

# “CEC New People”

Movement – Non-coils Manufacturing Business and Trading Business

During the first three quarters of the financial year 2001/2002, CEC-ECAP Limited (“CEC-ECAP”) went through three different stages, from struggling in a harsh economic environment to achieving breakthroughs. Overall development in the third quarter was on a steady pace, recording a turnover of approximately HK\$8,219,000, down approximately 26.8% from the second quarter. During the different stages, CEC-ECAP carried out different strategies to cope with the changes, but adhered to an unchanged goal. After all, those strategies were all implemented to achieve breakthroughs in the adverse market conditions and maintain a pace of stable development during favourable times.

Due to the poor global market sentiment in the third quarter, CEC-Electric Co., Limited (“CEC-Electric”) suffered a decline in turnover along with the decrease in market demand, as most of its customers were overseas. The turnover for the third quarter was approximately HK\$760,000, a decrease of approximately 60.5% compared to the previous quarter. Nevertheless, CEC-Electric’s business development is continuous, and it is expected that the fourth quarter turnover will step up again. At the same time, to meet the wide-ranging needs of different customers and markets, CEC-Electric is actively developing brand new power supply devices, the launching of which is expected to take place in the fourth quarter.

CEC-Unitech Electronics Limited (“CEC-Unitech”) has been dedicating its efforts to market promotion, which started to bear fruit in the third quarter. Turnover for the third quarter improved despite the decrease in market demand and increased by approximately 58.6% from the second quarter to approximately HK\$4,423,000. It was also able to achieve a profit at a reasonable level. The positive results were not merely an incident but attributable to the efforts of management and the commitment of CEC-Unitech’s staff. In the market for semiconductors, the balance of demand and supply is critical to the business stability of traders in the market. As such, with regard to the bid for distribution right for semiconductors, CEC-Unitech will need more time to study in more detail its practicability with prudence.

Owing to a depressed market, together with the flood of uncertainties in the operating environment, CEC-Smart Good Enterprises Limited (“CEC-Smart Good”) has tightened its credit policy in order to minimise credit risk.

Although this has led to a dramatic decline in turnover for the early part of the third quarter, CEC-Smart Good understands that a prudent move to screen out those customers with poor credit records is a right operating attitude. Turnover for the third quarter was approximately HK\$3,287,000, down approximately 39.7% from the previous quarter. On the other hand, CEC-Smart Good strengthened its marketing and promotion among its existing and new customers who have proven credit records. Due to the increasingly keen competition in the market, the gross profit of trading business has been deteriorating. In view of this trend, the Group is closely monitoring the prospects for developing its trading business and is evaluating its impact on the Group’s overall economic value.

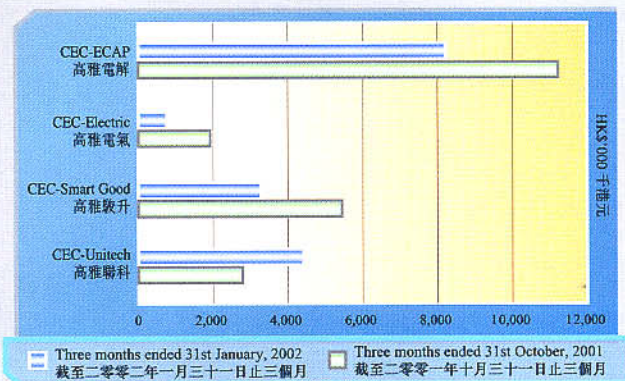
To conclude, the third quarter was rather unpredictable. On the one hand, there seemed to be signs of economic recovery in the market. On the other hand, news of bankruptcy, layoff, redundancy and corporate re-engineering to reduce costs were still coming. Some have reported steady growth while others have barely been able to keep their heads above the danger line. It was therefore really a period of challenges, proving management strength, strategy and operational capabilities. Faced with the challenges ahead, CEC-ECAP, CEC-Electric, CEC-Unitech and CEC-Smart Good will stick to their set goals with a prudent operating philosophy, trying to weather through the adversities and yield more fruitful results.

(End of third edition) ▶

By Order of the Board  
**Lam Wing Kin, Sunny**  
Executive Director

Hong Kong, 18th March, 2002

## Turnover 營業額





# 「CEC 新人類」

## 動向篇 - 非線圈生產業務與貿易業務

高雅電解電容器有限公司(「高雅電解」)在二零零一／二零零二年度首三季度內，可說是經歷了三個不同的階段，從逆境求生存至突破障礙，而第三季可說是達到平穩發展的地步。第三季的營業額約為8,219,000港元，比第二季下跌約26.8%。雖然在不同的階段上，策略上不斷改變，但宗旨卻沒有偏離，在逆境中不斷求變，而在順境中則反思過去，致力於維持穩定的發展。

高雅電氣有限公司(「高雅電氣」)方面，因現有客戶多屬外國客戶，而第三季正是全球經濟淡季，市場需求下降，以致營業額減少。第三季的營業額約為760,000港元，比第二季下跌約60.5%。但另一方面，市場拓展工作卻從沒間斷，預計營業額在第四季應可望回升。在產品方面，按照市場及客戶需求，現正研發新電源供應產品，預計在第四季內可推出市場。

雖然市場需求下降，但憑著高雅聯科電子有限公司(「高雅聯科」)一直以來努力不懈的推廣，在第三季已開始漸見成效，營業額不跌反升。第三季之營業額達到約4,423,000港元，升幅約為58.6%，而利潤亦能達到合理水平。能夠締造出這成績絕非僥倖，而是因為高雅聯科在管理方面所下的功夫及員工通力合作之成果。對於半導體市場方面，供求平衡對貿易商之業務穩定性相當重要，所以在半導體代理權上，高雅聯科需要更長的時間加深研究，並以審慎為原則，再決定其可行性。

高雅駿升企業有限公司(「高雅駿升」)方面，由於市場低迷，再加上不明朗因素籠罩著疲弱的經營環境，為盡量減低信貸風險，不得不收緊信貸政策。雖然這導致第三季初期營業額下降，但高雅駿升亦明白到為著增加營業額而盲目接受信貸紀錄不良的客戶並非應有的經營態度，而應該以審慎為經營原則。第三季之營業額約為3,287,000港元，比第二季下跌約39.7%。另一方面，高雅駿升對於其信貸紀錄良好的現有及新客戶之推廣卻在不斷加強中。因為貿易業務面對之市場競爭越趨激烈，導致毛利下降，所以本集團現亦正密切注視貿易業務之發展前景，並研究貿易業務對本集團整體經濟效益之影響。

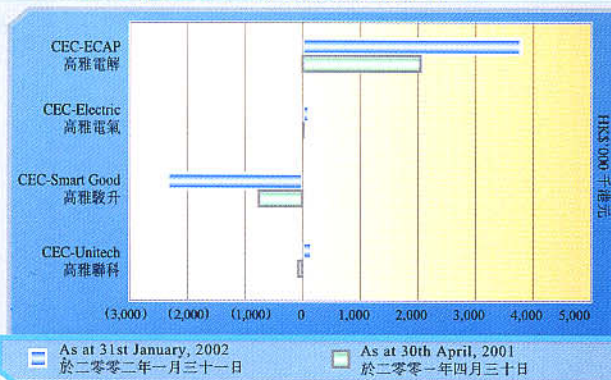
總括而言，第三季度可說是一個比較難揣測的一季，市場上常傳出經濟漸漸開始復甦的消息，但另一方面卻陸續有更多公司倒閉、裁員及精簡架構。某一些公司正在平穩發展，而有些卻在危險線上下徘徊。現在正是一個真正考驗不同公司在管理及經營策略上的實力的時候，而高雅電解、高雅電氣、高雅聯科及高雅駿升將會繼續堅持其明確的目標及審慎的經營之道，衝破困局，繼往開來，務求達到美好的成果。

(第三篇完)

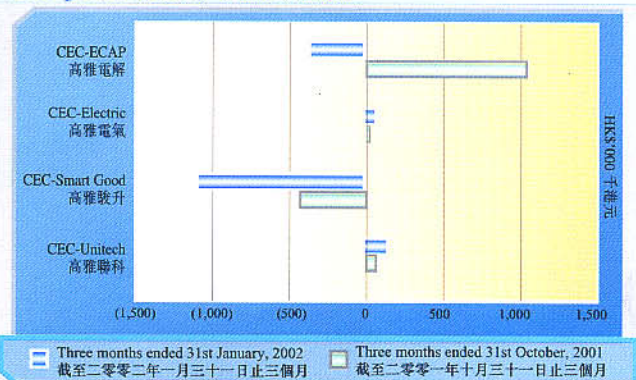
承董事會命  
執行董事  
林永健

香港，二零零二年三月十八日

Net assets (liabilities) 資產(負債)淨值



Net profit (loss) 純利(虧損)





## CORPORATE INFORMATION ▲

**DIRECTORS***Executive Directors*

Mr. Lam Wai Chun  
(Chairman and Managing Director)

Mr. Saito Misao (Deputy Chairman)

Ms. Tang Fung Kwan

Mr. Lam Wing Kin, Sunny  
(Appointed on 27th September, 2001)

Mr. Iwata Kenji  
(Retired on 14th September, 2001)

Ms. Hu Yan Huan  
(Resigned on 18th March, 2002)

*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

China Construction Bank

Dah Sing Bank Limited

Dao Heng Bank Limited

Hang Seng 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

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Listed on The Stock Exchange of

Hong Kong Limited  
Stock Code: 0759 (shares)  
0337 (warrants)

**2001/2002 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, 2002 as follows:

**CONSOLIDATED INCOME STATEMENT**

	Notes	Three months ended 31st January,		Nine months ended 31st January,	
		2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Turnover	2	91,988	81,718	276,241	269,393
Cost of sales		(69,863)	(55,702)	(200,015)	(181,996)
Gross profit		22,125	26,016	76,226	87,397
Distribution and selling expenses		(2,440)	(2,989)	(7,879)	(8,010)
General and administrative expenses		(11,883)	(10,859)	(36,221)	(30,128)
Profit from operations	2	7,802	12,168	32,126	49,259
Interest income		152	650	911	1,945
Interest expense		(4,828)	(5,532)	(17,751)	(13,924)
Share of profits less losses of jointly controlled entities		(11)	–	5	–
Profit before taxation	3	3,115	7,286	15,291	37,280
Taxation	4	(795)	(757)	(2,393)	(3,240)
Profit after taxation but before minority interests		2,320	6,529	12,898	34,040
Minority interests		–	–	(101)	–
Profit attributable to shareholders		2,320	6,529	12,797	34,040
Earnings per share	6				
– Basic		0.35 cent	1.05 cents	1.98 cents	5.58 cents
– Diluted		0.35 cent	0.98 cent	1.97 cents	5.21 cents

## CONSOLIDATED BALANCE SHEET

	Notes	As at 31st January, 2002 HK\$'000 (Unaudited)	As at 30th April, 2001 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	462,320	432,417
Intangible asset		2,044	2,844
Investment in jointly controlled entities		979	234
<b>Total non-current assets</b>		<b>465,343</b>	<b>435,495</b>
<b>CURRENT ASSETS</b>			
Inventories		71,631	58,762
Trade receivables	8	34,833	30,780
Prepayments, deposits and other current assets		31,685	8,071
Pledged bank deposits		43,531	47,387
Cash and other bank deposits		8,879	8,327
<b>Total current assets</b>		<b>190,559</b>	<b>153,327</b>
<b>CURRENT LIABILITIES</b>			
Short-term bank borrowings		(119,415)	(88,803)
Long-term bank loans, current portion		(34,016)	(73,266)
Finance lease obligations, current portion		(33,212)	(33,092)
Trade payables	9	(33,803)	(23,427)
Bills payable		(4,577)	(11,971)
Accruals and other payables		(16,119)	(13,033)
Taxation payable		(2,143)	(59)
<b>Total current liabilities</b>		<b>(243,285)</b>	<b>(243,651)</b>
<b>Net current liabilities</b>		<b>(52,726)</b>	<b>(90,324)</b>
<b>Total assets less current liabilities</b>		<b>412,617</b>	<b>345,171</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term bank loans, non-current portion		(69,954)	(11,252)
Finance lease obligations, non-current portion		(32,182)	(49,145)
Deferred taxation		(13,262)	(13,262)
<b>Total non-current liabilities</b>		<b>(115,398)</b>	<b>(73,659)</b>
<b>MINORITY INTERESTS</b>		<b>–</b>	<b>(5)</b>
<b>Net assets</b>		<b>297,219</b>	<b>271,507</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	66,103	52,803
Reserves	13	231,116	218,704
<b>Shareholders' equity</b>		<b>297,219</b>	<b>271,507</b>

## CONSOLIDATED CASH FLOW STATEMENT ▲

	Nine months ended 31st January,	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Operating activities	35,398	28,148
Returns on investments and servicing of finance		
Interest received	911	1,945
Interest paid	(17,751)	(13,924)
Dividends paid	(1,540)	(2,395)
	(18,380)	(14,374)
Taxation		
Hong Kong profits tax refunded	5	–
Hong Kong profits tax paid	–	(450)
Mainland China enterprise income tax paid	(309)	(210)
	(304)	(660)
Investing activities		
Additions of property, plant and equipment	(54,873)	(105,126)
Acquisition of additional interest in a subsidiary	(5)	–
Increase in amount due from jointly controlled entities	(740)	–
Decrease (Increase) in pledged bank deposits	3,856	(3,719)
Effect of foreign exchange rate changes	142	54
	(51,620)	(108,791)
Net cash outflow before financing	(34,906)	(95,677)
Financing		
Proceeds from issue of shares	14,620	14,012
Share issuance expenses	(240)	(178)
Proceeds from issue of warrants	–	25,000
Warrant issuance expenses	–	(2,109)
New long-term bank loans	38,789	58,267
Repayment of long-term bank loans	(19,337)	(7,053)
Repayment of capital element of finance lease obligations	(28,986)	(18,855)
	4,846	69,084
Decrease in cash and cash equivalents	(30,060)	(26,593)
Cash and cash equivalents, beginning of period	(80,476)	(29,004)
Cash and cash equivalents, end of period	(110,536)	(55,597)



## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES ▲

	Nine months ended 31st January,	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Translation adjustments	75	(59)
Net gains (losses) not recognised in the consolidated income statement	75	(59)
Profit attributable to shareholders	12,797	34,040
Total recognised gains	12,872	33,981

Notes:

### 1. Principal accounting policies

The same principal accounting policies and methods of computation are followed in the quarterly financial statements for the three months and nine months ended 31st January, 2002 as compared with the most recent published annual financial statements for the year ended 30th April, 2001. The quarterly financial statements comply with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The Group has adopted a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants for the first time in the current period. The adoption of these new or revised SSAPs does not have any effect on the current or prior period financial statements except in accordance with the revised SSAP 9 "Events after the balance sheet date", the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date.

### 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, power supply devices 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 January,		Nine months ended 31st January,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils	75,299	76,455	223,495	247,070
Capacitors	8,219	3,858	24,203	15,416
Power supply devices	760	-	2,685	-
Other electronic components	7,710	1,405	25,858	6,907
	91,988	81,718	276,241	269,393

	Profit (loss) from operations			
	Three months ended 31st January,		Nine months ended 31st January,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils	8,797	12,640	30,496	50,202
Capacitors	(263)	(64)	2,134	(694)
Power supply devices	77	-	88	-
Other electronic components	(809)	(408)	(592)	(249)
	7,802	12,168	32,126	49,259



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 January,		Nine months ended 31st January,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	64,985	64,526	195,168	213,042
Mainland China	6,652	4,839	16,901	16,450
Taiwan	14,830	1,514	33,805	9,493
Europe	3,360	3,962	11,530	15,610
Others	2,161	6,877	18,837	14,798
	91,988	81,718	276,241	269,393

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 January,		Nine months ended 31st January,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
After charging –				
Depreciation of property, plant and equipment	14,480	8,404	37,045	23,624
Amortisation of intangible asset	267	–	800	–
Staff costs (including directors' emoluments)	20,830	17,896	69,660	65,988
Interest expense on				
– bank overdrafts and loans wholly repayable within five years	3,065	2,480	10,759	5,617
– factoring of trade receivables	548	648	1,898	2,721
– finance leases	1,215	2,404	5,094	5,586
After crediting –				
Interest income from bank deposits	152	650	911	1,945



**4. Taxation**

Taxation comprises:

	Three months ended 31st January,		Nine months ended 31st January,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Current taxation –				
Hong Kong profits tax				
– current year	736	700	2,084	3,030
Mainland China enterprise income tax				
– current year	59	57	309	210
	795	757	2,393	3,240

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16% (2001: 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. Dividends**

The Directors resolved not to declare any interim dividend in respect of the nine months ended 31st January, 2002 (2001: Nil).

**6. Earnings per share**

The calculation of basic earnings per share for the three months ended 31st January, 2002 is based on the profit attributable to shareholders of approximately HK\$2,320,000 (2001: HK\$6,529,000) and on the weighted average number of 661,028,811 (2001: 623,859,052) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January, 2002 is based on the profit attributable to shareholders of approximately HK\$12,797,000 (2001: HK\$34,040,000) and on the weighted average number of 645,174,211 (2001: 609,823,164) shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 31st January, 2002 is based on the profit attributable to shareholders of approximately HK\$2,320,000 (2001: HK\$6,529,000) and on the weighted average number of 661,028,811 (2001: 662,895,594) shares, adjusted to reflect the effect of all dilutive potential shares in issue during the period.

The calculation of diluted earnings per share for the nine months ended 31st January, 2002 is based on the profit attributable to shareholders of approximately HK\$12,797,000 (2001: HK\$34,040,000) and on the weighted average number of 649,576,633 (2001: 653,986,254) 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 and nine months ended 31st January, 2001 have been adjusted to reflect the bonus issue of shares on the basis of one bonus share for every five shares held by shareholders on 14th September, 2001.



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, 2002 to that used in the calculation of diluted earnings per share is as follows:

	Three months ended 31st January,		Nine months ended 31st January,	
	2002	2001	2002	2001
Weighted average number of shares used in the calculation of basic earnings per share	661,028,811	623,859,052	645,174,211	609,823,164
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	–	37,354,616	4,402,422	43,602,448
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	–	1,681,926	–	560,642
Weighted average number of shares used in the calculation of diluted earnings per share	661,028,811	662,895,594	649,576,633	653,986,254

#### 7. Property, plant and equipment

During the nine months ended 31st January, 2002, the additions of property, plant and equipment were approximately HK\$67,067,000 (nine months ended 31st January, 2001: HK\$153,490,000).

#### 8. Trade receivables

The aging analysis of trade receivables as at 31st January, 2002 is as follows:

	As at 31st January, 2002 HK\$'000	As at 30th April, 2001 HK\$'000
Current	21,491	20,707
Overdue by 0 – 1 month	6,977	6,559
Overdue by 1 – 2 months	3,797	4,250
Overdue by 2 – 3 months	1,840	1,010
Overdue by more than 3 months	2,655	2,869
	36,760	35,395
Less: Provision for bad and doubtful debts	(1,927)	(4,615)
	34,833	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.

#### 9. Trade payables

The aging analysis of trade payables as at 31st January, 2002 is as follows:

	As at 31st January, 2002 HK\$'000	As at 30th April, 2001 HK\$'000
Current	17,101	12,212
Overdue by 0 – 1 month	7,495	4,432
Overdue by 1 – 2 months	4,532	1,665
Overdue by 2 – 3 months	1,098	257
Overdue by more than 3 months	3,577	4,861
	<b>33,803</b>	<b>23,427</b>

#### 10. Share capital

Movements in share capital are:

	Nine months ended 31st January, 2002		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	105,815,421	10,581	300,000,000	30,000
Issue of shares pursuant to scrip dividend scheme	5,548,047	555	4,277,108	428
Issue of shares upon exercise of warrants	1,050,000	105	23,750,000	2,375
Issue of new shares	20,588,235	2,059	–	–
End of period/year	661,028,811	66,103	528,027,108	52,803

#### 11. 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 nine months ended 31st January, 2002 are as follows:

Name of holders	Subscription price per share	Beginning of period	Number of shares under options			End of period
			Adjustment for bonus issue***	Exercised during the period	Lapsed during the period	
<b>Directors</b>						
Mr. Lam Wai Chun	HK\$1.02*	2,948,966	578,228	-	-	3,527,194
Mr. Saito Misao	HK\$1.02*	2,948,966	578,228	-	-	3,527,194
Ms. Tang Fung Kwan	HK\$1.02*	2,948,966	578,228	-	-	3,527,194
Ms. Hu Yan Huan	HK\$1.02*	2,948,966	578,228	-	-	3,527,194
Employees of the Group	HK\$0.75**	35,400,000	6,680,000	-	(3,560,000)	38,520,000
		47,195,864	8,992,912	-	(3,560,000)	52,628,776

\* Such share options were granted on 21st September, 2000. The options are exercisable subject to: (a) up to one quarter of the options are exercisable from 22nd September, 2002 to 21st September, 2003, both dates inclusive, with vesting period commencing from 21st September, 2000 to 21st September, 2002; (b) up to three-eighths of the options are exercisable from 22nd September, 2003 to 21st June, 2004, both dates inclusive, with vesting period commencing from 21st September, 2000 to 21st September, 2003; (c) up to three-eighths of the options are exercisable from 22nd June, 2004 to 21st January, 2005, both dates inclusive, with vesting period commencing from 21st September, 2000 to 21st June, 2004. Any options not exercised during each of the exercisable periods will lapse immediately after the relevant exercisable period. The subscription price was adjusted from HK\$1.22 per share to HK\$1.02 per share with effect from 15th September, 2001 for the bonus issue.

\*\* Such share options were granted on 1st November, 2000. The options are exercisable subject to: (a) up to one quarter of the options are exercisable from 1st November, 2002 to 31st October, 2003, both dates inclusive, with vesting period commencing from 1st November, 2000 to 31st October, 2002; (b) up to three-eighths of the options are exercisable from 1st November, 2003 to 31st July, 2004, both dates inclusive, with vesting period commencing from 1st November, 2000 to 31st October, 2003; (c) up to three-eighths of the options are exercisable from 1st August, 2004 to 28th February, 2005, both dates inclusive, with vesting period commencing from 1st November, 2000 to 31st July, 2004. Any options not exercised during each of the exercisable periods will lapse immediately after the relevant exercisable period. The subscription price was adjusted from HK\$0.90 per share to HK\$0.75 per share with effect from 15th September, 2001 for the bonus issue.

\*\*\* The adjustment for number of shares under options was made to reflect the bonus issue of shares on the basis of one bonus share for every five shares held by shareholders on 14th September, 2001.

## 12. Warrants

As at 31st January, 2002, 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\$44,368,000 at a subscription price of HK\$0.49 per new share (subject to adjustment).

**13. Reserves**

Movements of reserves are:

	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	Proposed final dividend HK\$'000	Retained profit HK\$'000	Total HK\$'000
Balance as at									
1st May, 2000	24,607	13,934	5,810	-	17,476	(37)	10,000	114,721	186,511
Proceeds from issue of warrants	-	-	-	25,000	-	-	-	-	25,000
Warrant issuance expenses	-	-	-	(2,109)	-	-	-	-	(2,109)
Bonus issue	(24,190)	-	(5,810)	-	-	-	-	-	(30,000)
Issue of shares pursuant to scrip dividend scheme	7,177	-	-	-	-	-	(7,605)	-	(428)
Proceeds from exercise of warrants	11,637	-	-	-	-	-	-	-	11,637
Premium arising from issuance of shares on exercise of warrants	5,437	-	-	(5,437)	-	-	-	-	-
Share issuance expenses	(178)	-	-	-	-	-	-	-	(178)
Profit attributable to shareholders	-	-	-	-	-	-	-	30,863	30,863
Dividends paid	-	-	-	-	-	-	(2,395)	-	(2,395)
Proposed final dividend	-	-	-	-	-	-	5,280	(5,280)	-
Translation adjustments	-	-	-	-	-	(197)	-	-	(197)
Balance as at									
30th April, 2001	24,490	13,934	-	17,454	17,476	(234)	5,280	140,304	218,704
Bonus issue	(10,581)	-	-	-	-	-	-	-	(10,581)
Issue of shares pursuant to scrip dividend scheme	3,195	-	-	-	-	-	(3,750)	-	(555)
Proceeds from exercise of warrants	515	-	-	-	-	-	-	-	515
Premium arising from issuance of shares on exercise of warrants	240	-	-	(240)	-	-	-	-	-
Premium arising from issue of new shares	11,941	-	-	-	-	-	-	-	11,941
Share issuance expenses	(240)	-	-	-	-	-	-	-	(240)
Profit attributable to shareholders	-	-	-	-	-	-	-	12,797	12,797
Dividends paid*	-	-	-	-	-	-	(1,530)	(10)	(1,540)
Translation adjustments	-	-	-	-	-	75	-	-	75
Balance as at									
31st January, 2002	29,560	13,934	-	17,214	17,476	(159)	-	153,091	231,116

\* During the nine months ended 31st January, 2002, the final dividend paid in respect of shares issued upon exercise of warrants prior to the record date (14th September, 2001) for the payment of final dividend for the year ended 30th April, 2001 was approximately HK\$10,000.



**14. Contingent liabilities**

Contingent liabilities not provided for in the financial statements are:

	As at 31st January, 2002 HK\$'000	As at 30th April, 2001 HK\$'000
Discounted bills with recourse	–	1,402
Factoring of trade receivables with recourse	29,288	30,415
Shipping guarantees	195	–
	29,483	31,817

**15. Comparative figures**

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

## BUSINESS REVIEW

In the financial year 2001/2002, the global economy was rather slackened. The unending flow of negative news flooded the markets. As a result of the 11th September attack in the United States, the global business environment has worsened even further. Price bargaining among electronics manufacturers intensified, exerting considerable negative impact on the price of electronic products. Among all, the price of traditional electronic components dropped the most significantly. This has led to widespread falls in the profits of electronic components suppliers.

Nevertheless, with the Group's implementation of effective and efficient cost control measures, overheads have been greatly cut whereas turnover was boosted. Meanwhile, its strong research and development capabilities enabled the Group to relieve the pressure arising from the substantial price drops in its products and raise its turnover. Thanks to these favourable factors, the Group was able to maintain its gross profit margin at a level of approximately 27.6%.

For the three months and nine months ended 31st January, 2002, the Group recorded a turnover of approximately HK\$91,988,000 and HK\$276,241,000, respectively, up slightly by approximately 12.6% and 2.5% as compared to the same period in the previous year. Profit attributable to shareholders was approximately HK\$2,320,000 and HK\$12,797,000 for the three-month period and nine-month period respectively. The results were considered satisfactory given the harsh operating environment.

Despite the poor market sentiment, the Group's turnover showed signs of pick-up in January 2002 with a remarkable rebound. The Group, therefore, believes that the electronics industry is on its step to an economic recovery cycle, and business will improve steadily.

### Effective Cost Control

Apart from the external economic influences, the Group's internal cost control was also a crucial factor contributing to its results, particularly during such a difficult economic time. During the period under review, the Group has taken prompt actions to reduce costs and generate profit. Furthermore, the Group's earlier investments in plant expansion as well as its commitment to research and development have started to bear fruit, broadening the variety of products offered and increasing the turnover. The negative impact brought by the fall in prices of electronic components was effectively alleviated.

Since certain of the Group's raw materials, plant and machinery were imported from Japan, the depreciation of Japanese yen during the third quarter has correspondingly lowered the costs of raw materials, plant and machinery to the Group. This has contributed to further savings in the Group's overheads.

### Financial Position

The Group is committed to strengthening its financial position. The Group's prospects and its confidence in the future business were reflected in the continuing financial support of the Group's principal banks. On 31st January, 2002, the Company successfully entered into a 3-year transferable term loan and revolving credit facility agreement for an aggregate amount of HK\$100,000,000 with a group of banks. The facility consists of a term loan for an aggregate amount of HK\$60,000,000 to repay existing bank loans and other indebtedness of the Group, and a revolving credit facility for an



aggregate amount of HK\$40,000,000 as general working capital of the Group. The facility was subsequently fully drawn down in February 2002. This agreement benefited the Group with an improved debt profile and enriched operating capital, which will contribute to a healthier financial position for its future development.

According to the Group's agreement with its major bank reached in the second quarter, the limit of consolidated net gearing ratio (total borrowings less total cash and bank deposits over net tangible assets) has been relaxed to 0.85:1. As at 31st January, 2002, the Group's total borrowings amounted to approximately HK\$288,779,000 (as at 30th April, 2001: HK\$255,558,000) whereas total cash and bank deposits were approximately HK\$52,410,000 (as at 30th April, 2001: HK\$55,714,000). The consolidated net gearing ratio was approximately 0.80:1 (as at 30th April, 2001: 0.76:1), complying with the financial covenants as agreed between the Group and the major bank.

As at 31st January, 2002, the Group's aggregate banking facilities expanded to approximately HK\$412,173,000 (as at 30th April, 2001: HK\$302,624,000), of which approximately HK\$148,534,000 (as at 30th April, 2001: HK\$65,727,000) remained unutilised.

## FUTURE PLANS AND PROSPECTS ▲

### Proactive Market Exploration in Mainland China

China's accession to the World Trade Organisation ("WTO") was successfully completed in late 2001. It is widely believed that the membership in WTO will create a new outlook for China, especially with respect to business development. Given that the restrictions imposed on foreign investors will be relaxed gradually together with improvements in the mainland's legal systems and infrastructure, foreign investments will mushroom in the coming future. With economic development being heavily based on technological advancement, the Group strongly believes that the demand for quality hi-tech electronic components from both national and foreign enterprises will climb up sharply, fostering the Group's business prospects.

Currently, the market in Mainland China accounts for approximately 6% of the Group's turnover. In view of the huge market potential in the mainland, the Group will take a more proactive approach in exploring this market to raise the proportion of its turnover generated from the mainland. To materialise this goal, the Group has been preparing actively for the establishment of more representative offices in developed and coastal cities in the mainland such as Qingdao, Hefei and Changzhou. The Group already established a representative office in Chongqing in November 2001, which reflected the Group's strong determination to develop the market in Mainland China.

### Right Product at the Right Time – Stepping Stone for Market Development in Europe

Hi-tech audio-visual ("AV") and telecommunication products have been experiencing rapid development in Europe in recent years. The design and quality of these products have attracted abundant demand from around the globe. In view of the competitiveness of the market, European manufacturers are particularly demanding for quality and functionality in electronic components. The Group's products, such as toroidal transformers, line filters and anti-electromagnetic interference filters are well equipped with electromagnetic compatibility ("EMC"), which effectively reduces interference in the transmission of signals in AV products and telecommunication products. The quality, value and competitiveness of products will thus be substantially enhanced. With the functions and designs of miniaturised EMC components manufactured by the Group, the needs of different

electronics manufacturers will be well catered for. The Group is also committed to continuously upgrading its existing product line with innovative and new products. This will help the Group to further penetrate the European market with higher market share, paving the way for further development in Europe.

### Conclusion

Despite the unfavourable factors in the environment, which has dragged the overall economy down, the Group will face future challenges with confidence by strengthening its own foundations, internal management and financial position to broaden revenue sources and minimise costs at the same time, in a bid to reward our shareholders with higher returns.

### 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, 2002.

### DIRECTORS' INTERESTS IN SECURITIES ▲

As at 31st January, 2002, 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

	Number of shares of HK\$0.10 each		Number of warrants
	Family interests	Personal interests	Personal interests
Mr. Lam Wai Chun (Note 1)	404,008,996	2,400,000	—
Mr. Saito Misao	—	750,493	—
Ms. Tang Fung Kwan	—	3,502,611	—
Ms. Hu Yan Huan	—	1,133,233	—
Mr. Lam Wing Kin, Sunny	—	50,000	480,000
Mr. Au Son Yiu	—	500,000	1,000,000

#### Notes:

- As at 31st January, 2002, Ka Yan China Development (Holding) Company Limited held 404,008,996 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.



(b) *Associated corporation*  
Coils Electronic Co., Limited

	Number of non-voting deferred shares of HK\$1.00 each (Note 4)		Total
	Personal interests	Family interests	
Mr. Lam Wai Chun (Notes 2 and 3)	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 January, 2002, 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, 2002, 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\$1.02	3,527,194
Mr. Saito Misao	21st September, 2000	22nd September, 2002 to 21st January, 2005	HK\$1.02	3,527,194
Ms. Tang Fung Kwan	21st September, 2000	22nd September, 2002 to 21st January, 2005	HK\$1.02	3,527,194
Ms. Hu Yan Huan	21st September, 2000	22nd September, 2002 to 21st January, 2005	HK\$1.02	3,527,194

Save as disclosed above, at no time during the nine months ended 31st January, 2002 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 January, 2002, 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)	404,008,996	61.118%
Ka Yan China Investments Limited (Note 2)	404,008,996	61.118%
HSBC Holdings plc (Note 3)	404,008,996	61.118%
HSBC Finance (Netherlands) (Note 3)	404,008,996	61.118%
HSBC Holdings B.V. (Note 3)	404,008,996	61.118%
HSBC Investment Bank Holdings B.V. (Note 3)	404,008,996	61.118%
HSBC International Trustee Limited (Note 3)	404,008,996	61.118%

Notes:

1. The 404,008,996 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 404,008,996 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 404,008,996 shares in the Company duplicated with each other. The 404,008,996 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, 2002.

## PRACTICE NOTE 19 OF THE LISTING RULES ▲

In accordance with the disclosure requirements of paragraph 3.7.1 of Practice Note 19 to the Listing Rules, the Company makes the following disclosures in relation to the details of the Agreement (as defined below), which includes conditions relating to specific performance of the controlling shareholder of the Company.

On 31st January, 2002, the Company entered into a 3-year transferable term loan and revolving credit facility agreement (the "Agreement") for an aggregate amount of HK\$100,000,000 (the "Facility") with a group of banks. The Facility consists of a term loan for an aggregate amount of HK\$60,000,000 and a revolving credit facility for an aggregate amount of HK\$40,000,000.

Under the provisions of the Agreement, it would be an event of default, inter alia, if any of the following events occurs:

1. Mr. Lam Wai Chun ("Mr. Lam"), the Chairman and Managing Director of the Company, and Ka Yan China Development (Holding) Company Limited ("Ka Yan"), the controlling shareholder of the Company, cease to be the beneficial owners, together, of more issued share capital of the Company than any other person (including persons acting in concert); or
2. Mr. Lam and Ka Yan cease to be the beneficial owners, together, of at least 35% of the issued share capital of the Company; or
3. Mr. Lam ceases to be the Chairman of the Company or ceases to be involved actively in the management and business of the Group; or
4. Mr. Lam or Ka Yan sells, transfers, assigns, encumbers or disposes of all or part of their respective beneficial ownership of shares in the Company; or
5. Ka Yan ceases to be wholly and beneficially owned by Ka Yan China Family Trust (the "Trust"), the family trust of Mr. Lam; or
6. Mr. Lam's immediate family members cease to be the only beneficiaries under the Trust.

If any such event of default occurs, upon a notice served to the Company, (i) the Facility shall immediately be cancelled; (ii) all amounts accrued and outstanding or owing under the Facility shall immediately become due and payable; and/or (iii) the Facility shall immediately become payable on demand.

## 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, 2002, 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, and the non-executive director, whose service agreement expired on 30th September, 2001, no longer has a specific term of appointment, 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.



## RESIGNATION OF DIRECTOR

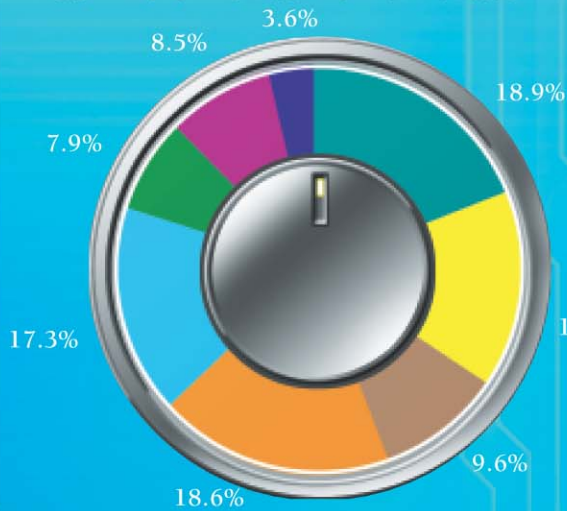
Ms. Hu Yan Huan resigned as an Executive Director of the Company with effect from 18th March, 2002. The Directors take this opportunity to thank Ms. Hu Yan Huan for her contribution to the Company during her tenure of service.

By Order of the Board  
**Lam Wai Chun**  
*Chairman*

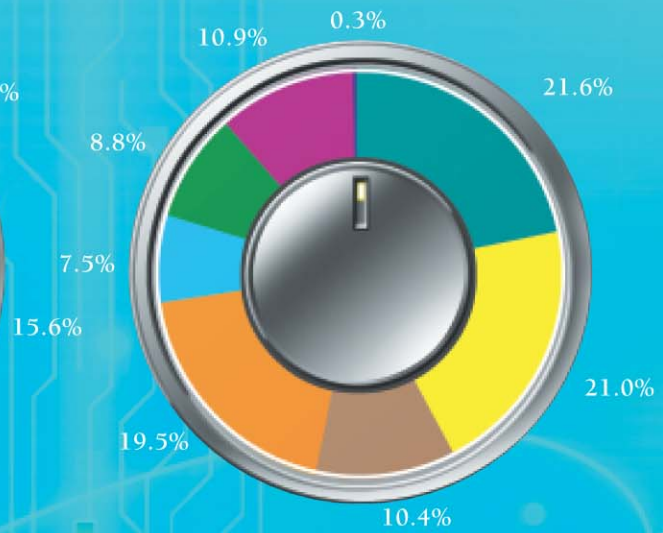
Hong Kong, 18th March, 2002

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

Nine months ended 31st January, 2002  
截至二零零二年一月三十一日止九個月



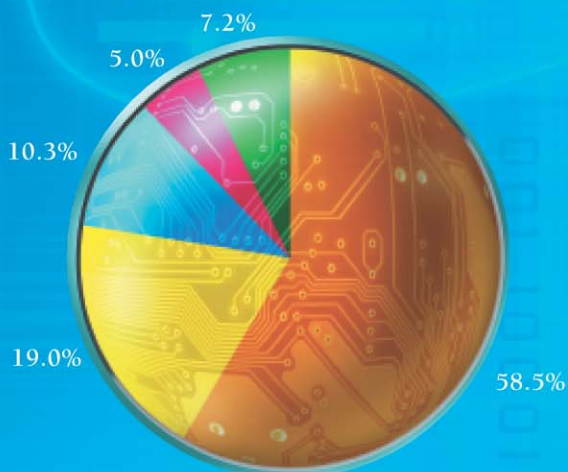
Nine months ended 31st January, 2001  
截至二零零一年一月三十一日止九個月



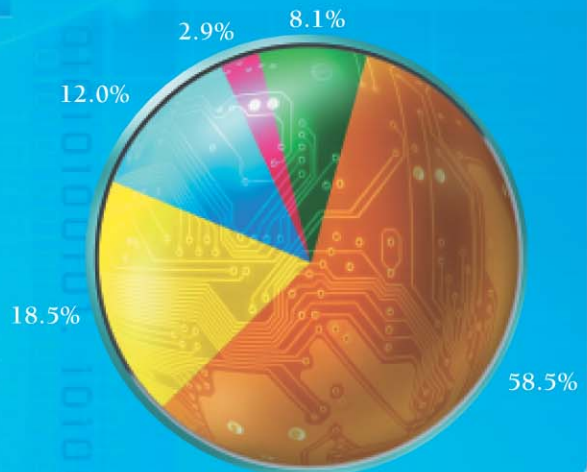
- |   |  |
|---|--|
| <span style="color: green;">■</span> Portable AV 可攜式影音      | <span style="color: blue;">■</span> Information technology 資訊科技            |
| <span style="color: yellow;">■</span> Audio 音響              | <span style="color: green;">■</span> Toys 玩具                               |
| <span style="color: brown;">■</span> Visual 影視              | <span style="color: magenta;">■</span> Home electrical appliances 家居電器     |
| <span style="color: orange;">■</span> Telecommunications 電訊 | <span style="color: purple;">■</span> Office automation equipment 辦公室自動化設備 |

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

As at 31st January, 2002  
於二零零二年一月三十一日



As at 30th April, 2001  
於二零零一年四月三十日



- |  |
|--|
| <span style="color: orange;">■</span> Current 即期                             |
| <span style="color: yellow;">■</span> Overdue by 0-1 month 過期 0-1 個月         |
| <span style="color: blue;">■</span> Overdue by 1-2 months 過期 1-2 個月          |
| <span style="color: magenta;">■</span> Overdue by 2-3 months 過期 2-3 個月       |
| <span style="color: green;">■</span> Overdue by more than 3 months 過期超過 3 個月 |



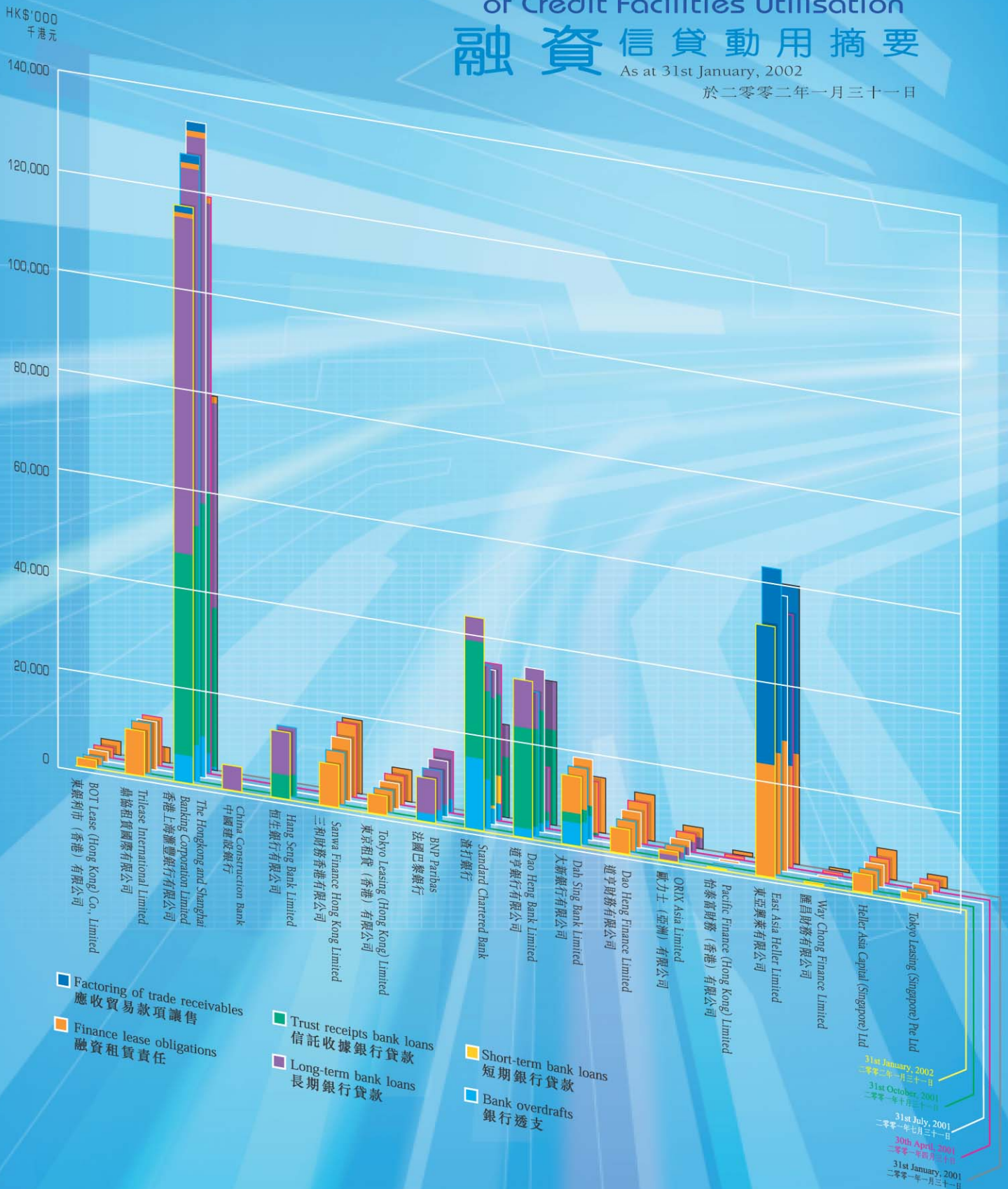
# Summary

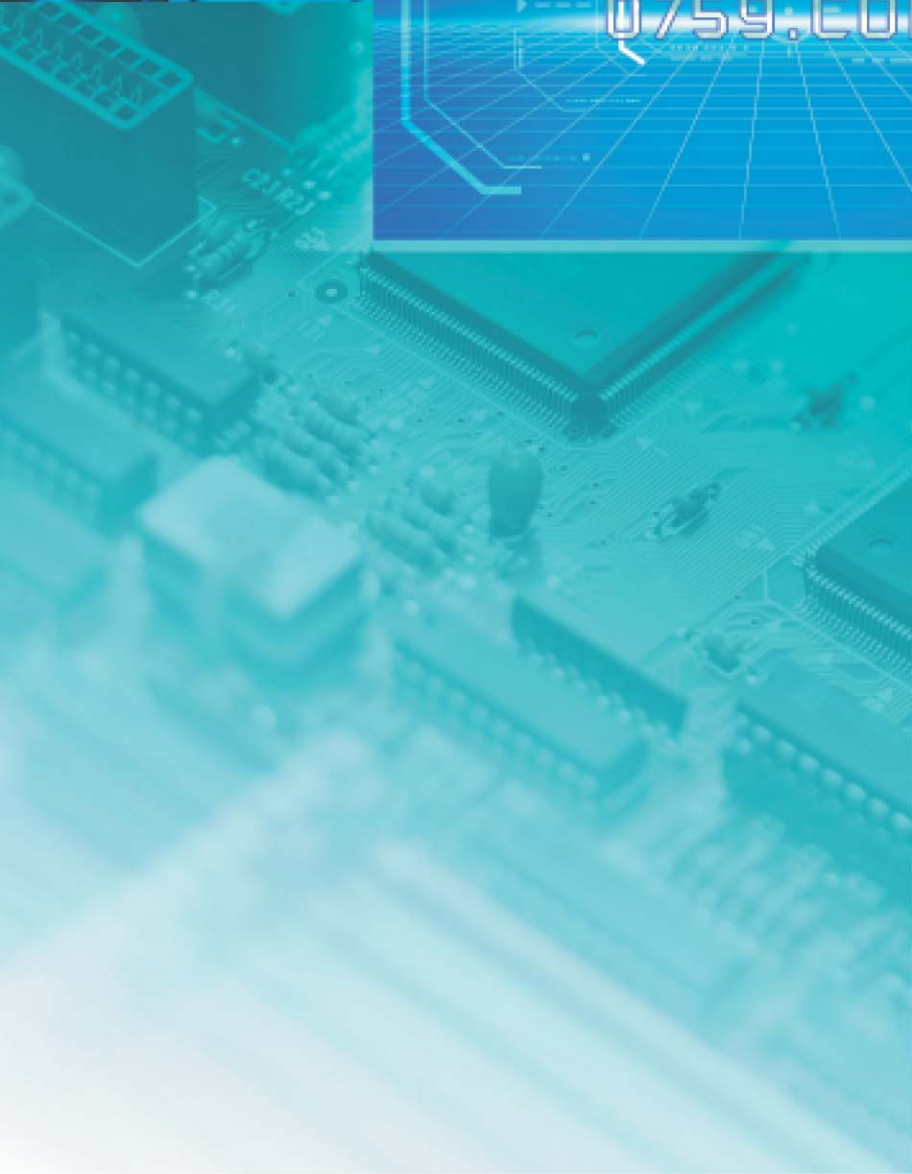
of Credit Facilities Utilisation

# 融資信貸動用摘要

As at 31st January, 2002

於二零零二年一月三十一日





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