	4,603	5,901
Taiwan	5,766	6,025
Europe	3,312	6,148
Singapore	4,741	3,294
Others	2,146	–
	<u>79,770</u>	<u>90,617</u>

No analysis of profit (loss) from operations by geographical location is presented as it is generally in line with the distribution of turnover as set out above.

3. Profit before taxation

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

	Three months ended 31st July,	
	2001 HK\$'000	2000 HK\$'000
After charging –		
Depreciation of property, plant and equipment	10,599	7,506
Amortisation of intangible asset	267	–
Staff costs (including directors' emoluments)	23,561	23,879
Interest expense on		
– bank overdrafts and loans wholly repayable within five years	3,821	1,267
– factoring of trade receivables	662	1,014
– finance leases	2,286	1,519
After crediting –		
Interest income from bank deposits	438	665
	<u>438</u>	<u>665</u>

4. Taxation

Taxation comprises:

	Three months ended 31st July,	
	2001 HK\$'000	2000 HK\$'000
Current taxation –		
Hong Kong profits tax		
– current year	586	1,300
Mainland China enterprise income tax		
– current year	179	108
	<u>765</u>	<u>1,408</u>

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit arising in or derived from Hong Kong during the period. Mainland China enterprise income tax has been 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 July, 2001 is based on the profit attributable to shareholders of approximately HK\$5,747,000 (2000: HK\$14,588,000) and on the weighted average number of 528,027,108 (2000: 500,000,000) shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 31st July, 2001 is based on the profit attributable to shareholders of approximately HK\$5,747,000 (2000: HK\$14,588,000) and on the weighted average number of 542,557,393 (2000: 517,546,817) shares, adjusted to reflect the effect of all dilutive potential shares in issue during the period.

The comparative weighted average number of shares in issue, basic earnings per share and diluted earnings per share for the three months ended 31st July, 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.

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

	Three months ended 31st July,	
	2001	2000
Weighted average number of shares used in the calculation of basic earnings per share	528,027,108	500,000,000
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	14,530,285	17,546,817
Weighted average number of shares used in the calculation of diluted earnings per share	542,557,393	517,546,817

The outstanding share options during the three months ended 31st July, 2001 were anti-dilutive.

6. Property, plant and equipment

During the three months ended 31st July, 2001, the additions of property, plant and equipment were approximately HK\$29,089,000 (three months ended 31st July, 2000: HK\$23,733,000).

7. Trade receivables

The aging analysis of trade receivables as at 31st July, 2001 is as follows:

	As at 31st July, 2001	As at 30th April, 2001
	HK\$'000	HK\$'000
Current	20,507	20,707
Overdue by 0 – 1 month	7,455	6,559
Overdue by 1 – 2 months	3,302	4,250
Overdue by 2 – 3 months	4,126	1,010
Overdue by more than 3 months	5,012	2,869
	40,402	35,395
Less: Provision for bad and doubtful debts	(4,810)	(4,615)
	35,592	30,780

Management of the Group performs ongoing credit and collectibility evaluations of each customer. Provisions for potential credit losses are maintained and such losses in aggregate have not exceeded management's estimates. The Group offers an average credit period ranging from one month to three months to its trade customers who have good payment records and well-established relationships with the Group.

8. Trade payables

The aging analysis of trade payables as at 31st July, 2001 is as follows:

	As at 31st July, 2001 HK\$'000	As at 30th April, 2001 HK\$'000
Current	20,145	12,212
Overdue by 0 – 1 month	3,643	4,432
Overdue by 1 – 2 months	1,813	1,665
Overdue by 2 – 3 months	516	257
Overdue by more than 3 months	3,794	4,861
	29,911	23,427

9. Share capital

Movements in share capital are:

	Three months ended 31st July, 2001		Year ended 30th April, 2001	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised shares of HK\$0.10 each Beginning and 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	528,027,108	52,803	200,000,000	20,000
Bonus issue	–	–	300,000,000	30,000
Issue of shares pursuant to scrip dividend scheme	–	–	4,277,108	428
Issue of shares upon exercise of warrants	–	–	23,750,000	2,375
End of period/year	528,027,108	52,803	528,027,108	52,803

10. Share options

Under the share option scheme adopted by the Company on 26th October, 1999, the Directors may grant options to any full-time 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.

Movements in share options during the three months ended 31st July, 2001 are as follows:

Date of grant	Subscription price per share	Beginning of period	Number of shares under options			End of period
			Granted during the period	Exercised during the period	Lapsed during the period	
21st September, 2000	HK\$1.22*	11,795,864	–	–	–	11,795,864
1st November, 2000	HK\$0.90**	35,400,000	–	–	(1,550,000)	33,850,000
		47,195,864	–	–	(1,550,000)	45,645,864

* Such share options are exercisable from 22nd September, 2002 to 21st January, 2005, both dates inclusive.

** Such share options are exercisable from 1st November, 2002 to 28th February, 2005, both dates inclusive.

11. Warrants

As at 31st July, 2001, the outstanding warrants carry the subscription rights of HK\$1.475 for every 10 units of warrants entitling the holders thereof to subscribe in cash for new shares in the Company up to the aggregate amount of HK\$44,987,500 at a subscription price of HK\$0.59 per new share (subject to adjustment).

12. Reserves

Movements of reserves are:

	Three months ended 31st July, 2001					Year ended 30th April, 2001	
	Share premium HK\$'000	Capital reserve HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Cumulative translation adjustments HK\$'000	Total HK\$'000	Total HK\$'000
Beginning of period/year	24,490	13,934	17,454	17,476	(234)	73,120	61,790
Proceeds from issue of warrants	-	-	-	-	-	-	25,000
Warrant issuance expenses	-	-	-	-	-	-	(2,109)
Bonus issue	-	-	-	-	-	-	(30,000)
Premium arising from issue of shares pursuant to scrip dividend scheme	-	-	-	-	-	-	7,177
Proceeds from exercise of warrants	-	-	-	-	-	-	11,637
Share issuance expenses	-	-	-	-	-	-	(178)
Translation adjustments	-	-	-	-	100	100	(197)
End of period/year	24,490	13,934	17,454	17,476	(134)	73,220	73,120

13. Contingent liabilities

Contingent liabilities not provided for in the financial statements are:

	As at 31st July, 2001 HK\$'000	As at 30th April, 2001 HK\$'000
Discounted bills with recourse	325	1,402
Factoring of trade receivables with recourse	30,947	30,415
	31,272	31,817

14. Comparative figures

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

■ DIVIDEND

The Directors resolved not to declare any interim dividend in respect of the three months ended 31st July, 2001 (2000: Nil).

BUSINESS REVIEW

The business environment for the Group's financial year 2001/2002 is full of challenges and difficulties. On top of the Group's controversial development blueprint, the market environment was both depressed and uncertain, creating the challenging first quarter for the Group. During the same period last year, both the markets for electronics and high-technology products were booming, stimulating substantial demand for electronic components. For the current year, however, the market situation was totally reversed with the global economic slowdown and the flood of negative news from the world's leading electronics manufacturers. Affected by the downturn in demand for telecommunications, information technology and consumer electronic products, some leading international coil makers suffered more than 30% drop in turnover for the second quarter of 2001, resulting in precipitous plunge in their operating profits. Some even recorded operating losses during the period. The markets were flooded with reports of staff reductions, capital expenditure cuts, closures of factories and business restructuring. Despite the unfavourable market environment, however, for the three months ended 31st July, 2001, the Group recorded a turnover of approximately HK\$79,770,000, showing only a moderate decrease of 12.0% when compared to the same period last year. Even more positively, the Group has sustained its gross profit margin at a satisfactory level of 32.6%. The results have demonstrated the Group's ability to maintain its competitive edge despite the adverse market conditions.

In the past financial year, the Group grasped emerging market opportunities, enjoying relatively low costs in the construction of new factory blocks and investment in the automation of production facilities, with total capital expenditure amounting to more than HK\$200 million. With the support of its major financing banks, the Group continued to finance its capital expenditure by its well-adopted asset-based financing methods, which were proved to be both effective and practical. As such, interest expense was pushed up by 78.1% to approximately HK\$6,769,000. The investments have also led to a 41.2% increase in depreciation of property, plant and equipment to approximately HK\$10,599,000. This has caused the profit attributable to shareholders to decrease from approximately HK\$14,588,000 to approximately HK\$5,747,000.

The Group is, however, fully committed to the above initiatives, which will be implemented according to the original plans. The Group strongly believes that these initiatives are essential and vital to building a more promising future. The Group is therefore expected to gain market share rapidly and will be able to fulfill the market demands better once the market stabilises, further reinforcing its status in the market.

Active Preparation for the Production of Series of Manganese-Zinc Ferrite Core Products

During the previous financial year, the Group began the installation of automated production facilities and the construction of new factory blocks fitted with sophisticated machinery, which have reached the completion stage. During the period under review, the production line for the series of manganese-zinc ferrite core products commenced trial production and has begun operations in the second quarter of this financial year. With the rapid technological advancement, the demand for quality electronic components has been soaring. The Group expects the manganese-zinc series products to fulfill the demands of manufacturers of high-tech products for top quality electronic components. The manganese-zinc series products also enjoy a higher expected gross profit margin of 40%, compared to 30% for usual coil products. With the high demand for manganese-zinc series products, the Group believes that these products will generate satisfactory returns.

Building on its research achievements and production experience, the Group has been continuously developing new formulae and innovative products during the period under review, striving for further breakthroughs in the quality and variety of its products to satisfy the demands of the electronics industry.

Financial Position

As at 31st July, 2001, total borrowings amounted to approximately HK\$294,160,000 (as at 30th April, 2001: HK\$255,558,000). Total cash and bank deposits increased to approximately HK\$56,761,000 (as at 30th April, 2001: HK\$55,714,000). The net gearing ratio, defined as total borrowings less total cash and bank deposits over net tangible assets, was approximately 88.1% (as at 30th April, 2001: 75.9%). With regard to the Group's incompliance as at 30th April, 2001 with one of the financial covenants imposed by its major bank that the net gearing ratio should not exceed 0.6:1, in August 2001, the Group has obtained the bank's approval for its net gearing ratio up to 0.85:1. Together with the net proceeds of approximately HK\$13,800,000 from the subscription for new shares announced on 11th September, 2001 (please see below for details), the Group has every confidence that it will effectively bring the net gearing ratio to below 0.85:1 in the near future.

As most of the Group's capital expenditure was financed by borrowings instead of equity financing, this has resulted in the Group's higher net gearing ratio. Despite this, the Directors considered the Group's overall financial position to be healthy. As at 31st July, 2001, the Group's aggregate banking facilities increased to approximately HK\$308,536,000 (as at 30th April, 2001: HK\$302,624,000), of which approximately HK\$56,944,000 (as at 30th April, 2001: HK\$65,727,000) was not yet utilised.

■ FUTURE PLANS AND PROSPECTS

Entering the 21st century, the world has been transforming into a knowledge-based economy. Global information and communication networks are therefore more important than ever. In spite of the worldwide economic slowdown, the accession of China into the World Trade Organisation ("WTO") will be a key growth-driver for electronic components arising from the information and communication technology revolution. We are therefore cautiously optimistic for the future and are preparing for sustainable development so as to bring better returns to our shareholders. The Group's future plans and prospects are elaborated as follows:

Broadening Customer Base and Diversifying Product Mix

Besides effective cost control, the Group is actively broadening its customer base. The Group has maintained an excellent product portfolio including different types of coils, inductors, transformers, line filters and electrolytic capacitors, etc. These products are widely applied in telecommunication and information technology equipment, data transmission and network products, audio and visual appliances, home electrical and electronic appliances. Together with its top product quality, the Group has won a broad customer base. In response to the climbing demand for product diversity in the markets, the Group launched the vertically integrated production of manganese-zinc series ferrite core products in the second quarter. Because of its intensive and detailed planning for the production, the Group is fully confident that this will create new sphere for turnover growth.

Although electronics manufacturers, especially those in Europe, are focusing more on production cost and product quality, the Group considers this to be an ideal opportunity for business exploitation. Over the years, the Group has been adopting efficient and effective production methods, producing quality products at the lowest possible cost, to capture a higher market share. Meanwhile, the Group is negotiating with a well-known mobile phone manufacturer in Europe to supply high-power major electronic components for its chargers on a long-term basis. The Group expects this move to bring in reasonable returns.

Strengthening Strategic Partnerships

In addition to effective cost management and a broad customer base, a well-established supply chain and widespread distribution network also contributed to the success of the Group.

Currently, the Group has two strategic partners, Nittoku Engineering Co., Ltd. (“Nittoku”), a manufacturer of coil-winding machines, and Toko Inc. (“Toko”), a leading international coils manufacturer. Both are well-known and well-established listed companies in Japan.

Since the Company’s listing in November 1999, Nittoku has been supporting the Group unremittingly, displaying total confidence in the Group’s business with full action and support. On 11th September, 2001, the Company entered into a conditional agreement with Nittoku for the subscription of 20,588,235 new shares in the Company at a subscription price of HK\$0.68 per subscription share. Nittoku’s beneficial interest in the Company’s issued share capital will be increased from approximately 4.78% to approximately 7.77%. The net proceeds from the subscription will be approximately HK\$13,800,000, which is intended to be used as general working capital of the Group.

Adding value to the Group’s operating cycle, Nittoku supplies the latest technology and advanced equipment for the Group’s upstream production, while Toko provides a widespread distribution network for the Group’s downstream sales and marketing. These strategic alliances have effectively enhanced the Group’s competitiveness, forming strong foundations for the Group’s technical, sales and marketing aims. The Group will further strengthen these strategic partnerships to create ongoing win-win solutions and broaden its future development.

Staff Sharing the Group’s Commitment – One Vision, One Heart

In view of the difficult and challenging business environment as well as the depressed and uncertain market, the staff at every level of Coils Electronic Co., Limited initiated an overall reduction in their salaries ranging from 7% to 20%. This move reflects the tremendous support from our staff for the Group’s efforts to streamline operating costs and was followed by similar actions by most of the Directors and other subsidiaries. The Directors strongly believe that, with all staff sharing a common goal with committed hearts, the Group will certainly overcome the difficult and challenging time ahead.

■ 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 three months ended 31st July, 2001.

■ DIRECTORS’ INTERESTS IN SECURITIES

As at 31st July, 2001, the Directors of the Company had the following beneficial 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 or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

(a) The Company

	Family interests	Number of shares of HK\$0.10 each		Number of warrants
		Personal interests	Corporate interests	Personal interests
Mr. Lam Wai Chun (Note 1)	332,574,381	2,000,000	—	—
Mr. Saito Misao (Note 2)	—	625,411	315,046	—
Ms. Tang Fung Kwan (Note 2)	—	2,918,843	315,046	—
Ms. Hu Yan Huan (Note 2)	—	944,361	315,046	—
Mr. Au Son Yiu	—	—	—	1,000,000

Notes:

- As at 31st July, 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 July, 2001, CMPP Investment Holdings Limited ("CMPP") held 315,046 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.
- 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.
- 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 July, 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 July, 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	21st September, 2000	22nd September, 2002 to 21st January, 2005	HK\$1.22	2,948,966
Mr. Saito Misao	21st September, 2000	22nd September, 2002 to 21st January, 2005	HK\$1.22	2,948,966
Ms. Tang Fung Kwan	21st September, 2000	22nd September, 2002 to 21st January, 2005	HK\$1.22	2,948,966
Ms. Hu Yan Huan	21st September, 2000	22nd September, 2002 to 21st January, 2005	HK\$1.22	2,948,966

Save as disclosed above, at no time during the three months ended 31st July, 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 debt securities of, the Company or any other body corporate.

■ SUBSTANTIAL SHAREHOLDERS

As at 31st July, 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 (Notes 1 and 2)	332,574,381	62.984%
Ka Yan China Investments Limited (Note 2)	332,574,381	62.984%
HSBC Holdings plc (Note 3)	332,574,381	62.984%
HSBC Finance (Netherlands) (Note 3)	332,574,381	62.984%
HSBC Holdings B.V. (Note 3)	332,574,381	62.984%
HSBC Investment Bank Holdings B.V. (Note 3)	332,574,381	62.984%
HSBC International Trustee Limited (Note 3)	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. and 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 July, 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 three months ended 31st July, 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.

■ APPOINTMENT OF DIRECTOR

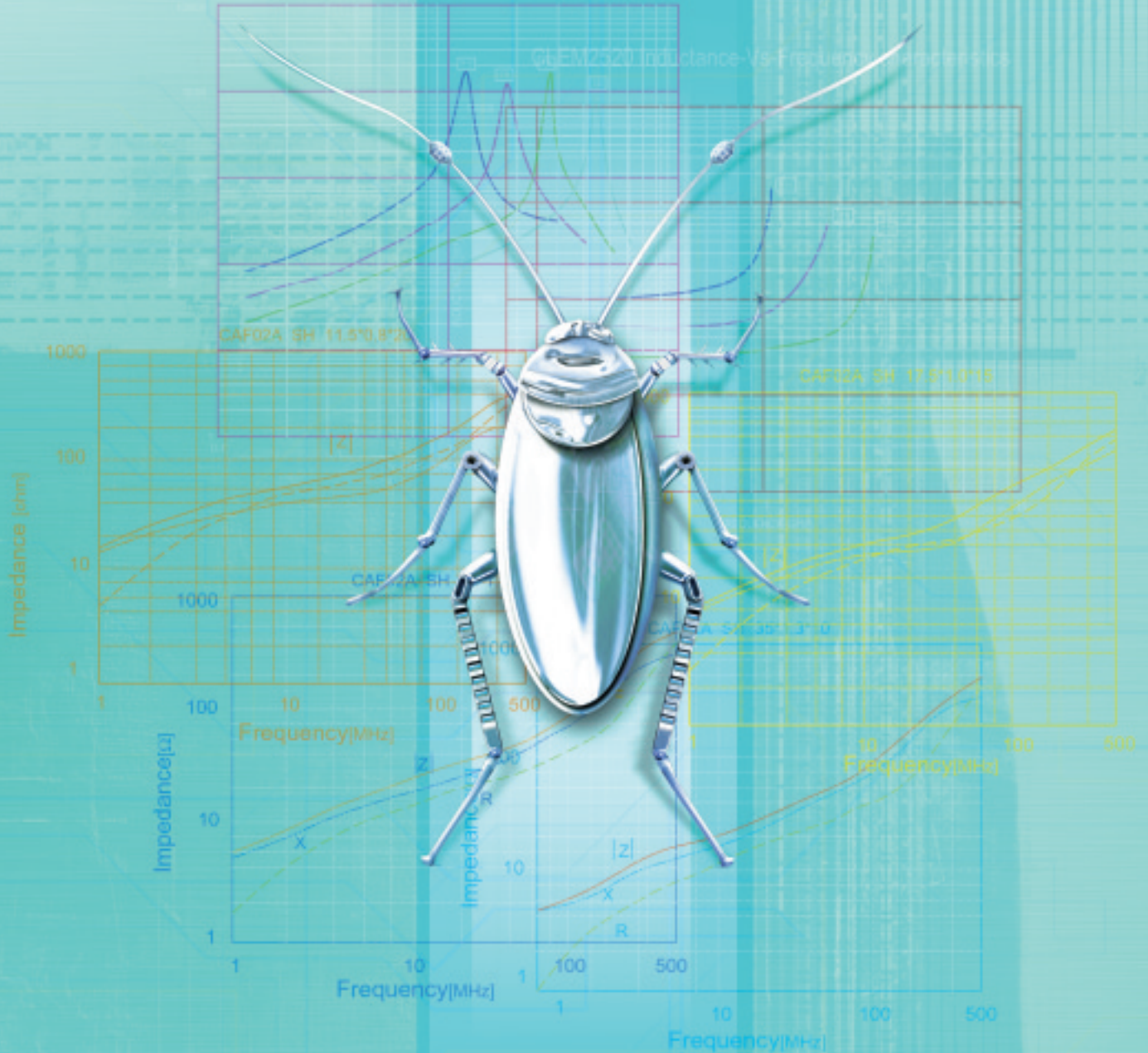
Mr. Lam Wing Kin, Sunny, has been appointed as an Executive Director of the Company with effect from 27th September, 2001.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 27th September, 2001

CLEM2520 Impedance-Vs-Frequency characteristics

CLEM2520 Inductance-Vs-Frequency characteristics



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