

“CEC New People”

Movement – Non-coils Manufacturing Business and Trading Business

As a manufacturer of electronic components, thanks to its operating principles of cost control and maintenance of high product quality, CEC-ECAP Limited (“CEC-ECAP”) has effectively controlled its costs in human resources and materials. While production cost was slashed, the product quality was also continuously upheld. As such, CEC-ECAP has been able to attract a wider range of customers, which contributed to the achievement of a turnover of approximately HK\$11,230,000 for the second quarter of the financial year 2001/2002, representing a growth of approximately 136.2% as compared to the first quarter. There was also a turn-around in CEC-ECAP’s performance, from operating loss to operating profit, when compared to the corresponding period last year. Given the keen competition and economic recession in the environment, CEC-ECAP’s results were clearly outstanding. CEC-ECAP will keep up its efforts in the future in a bid to strive for even more promising growth prospects.

CEC-Electric Co., Limited (“CEC-Electric”) has already been transformed to a manufacturer of power supply devices for a full quarter. Business development initiatives are still on the increase, resulting in a steadily rising customer base. CEC-Electric has also commenced business negotiations with large-scale potential customers. On the other hand, the market and product intelligence gathered through CEC-Electric’s business exploration would also substantially help future development. For the second quarter of the financial year 2001/2002, the turnover of CEC-Electric was approximately HK\$1,925,000.

On the trading of electronic components, owing to the precipitous downturn in worldwide economy, the electronics industry generally experienced a substantial drop in turnover. Many enterprises have to cut production in wake of the accumulation of inventories. On the other hand, delays and cancellations of new product launch were not uncommon among the market participants. This has in turn led to a chain reaction of deterioration in operating results for other participants. CEC-Smart Good Enterprises Limited (“CEC-Smart Good”) and CEC-Unitech Electronics Limited (“CEC-Unitech”) have been adopting a prudent operating philosophy, with emphasis on forging closer relationships with their

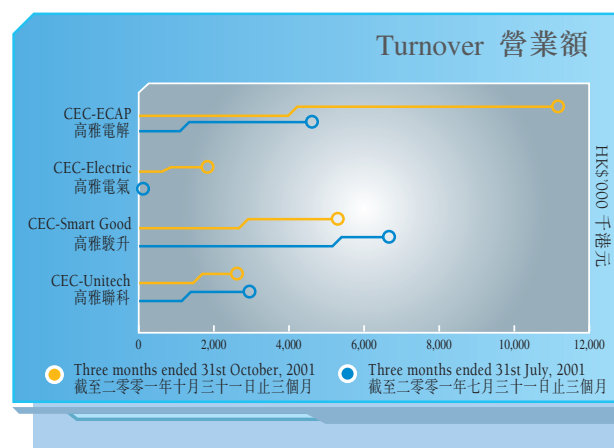
customers and understanding their positions and needs in depth. In view of the generally weak business environment during the past year, CEC-Smart Good and CEC-Unitech also implemented a more cautious credit management policy. Both have reshuffled their customer mix towards those who have good credit history and higher trustworthiness in order to minimise their credit risks. As such, CEC-Smart Good’s and CEC-Unitech’s turnover for the second quarter of the financial year 2001/2002 was approximately HK\$5,450,000 and HK\$2,788,000 respectively, down approximately 19.8% and 8.2% respectively as compared to the first quarter.

Affected by the terrorist attack in the United States on 11th September, the already poor operating environment has worsened further since then. The market was swamped with unfavourable news of enterprises’ profit warning, layoffs, bankruptcies and liquidations, etc. Market sentiment was still bleak. Faced with the emerging challenges in the market, CEC-ECAP, CEC-Electric, CEC-Smart Good and CEC-Unitech will stick to their principles of proactive and prudent business development despite the adversities, with a view to elevating their contributions to reasonable returns.

(End of second edition; to be continued) ▶

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

Hong Kong, 17th December, 2001



「CEC 新人類」

動向篇 — 非線圈生產業務與貿易業務

在電子元件生產方面，高雅電解電容器有限公司（「高雅電解」）憑著其控制成本及保持高產品質素的經營方針，有效地控制人力資源及物料成本。在減低成本之餘，亦不斷提昇品質方面之水準。亦因這方面初見成效，所以高雅電解能成功地吸引更多不同類型之客戶，以致二零零一／二零零二年度第二季之營業額達到約11,230,000港元，比第一季增長約136.2%。與去年同期比較，高雅電解亦有效地由經營虧損扭轉為經營溢利。在這競爭激烈及經濟不景的環境下，高雅電解依然能夠締造此驕人成績，實是難能可貴，而高雅電解亦將會繼續努力，創造更可觀的增長前景。

高雅電氣有限公司（「高雅電氣」）轉型為電源供應產品製造商，已有一季度的時間，現時亦已漸上軌道。業務推廣工作方面正不斷地加強中，已確認之客戶數目亦日益增長，同時亦開始與一些較大型之潛在客戶商談業務。另一方面，在拓展過程中，高雅電氣亦已收集了不少市場及產品訊息，對日後業務發展將有很大的幫助。二零零一／二零零二年度第二季之營業額達到約1,925,000港元。

在電子元件貿易業務方面，隨著全球經濟下滑，電子業營業額普遍大幅下降，很多企業積壓大量存貨，因而需要減少生產。另一方面，很多企業延遲或擱置推出新產品的計劃，導致很多企業經

營更為困難的連鎖反應。高雅駿升企業有限公司（「高雅駿升」）及高雅聯科電子有限公司（「高雅聯科」）在經營策略方面均以審慎為原則，並與客戶緊密聯繫，深入了解客戶狀況及需要。鑑於經營環境於過去一年普遍疲弱，高雅駿升及高雅聯科實行更謹慎之客戶信貸政策，並重新編排客戶組合，轉而積極向信貸紀錄良好及更可信賴之客戶作推廣，盡量令信貸風險減至最低。故此，高雅駿升及高雅聯科於二零零一／二零零二年度第二季之營業額分別約為5,450,000港元及2,788,000港元，分別較第一季下跌約19.8%及8.2%。

在美國發生九一一事件的陰影下，本已疲弱的經營環境更形惡劣，市場上經常傳出企業盈利警告、裁員、倒閉及清盤等種種不利消息，市場氣氛仍然慘淡。面對市場不斷湧現的衝擊，高雅電解、高雅電氣、高雅駿升及高雅聯科在業務上將更加努力及謹慎，不斷在逆境求變，力求作出更大貢獻，保持合理回報。

（第二篇完；待續）▶

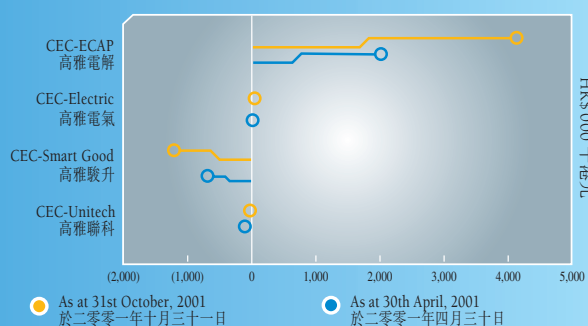
承董事會命

執行董事

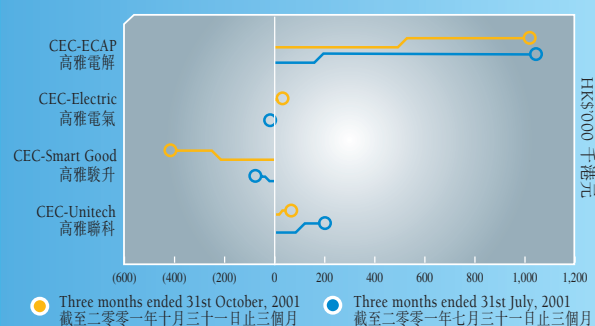
林永健

香港，二零零一年十二月十七日

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

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 SECRETARYMs. 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

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

Web: <http://www.ceccoils.com><http://www.0759.com>E-mail: info@ceccoils.comListed on The Stock Exchange of Hong Kong
Limited

Stock Code: 0759 (shares)

0337 (warrants)

2001/2002 INTERIM 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 six months ended 31st October, 2001 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st October,		Six months ended 31st October,	
		2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
Turnover	2	104,483	97,058	184,253	187,675
Cost of sales		(76,411)	(66,915)	(130,152)	(126,294)
Gross profit		28,072	30,143	54,101	61,381
Distribution and selling expenses		(3,081)	(2,753)	(5,439)	(5,021)
General and administrative expenses		(13,575)	(9,511)	(24,338)	(19,269)
Profit from operations	2	11,416	17,879	24,324	37,091
Interest income		321	630	759	1,295
Interest expense		(6,154)	(4,592)	(12,923)	(8,392)
Share of profits of jointly controlled entities		16	–	16	–
Profit before taxation	3	5,599	13,917	12,176	29,994
Taxation	4	(833)	(1,075)	(1,598)	(2,483)
Profit after taxation but before minority interests		4,766	12,842	10,578	27,511
Minority interests		(36)	81	(101)	–
Profit attributable to shareholders		4,730	12,923	10,477	27,511
Earnings per share	6				
– Basic		0.74 cents	2.13 cents	1.64 cents	4.56 cents
– Diluted		0.72 cents	1.92 cents	1.60 cents	4.25 cents

CONSOLIDATED BALANCE SHEET

	Notes	As at 31st October, 2001 HK\$'000 (Unaudited)	As at 30th April, 2001 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	465,365	432,417
Intangible asset		2,311	2,844
Investment in jointly controlled entities		250	234
Total non-current assets		467,926	435,495
CURRENT ASSETS			
Inventories		74,714	58,762
Trade receivables	8	41,050	30,780
Prepayments, deposits and other current assets		12,704	8,071
Pledged bank deposits		50,421	47,387
Cash and other bank deposits		12,647	8,327
Total current assets		191,536	153,327
CURRENT LIABILITIES			
Short-term bank borrowings		(113,588)	(88,803)
Long-term bank loans, current portion		(28,253)	(73,266)
Finance lease obligations, current portion		(35,075)	(33,092)
Trade payables	9	(36,478)	(23,427)
Bills payable		(6,220)	(11,971)
Accruals and other payables		(15,886)	(13,033)
Dividend payable		(7)	–
Taxation payable		(1,407)	(59)
Total current liabilities		(236,914)	(243,651)
Net current liabilities		(45,378)	(90,324)
Total assets less current liabilities		422,548	345,171
NON-CURRENT LIABILITIES			
Long-term bank loans, non-current portion		(74,874)	(11,252)
Finance lease obligations, non-current portion		(39,422)	(49,145)
Deferred taxation		(13,262)	(13,262)
Total non-current liabilities		(127,558)	(73,659)
MINORITY INTERESTS		–	(5)
Net assets		294,990	271,507
CAPITAL AND RESERVES			
Share capital	10	66,103	52,803
Reserves	13	228,887	218,704
Shareholders' equity		294,990	271,507

CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31st October,	
	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
Operating activities	26,614	15,493
Returns on investments and servicing of finance		
Interest received	759	1,295
Interest paid	(12,923)	(8,392)
Dividends paid	(1,534)	(2,395)
	(13,698)	(9,492)
Taxation		
Hong Kong profits tax refunded	5	–
Hong Kong profits tax paid	–	(21)
Mainland China enterprise income tax paid	(250)	(153)
	(245)	(174)
Investing activities		
Additions of property, plant and equipment	(43,523)	(61,648)
Acquisition of additional interest in a subsidiary	(5)	–
Increase in pledged bank deposits	(3,033)	(1,258)
Effect of foreign exchange rate changes	39	57
	(46,522)	(62,849)
Net cash outflow before financing	(33,851)	(57,022)
Financing		
Proceeds from issue of shares	14,620	4,543
Share issuance expenses	(168)	(178)
Proceeds from issue of warrants	–	25,000
Warrant issuance expenses	–	(2,109)
New long-term bank loans	30,789	28,266
Repayment of long-term bank loans	(12,180)	(3,110)
Repayment of capital element of finance lease obligations	(19,675)	(11,728)
	13,386	40,684
Decrease in cash and cash equivalents	(20,465)	(16,338)
Cash and cash equivalents, beginning of period	(80,476)	(29,004)
Cash and cash equivalents, end of period	(100,941)	(45,342)

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Six months ended 31st October,	
	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
Translation adjustments	95	(107)
Net gains (losses) not recognised in the consolidated income statement	95	(107)
Profit attributable to shareholders	10,477	27,511
Total recognised gains	10,572	27,404

Notes:

1. Principal accounting policies

The same principal accounting policies and methods of computation are followed in these interim financial statements for the three months and six months ended 31st October, 2001 as compared with the most recent published annual financial statements for the year ended 30th April, 2001. These interim 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		Six months	
	ended 31st October,		ended 31st October,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils	83,090	88,901	148,196	170,615
Capacitors	11,230	5,715	15,984	11,558
Power supply devices	1,925	–	1,925	–
Other electronic components	8,238	2,442	18,148	5,502
	104,483	97,058	184,253	187,675

	Profit (loss) from operations			
	Three months		Six months	
	ended 31st October,		ended 31st October,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils	10,474	18,839	21,699	37,562
Capacitors	1,111	(585)	2,397	(630)
Power supply devices	11	–	11	–
Other electronic components	(180)	(375)	217	159
	11,416	17,879	24,324	37,091

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 October,		Six months ended 31st October,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	70,981	79,267	130,183	148,516
Mainland China	5,646	5,710	10,249	11,611
Taiwan	13,209	1,954	18,975	7,979
Singapore	4,996	3,440	9,737	6,734
Europe	4,858	5,500	8,170	11,648
Others	4,793	1,187	6,939	1,187
	104,483	97,058	184,253	187,675

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 October,		Six months ended 31st October,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
After charging –				
Depreciation of property, plant and equipment	11,966	7,714	22,565	15,220
Amortisation of intangible asset	266	–	533	–
Staff costs (including directors' emoluments)	25,269	24,213	48,830	48,092
Interest expense on				
– bank overdrafts and loans wholly repayable within five years	3,873	1,870	7,694	3,137
– factoring of trade receivables	688	1,059	1,350	2,073
– finance leases	1,593	1,663	3,879	3,182
After crediting –				
Interest income from bank deposits	321	630	759	1,295

4. Taxation

Taxation comprises:

	Three months ended 31st October,		Six months ended 31st October,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Current taxation – Hong Kong profits tax – current year	762	1,030	1,348	2,330
Mainland China enterprise income tax – current year	71	45	250	153
	833	1,075	1,598	2,483

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. Dividends

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

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st October, 2001 is based on the profit attributable to shareholders of approximately HK\$4,730,000 (2000: HK\$12,923,000) and on the weighted average number of 640,861,292 (2000: 605,610,442) shares in issue during the period.

The calculation of basic earnings per share for the six months ended 31st October, 2001 is based on the profit attributable to shareholders of approximately HK\$10,477,000 (2000: HK\$27,511,000) and on the weighted average number of 637,246,911 (2000: 602,805,221) shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 31st October, 2001 is based on the profit attributable to shareholders of approximately HK\$4,730,000 (2000: HK\$12,923,000) and on the weighted average number of 658,002,000 (2000: 674,167,458) 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 six months ended 31st October, 2001 is based on the profit attributable to shareholders of approximately HK\$10,477,000 (2000: HK\$27,511,000) and on the weighted average number of 654,683,317 (2000: 647,623,853) 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 six months ended 31st October, 2000 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 six months ended 31st October, 2001 to that used in the calculation of diluted earnings per share is as follows:

	Three months ended 31st October,		Six months ended 31st October,	
	2001	2000	2001	2000
Weighted average number of shares used in the calculation of basic earnings per share	640,861,292	605,610,442	637,246,911	602,805,221
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	17,140,708	68,557,016	17,436,406	44,818,632
Weighted average number of shares used in the calculation of diluted earnings per share	658,002,000	674,167,458	654,683,317	647,623,853

The outstanding share options during the three months and six months ended 31st October, 2001 and 2000 were anti-dilutive.

7. Property, plant and equipment

During the six months ended 31st October, 2001, the additions of property, plant and equipment were approximately HK\$55,445,000 (six months ended 31st October, 2000: HK\$86,211,000).

8. Trade receivables

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

	As at 31st October, 2001 HK\$'000	As at 30th April, 2001 HK\$'000
Current	23,793	20,707
Overdue by 0 - 1 month	9,427	6,559
Overdue by 1 - 2 months	4,267	4,250
Overdue by 2 - 3 months	2,963	1,010
Overdue by more than 3 months	3,118	2,869
	43,568	35,395
Less: Provision for bad and doubtful debts	(2,518)	(4,615)
	41,050	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 October, 2001 is as follows:

	As at 31st October, 2001 HK\$'000	As at 30th April, 2001 HK\$'000
Current	21,116	12,212
Overdue by 0 - 1 month	9,265	4,432
Overdue by 1 - 2 months	2,503	1,665
Overdue by 2 - 3 months	477	257
Overdue by more than 3 months	3,117	4,861
	36,478	23,427
	36,478	23,427

10. Share capital

Movements in share capital are:

	Six months ended 31st October, 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	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 six months ended 31st October, 2001 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	
Directors						
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	-	(2,780,000)	39,300,000
		47,195,864	8,992,912	-	(2,780,000)	53,408,776

- * 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. The value of options in respect of the adjustment was not presented as such information is not meaningful.

12. Warrants

As at 31st October, 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\$44,368,000 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	(168)	-	-	-	-	-	-	-	(168)
Profit attributable to shareholders	-	-	-	-	-	-	-	10,477	10,477
Dividends paid *	-	-	-	-	-	-	(1,523)	(11)	(1,534)
Reclassification to current liabilities	-	-	-	-	-	-	(7)	-	(7)
Translation adjustments	-	-	-	-	-	95	-	-	95
Balance as at									
31st October, 2001	29,632	13,934	-	17,214	17,476	(139)	-	150,770	228,887

* During the six months ended 31st October, 2001, 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\$11,000.

14. Contingent liabilities

Contingent liabilities not provided for in the financial statements are:

	As at 31st October, 2001 HK\$'000	As at 30th April, 2001 HK\$'000
Discounted bills with recourse	–	1,402
Factoring of trade receivables with recourse	38,573	30,415
Shipping guarantees	663	–
	39,236	31,817

15. Comparative figures

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



BUSINESS REVIEW

The financial year 2001/2002 has been a year of challenges so far. There have been tremendous and unexpected changes during the period under review. While China's accession to the World Trade Organisation ("WTO") raised hopes for a new economic outlook, yet the terrorist attack in the United States on 11th September has worsened the already adverse market conditions around the world with the United States being further depressed from economic slowdown to recession. This unfavourable market environment created a flood of negative news ranging from staff redundancies and capital expenditure cuts to factory closures and business restructuring. Virtually all electronics manufacturers alike were stricken hard on a global basis in such a difficult economic climate.

Despite the poor market sentiment, the Group recorded a turnover of approximately HK\$184,253,000 and profit attributable to shareholders of approximately HK\$10,477,000 for the six months ended 31st October, 2001 with its solid foundations in the industry, the dedicated efforts of our staff and a highly prudent operating philosophy. Although the turnover and profit attributable to shareholders were down 1.8% and 61.9% respectively from the corresponding period last year, the improvement in business in the second quarter as compared to the first quarter was remarkable, where the second quarter turnover of approximately HK\$104,483,000 was up 31.0% and 7.7% respectively as compared to those for the first quarter this year and the second quarter last year. The Group also maintained its gross profit margin at a high level of approximately 29.4% for the six months ended 31st October, 2001, which reflected our competitiveness even in a harsh market environment.

During the previous financial year 2000/2001, the Group grasped the opportunity to further expand and automate its production facilities at a relatively low cost level, all with a view to paving the way for future business development.

The resulting diversity and



quality of our products helped the Group to win the support of our long-standing customers and strategic alliance partners. Meanwhile, the staff has been sharing the Group's commitment, striving to broaden its business with cost reduction to maintain reasonable results. With our solid foundations, the Group will be able to capture rising market opportunities when the economy turns around.

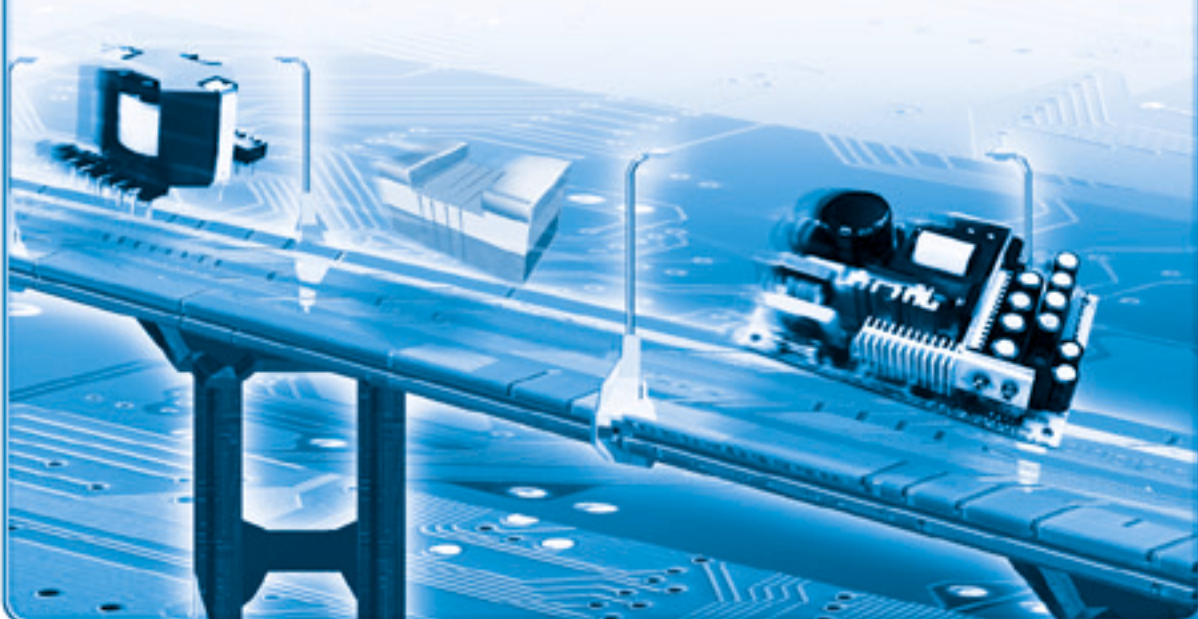
Proactive Approach to Strategic Alliances

Strategic partners have been playing a key role in the Group's development. Since the Company's listing, two well-known and well-established listed companies in Japan, Nittoku Engineering Co., Ltd. ("Nittoku"), a manufacturer of coil-winding machines, and Toko Inc. ("Toko"), a leading international coils manufacturer, have been increasing their support for the Group, providing the Group with sophisticated manufacturing technologies and extensive distribution networks respectively. The two partners even took a step further to financially support the Group's long-term development. It is therefore one of the Group's priorities to further strengthen these strategic partnerships.

During the period under review, Nittoku once again demonstrated its support for the Group by enlarging its shareholding in the Company from approximately 4.8% to approximately 7.7%. In September 2001, the Group entered into an 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, which was completed on 9th October, 2001. The net proceeds from the subscription amounted to approximately HK\$13,832,000 and have been applied as general working capital of the Group. The Group strongly believes that Nittoku's subscription will not only strengthen our cooperative relationship, but also display Nittoku's confidence in the Group's business and future prospects.

Effective Actions to Control Net Gearing Ratio

As the Group adopted a proactive approach to expansion of production facilities last year and most of the Group's capital expenditure was financed by borrowings instead of equity financing, the net gearing ratio has been on the increase. Regarding the Group's non-compliance 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, the Group has taken prompt and effective actions during the period under review. The major bank has already agreed to relax the limit up to 0.85:1. As at 31st October, 2001, the Group's total borrowings amounted to approximately HK\$291,212,000 (as at 30th April, 2001: HK\$255,558,000) whereas total cash and bank deposits rose to approximately HK\$63,068,000 (as at 30th April, 2001: HK\$55,714,000). The Group has effectively checked the net gearing ratio, defined as total borrowings less total cash and bank deposits over net tangible assets, to approximately 0.78:1 (as at 30th April, 2001: 0.76:1), which was in compliance with the financial covenants as agreed between the Group and the major bank.



As at 31st October, 2001, the Group's aggregate banking facilities climbed to approximately HK\$324,431,000 (as at 30th April, 2001: HK\$302,624,000), of which approximately HK\$58,428,000 (as at 30th April, 2001: HK\$65,727,000) remained unutilised.

Commencement of Production of Manganese-Zinc Series Ferrite Core Products

With the installation of automated and sophisticated production facilities in the previous year, the production line for manganese-zinc

series ferrite core products commenced operations in the second quarter of the financial year. The new facilities have substantially boosted the Group's production capacity.

Thanks to the high quality, the launch of manganese-zinc series ferrite core products, line filters and transformers manufactured in the newly installed state-of-the-art production facilities have been strongly welcomed by manufacturers of electronic products with rising quality consciousness. With the drastic technological revolution in the electronics industry, the demand for quality electronic components is being driven up continuously, which will be stimulated further when the global economy recovers. The Group is well positioned to cater for this trend with the efficient expansion of production capacity in Zhongshan. As such, the Group believes that the manganese-zinc series ferrite core products will bring in reasonable returns in the future and broaden the sphere for long-term development.



FUTURE PLANS AND PROSPECTS

Despite the existing slack global economic environment, China's accession to the WTO is expected to inject new impetus to the markets by creating a pool of business opportunities for both Chinese and foreign enterprises. At the same time, the economy and society are rapidly transforming into a knowledge-based one. Accompanying with this trend are the advancement in information technology networks and signs of growth potential for quality electronic products. With this in mind, the Group will definitely keep up its initiatives to sharpen the competitive edge, striving for breakthroughs amidst the various challenges ahead.

Creation of New Economic Outlook by China's Accession to the WTO

China's accession to the WTO was already approved in November 2001. As a member of the WTO, restrictions previously imposed on foreign trade and economic cooperation are going to be loosened in stages. Meanwhile, to achieve mutual benefits and advancement among member states of the WTO, China's legal framework on economic affairs is also subject to international trade negotiations and conventions. There are general expectations among the markets that these changes will attract foreign capital inflows into China and fuel further economic growth. On the other hand, China will have to face more fierce competition on an international dimension. It is therefore imperative for China to introduce multi-faceted reforms, particularly in respect of human resources, knowledge and technology. With regard to technological development, electronic products will play an indispensable role in sustaining those advances. The demand for quality electronic products in China is expected to mushroom in response to the need for enhancing international competitive edges and speeding up the development of society and the economy. The accession to the WTO will bring more employment opportunities in China, which will uplift the population's consumption power. Consumer demand for hi-tech information technology products will therefore be boosted in this information technology age. In view of these positive changes brought about by China's accession to the WTO, the Group believes that the demand for electronic products both inside and outside China will be accelerated. This will not only create a new market outlook for the electronics industry but also bring the Group flourishing opportunities.

Strengthening Research and Development, Capturing New Opportunities

Customers' concerns have always been the Group's top priority. With our increasing effort on research and development, market expansion and quality assurance, our products have won the trust and support of our customers.

For the long-term interests of the Group, we will sustain our efforts to strengthen the research and development capability and explore new markets. The Group believes that the keys to successful market exploration include the following: (1) care about the different needs of customers, providing them with tailor-made electronic components: the Group will continue to upgrade the research and development team to ensure that we will be able to formulate solutions tailored to the needs of different customers; (2) be sensitive to technological trends and stay ahead of the market: the Group's research and development team will keep focusing on the world's latest technological advancements to further broaden the product portfolio and work towards breakthroughs in the manganese-zinc series ferrite core products and others; (3) explore and grasp every business opportunity: apart from the markets in Hong Kong, Mainland China and Japan, the Group is actively developing the European market as well, where the Group has already won an agreement with one of the world's leading mobile phone manufacturers based in Europe to supply it with high-power major

electronic components for its chargers on a long-term basis. This cooperation plan is expected to bring reasonable returns to the Group under the current unfavourable economic environment.

On the whole, the Group expects the market environment will remain depressed at least for the next half year, a time of traditional slack season for the electronics industry, which will be expected to have an impact on the Group's performance. Nevertheless, with shareholders' and customers' interests as our major focus, the Group will pay extra attention to cost control and staff quality, broadening the product portfolio and exploring new markets. In brief, we are making every effort to sharpen the Group's competitive edge and further consolidate its position in the market.

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 six months ended 31st October, 2001.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st October, 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*

	Number of shares of HK\$0.10 each		Number of warrants
	Family interests	Personal interests	Personal interests
Mr. Lam Wai Chun (<i>Note 1</i>)	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	–	–	1,000,000

Notes:

- As at 31st October, 2001, 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 October, 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 October, 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\$1.02	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 six months ended 31st October, 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 October, 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)	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 October, 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 six months ended 31st October, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

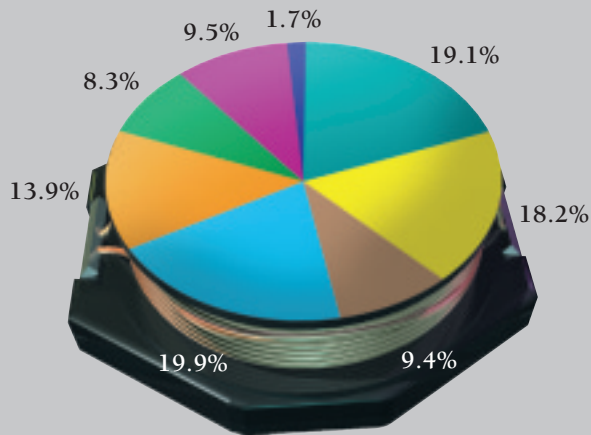
By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 17th December, 2001

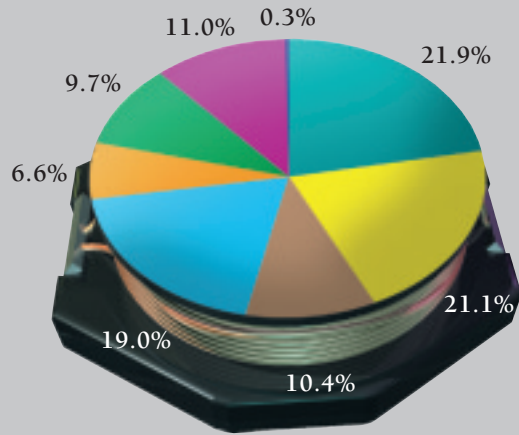
Analysis of Turnover by Customers' Industry Segments

按客戶行業劃分之營業額分析

Six months ended 31st October, 2001
截至二零零一年十月三十一日止六個月



Six months ended 31st October, 2000
截至二零零零年十月三十一日止六個月

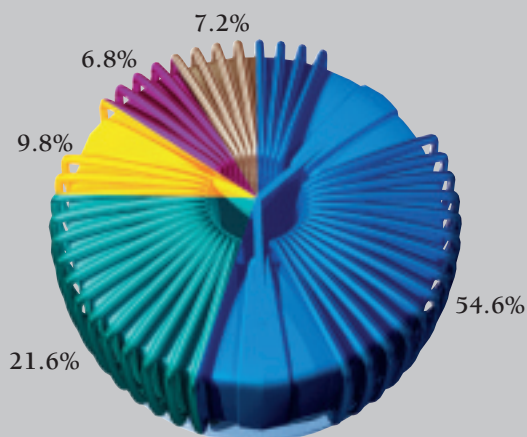


- Portable AV 可攜式影音
- Audio 音響
- Visual 影視
- Telecommunications 電訊
- Information technology 資訊科技
- Toys 玩具
- Home electrical appliances 家居電器
- Office automation equipment 辦公室自動化設備

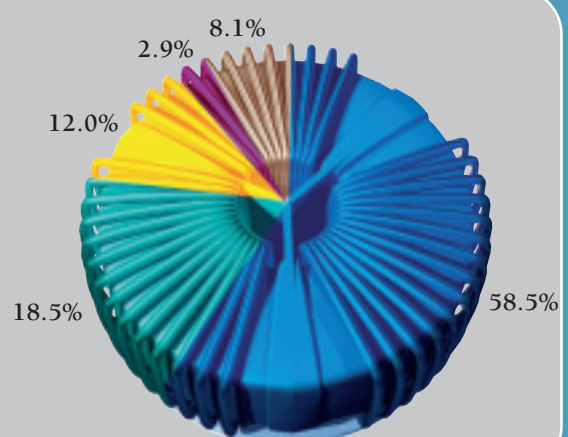
Aging Analysis of Trade Receivables

應收貿易款項賬齡分析

As at 31st October, 2001
於二零零一年十月三十一日



As at 30th April, 2001
於二零零一年四月三十日



- Current 即期
- Overdue by 0-1 month 過期 0-1 個月
- Overdue by 1-2 months 過期 1-2 個月
- Overdue by 2-3 months 過期 2-3 個月
- Overdue by more than 3 months 過期超過 3 個月

HK\$'000
千港元

Summary of Credit Facilities Utilisation

融資信貸動用摘要

As at 31st October, 2001 於二零零一年十月三十一日

