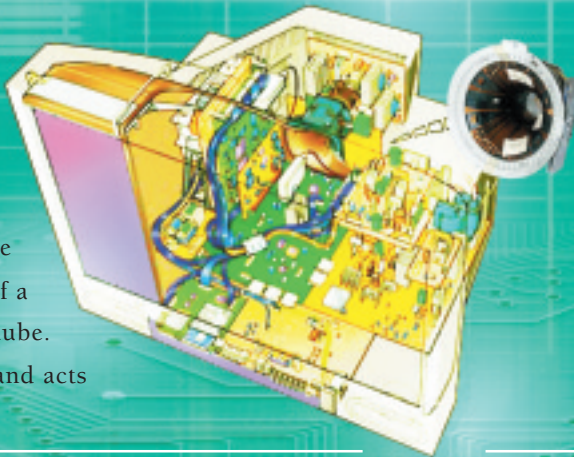


## ABOUT DEFLECTION YOKE ▷

To make a beam of electrons functional, it has to be deflected from its course in some manner so as to make a trace or scan across the cathode ray tube (“CRT”)’s faceplate. There are two methods used to do this: with an electrostatic charge and an electro-magnetic field.

Electrostatic deflection uses pairs of charged plates in the neck of the CRT to repel and attract the beam of electrons. The negatively charged plates repel the electrons, as in the negatively charged control grid, and the positively charged plates attract the beam, as does the positively charged anode. The beam passes between the pairs of oppositely charged plates and, as their polarity and the strength of their charge is altered, is deflected from side to side. With one pair of plates mounted vertically and the other horizontally, the beam can be deflected towards any part of the screen.

Although electrostatic deflection is extremely fast and, consequently, ideal for CRTs used in oscilloscopes, at the energy levels of the electron beams used in TV and monitor CRTs it has insufficient influence on the beam to be useful. In these CRTs, electro-magnets take the place of the charged plates, creating two magnetic fields at right-angles to each other to control the beam’s deflection. These electro-magnets are usually mounted outside the CRT, at the point where the neck meets the funnel, and consist of a series of windings moulded to fit the glass of the tube. The part that is attached to the funnel cone region and acts as a deflector is called a deflection yoke.



## 關於偏轉磁芯 ▷

要使電子束具備功能，需要能使電子束在一定程度上偏離原途徑，以在陰極射線管（「CRT」）面板上掃跡或掃描。而要做到這點可以有兩種方法：使用靜電荷或電磁場。

靜電偏轉使用設於CRT頸位的多對電荷板排斥和吸引電子束。負電板排斥電子，一如負電荷控制柵的情況；而正電板則吸引電子，一如正電極的情況。讓電子束通過一連串正反電荷板，並改變荷板的極性和電荷強度，便可令電子束左右偏轉。如在垂直及水平方向各設一對電荷板，便可令電子束偏轉到屏幕上任何一點。

靜電偏轉雖極快，並因而極適用於示波器CRT，但到了電視機及顯示器CRT所使用的電子束的能量程度，靜電偏轉便顯得力有不逮。對這種CRT，電磁鐵取代了電荷板的位置，製造出兩個互相垂直的電磁場來控制電子束偏轉。這些電磁鐵通常裝在CRT外部，近頸位與斗部相連之處，並由連串經模裝以配合玻璃顯像管形狀的繞組組成。附在斗部位置作為偏轉器的部件便稱為偏轉磁芯。



## CORPORATE INFORMATION

### DIRECTORS

#### *Executive Directors*

Mr. Lam Wai Chun (*Chairman*)  
Ms. Tang Fung Kwan  
(*Deputy Chairman and Managing Director*)  
Mr. Huang Kong  
(*Deputy Managing Director*)  
Mr. Law Hoo Shan  
Mr. Chiu Chan, Charles  
Mr. Lam Wing Kin, Sunny

#### *Independent Non-executive Directors*

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

### AUDIT COMMITTEE

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

### COMPANY SECRETARY

Ms. Li Lai Sheung *ACIS*

### AUDITORS

PricewaterhouseCoopers  
*Certified Public Accountants*

### LEGAL ADVISERS

F. Zimmern & Co  
Richards Butler  
Appleby Spurling & Kempe

### PRINCIPAL BANKERS

China Construction Bank  
CITIC Ka Wah Bank Limited  
Dah Sing Bank Limited  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
Standard Chartered Bank  
The Hongkong and Shanghai  
Banking Corporation Limited

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor, Hing Win Factory Building  
110 How Ming Street  
Kwun Tong, Kowloon  
Hong Kong

### SHARE REGISTRARS AND TRANSFER OFFICES

*Bermuda Principal Share Registrar*  
Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

*Hong Kong Branch Share Registrar*  
Computershare Hong Kong Investor Services  
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



## 2003/2004 FIRST QUARTER RESULTS

The Board of Directors (the “Directors”) of CEC International Holdings Limited (the “Company”) is pleased to present the unaudited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31st July 2003 as follows:

### CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st July	
		2003	2002
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	2	110,293	115,364
Cost of sales		(81,056)	(88,632)
Gross profit		29,237	26,732
Selling and distribution expenses		(2,837)	(3,603)
General and administrative expenses		(16,693)	(13,782)
Other operating expenses		(331)	(563)
Operating profit	2,3	9,376	8,784
Interest income		52	125
Interest expense		(4,548)	(4,953)
Share of profits less losses of associates		8	–
Share of profits less losses of jointly controlled entities		–	(18)
Profit before taxation		4,888	3,938
Taxation	4	(289)	(739)
Profit after taxation but before minority interests		4,599	3,199
Minority interests		(4)	–
Profit attributable to shareholders		4,595	3,199
Basic earnings per share	6	0.66 cent	0.47 cent



## CONSOLIDATED BALANCE SHEET

		As at 31st July 2003 HK\$'000 (Unaudited)	As at 30th April 2003 HK\$'000 (Audited)
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	456,511	460,469
Investment properties		438	–
Investment in associates		4,248	4,193
Deposit with an associate		15,800	8,577
Deferred tax assets		411	413
<b>Total non-current assets</b>		<b>477,408</b>	<b>473,652</b>
<b>CURRENT ASSETS</b>			
Inventories		85,679	83,756
Trade receivables	8	72,257	77,680
Bills receivable		–	583
Prepayments, deposits and other current assets		9,998	9,713
Tax recoverable		432	436
Investment		8,088	7,939
Pledged bank deposits		25,293	24,983
Bank balances and cash		22,745	19,257
<b>Total current assets</b>		<b>224,492</b>	<b>224,347</b>
<b>CURRENT LIABILITIES</b>			
Short-term bank borrowings		(85,972)	(147,799)
Long-term bank loans, current portion		(77,996)	(42,996)
Finance lease obligations, current portion		(12,405)	(14,487)
Trade payables	9	(47,707)	(51,876)
Bills payable		(2,066)	(660)
Accruals and other payables		(18,111)	(21,788)
Tax payable		(119)	(140)
<b>Total current liabilities</b>		<b>(244,376)</b>	<b>(279,746)</b>
<b>Net current liabilities</b>		<b>(19,884)</b>	<b>(55,399)</b>
<b>Total assets less current liabilities</b>		<b>457,524</b>	<b>418,253</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term bank loans, non-current portion		(128,363)	(92,862)
Finance lease obligations, non-current portion		(6,712)	(8,226)
Deferred tax liabilities		(19,985)	(19,740)
<b>Total non-current liabilities</b>		<b>(155,060)</b>	<b>(120,828)</b>
<b>MINORITY INTERESTS</b>		<b>(66)</b>	<b>(61)</b>
<b>Net assets</b>		<b>302,398</b>	<b>297,364</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	69,303	69,303
Reserves	13	233,095	228,061
<b>Shareholders' equity</b>		<b>302,398</b>	<b>297,364</b>



## CONSOLIDATED CASH FLOW STATEMENT

	Three months ended 31st July	
	2003	2002
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Profit before taxation	4,888	3,938
Interest income	(52)	(125)
Interest expense	4,548	4,953
Depreciation of fixed assets	12,087	14,492
Amortisation of distribution right	–	267
(Gain)/loss on disposal of fixed assets	(101)	87
Share of profits less losses of associates	(8)	–
Share of profits less losses of jointly controlled entities	–	18
Unrealised gain on investment	(149)	–
Increase in inventories	(1,923)	(7,081)
Decrease/(increase) in trade receivables	5,423	(24,213)
Decrease/(increase) in bills receivable	583	(837)
Increase in prepayments, deposits and other current assets	(285)	(920)
(Decrease)/increase in trade payables	(4,169)	5,098
Increase in bills payable	1,406	3,470
(Decrease)/increase in accruals and other payables	(3,677)	4,136
Hong Kong profits tax refunded	18	–
Mainland China enterprise income tax paid	(78)	(297)
<b>Net cash inflow from operating activities</b>	<b>18,511</b>	<b>2,986</b>
Investing activities		
Purchase of fixed assets	(6,875)	(832)
Disposal of fixed assets	133	85
Purchase of investment properties	(438)	–
Interest received	52	125
Increase in deposit with an associate	(7,223)	–
Increase in pledged bank deposits	(310)	(100)
<b>Net cash outflow from investing activities</b>	<b>(14,661)</b>	<b>(722)</b>
Financing activities		
New short-term bank borrowings	84,357	87,853
Repayment of short-term bank borrowings	(119,271)	(68,660)
New long-term bank loans	165,000	–
Repayment of long-term bank loans	(94,499)	(11,175)
Repayment of capital element of finance lease obligations	(4,828)	(4,325)
Interest paid	(4,548)	(4,953)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>26,211</b>	<b>(1,260)</b>
Translation adjustments	340	(350)
<b>Increase in cash and cash equivalents</b>	<b>30,401</b>	<b>654</b>
Cash and cash equivalents, beginning of period	(9,271)	(10,783)
<b>Cash and cash equivalents, end of period</b>	<b>21,130</b>	<b>(10,129)</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Three months ended	
	31st July	
	2003	2002
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
.....		
Total equity, beginning of period		
– as previously reported	300,259	294,006
– effect of adopting SSAP 12 (revised)	(2,895)	(2,894)
	<hr/>	<hr/>
– as restated	297,364	291,112
Exchange differences arising on translation of the financial statements of foreign subsidiaries and associates	439	131
	<hr/>	<hr/>
Net gains not recognised in the consolidated income statement	439	131
Profit attributable to shareholders	5,008	3,199
Issue of new shares	–	3,200
Premium arising from issue of new shares	–	5,120
	<hr/>	<hr/>
Total equity, end of period	302,811	302,762



Notes:

**1. Principal accounting policies**

The quarterly financial statements for the three months ended 31st July 2003 comply with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants, and the same principal accounting policies and methods of computation are followed as compared with the most recent published annual financial statements for the year ended 30th April 2003, except that the Group has adopted SSAP 12 (revised) “Income taxes” issued by the Hong Kong Society of Accountants for the first time in the current period.

In prior years, deferred tax was recognised in respect of the taxation effect arising from material timing differences to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future. Under SSAP 12 (revised), a balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. Provision for withholding tax that will arise on the remittance of retained profits is only made where there is a current intention to remit such profits. Deferred tax assets relating to unused tax losses are recognised to the extent that the future utilisation is probable. The new accounting policy has been adopted retrospectively. As a result, the property revaluation reserve as at 30th April 2003 is reduced by HK\$3,308,000 (2002: HK\$3,300,000) and the retained profits as at 30th April 2003 are increased by HK\$413,000 (2002: HK\$406,000). The loss attributable to shareholders for the year ended 30th April 2003 is reduced by HK\$7,000.

**2. Segment information**

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) the design, development, manufacture and sale of a wide range of coils, capacitors and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products; and (ii) the provision of information technology services.

Analysis of turnover and operating profit/(loss) by business segment is as follows:

	Turnover		Operating profit/(loss)	
	Three months ended		Three months ended	
	31st July		31st July	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	97,191	92,171	10,269	8,466
Capacitors manufacturing	2,659	8,803	(888)	549
Electronic components trading	8,600	14,390	386	(231)
Information technology services	1,843	—	(391)	—
	110,293	115,364	9,376	8,784

Analysis of turnover and operating profit/(loss) by geographical segment is as follows:

	Turnover		Operating profit/(loss)	
	Three months ended		Three months ended	
	31st July		31st July	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	70,770	81,541	5,745	4,235
Mainland China	13,202	8,427	2,412	2,876
Taiwan	9,515	13,929	(255)	899
Europe	6,345	4,659	553	336
Singapore	6,680	5,040	945	990
Others	3,781	1,768	(24)	(552)
	110,293	115,364	9,376	8,784



### 3. Operating profit

Operating profit is stated after crediting and charging the following:

	Three months ended 31st July	
	2003	2002
	HK\$'000	HK\$'000
<b>Crediting</b>		
Unrealised gain on investment	149	–
<b>Charging</b>		
Depreciation of fixed assets	12,087	14,492
Amortisation of distribution right	–	267
Cost of inventories sold	80,339	88,632
Staff costs (including directors' emoluments)	26,470	24,375

### 4. Taxation

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. Subsidiaries of the Company in Mainland China are subject to Mainland China enterprise income tax ranging from 12% to 33% (2002: 15% to 33%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

The amount of taxation charged to the consolidated income statement represents:

	Three months ended 31st July	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current tax	–	442
– over-provision in prior years	(18)	–
Mainland China enterprise income tax		
– current tax	62	297
Deferred taxation	245	–
	289	739
Shares of taxation attributable to:		
– associates	–	–
– jointly controlled entities	–	–
	289	739

### 5. Dividends

The Directors resolved not to declare any interim dividend in respect of the three months ended 31st July 2003 (2002: Nil).





#### 6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st July 2003 is based on the profit attributable to shareholders of approximately HK\$4,595,000 (2002: HK\$3,199,000) and the weighted average number of 693,028,811 (2002: 681,202,724) shares in issue during the period.

Diluted earnings per share is not presented as the outstanding share options and warrants during the three months ended 31st July 2002 and 31st July 2003 were anti-dilutive.

#### 7. Fixed assets

During the three months ended 31st July 2003, the additions to fixed assets were approximately HK\$8,107,000 (three months ended 31st July 2002: HK\$6,334,000).

#### 8. Trade receivables

The aging analysis of trade receivables is as follows:

	As at 31st July 2003 HK\$'000	As at 30th April 2003 HK\$'000
Current	45,309	52,393
Overdue by 0 – 1 month	6,363	9,472
Overdue by 1 – 2 months	8,554	3,879
Overdue by 2 – 3 months	4,264	5,923
Overdue by more than 3 months	10,831	8,922
	<hr/> 75,321	<hr/> 80,589
Less: Provision for bad and doubtful debts	(3,064)	(2,909)
	<hr/> 72,257	<hr/> 77,680

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 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 is as follows:

	As at 31st July 2003 HK\$'000	As at 30th April 2003 HK\$'000
Current	34,690	29,248
Overdue by 0 – 1 month	6,172	9,565
Overdue by 1 – 2 months	2,261	4,840
Overdue by 2 – 3 months	741	2,656
Overdue by more than 3 months	3,843	5,567
	47,707	51,876

**10. Share capital**

Movements in share capital are as follows:

	Three months ended 31st July 2003		Year ended 30th April 2003	
	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	693,028,811	69,303	661,028,811	66,103
Issue of new shares	–	–	32,000,000	3,200
End of period/year	693,028,811	69,303	693,028,811	69,303

**11. Share options**

Under the share option scheme adopted by the Company on 26th October 1999 (the “Old Scheme”), the Directors may grant options to any employees or executives of the Company or any of its subsidiaries, including executive directors (but excluding independent non-executive directors of the Company) of the Company or any of its subsidiaries, to subscribe for shares in the Company. On 26th September 2002, a new share option scheme (the “New Scheme”) was adopted by the Company and the Old Scheme was terminated. No further options can be offered under the Old Scheme. However, all other respects of the provisions of the Old Scheme shall remain in full force and holders of all options granted under the Old Scheme prior to such termination shall be entitled to exercise the outstanding options pursuant to the terms of the Old Scheme until the expiry of the said options.

The purpose of the New Scheme is to provide any full-time employees of the Company or any of its subsidiaries (including executive directors) and non-executive directors of the Company or any of its subsidiaries (including independent non-executive directors of the Company) with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.



Movements in options granted under the Old Scheme during the three months ended 31st July 2003 are as follows:

Name	Subscription price per share	Beginning of period	Number of shares under options			End of period
			Exercised during the period	Lapsed during the period		
(i) Directors						
Mr. Lam Wai Chun	HK\$1.02*	3,527,194	-	-		3,527,194
Mr. Saito Misao (resigned on 30th June 2003)	HK\$1.02*	3,527,194	-	(3,527,194)		-
Ms. Tang Fung Kwan	HK\$1.02*	3,527,194	-	-		3,527,194
Mr. Law Hoo Shan	HK\$0.75**	1,680,000	-	-		1,680,000
Mr. Ho Kwok Keung (resigned on 14th August 2003)	HK\$0.75**	780,000	-	-		780,000
(ii) Employees	HK\$1.02*	3,527,194	-	-		3,527,194
	HK\$0.75**	31,200,000	-	-		31,200,000
		47,768,776	-	(3,527,194)		44,241,582

\* 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; and (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 automatically after they cease to be exercisable.

\*\* 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; and (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 automatically after they cease to be exercisable.

During the three months ended 31st July 2003, no option has been granted under the New Scheme.



**12. Warrants**

As at 31st July 2003, the Company had outstanding warrants of 300,800,000 units (as at 30th April 2003: 300,800,000 units), exercisable at any time from 3rd July 2000 to 30th September 2003, both dates inclusive. These warrants carrying subscription rights of HK\$1.475 for every 10 units of warrants entitle the holders thereof to subscribe in cash for 90,546,938 new shares in the Company at an adjusted subscription price of HK\$0.49 per new share (subject to adjustment). During the three months ended 31st July 2003, no new share has been issued as a result of the exercise of the subscription rights attaching to the warrants.

**13. Reserves**

Movements in reserves are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Mainland China statutory reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1st May 2002								
– as previously reported	29,561	13,934	17,214	21,066	–	(138)	146,266	227,903
– effect of adopting SSAP 12 (revised)	–	–	–	(3,300)	–	–	406	(2,894)
– as restated	29,561	13,934	17,214	17,766	–	(138)	146,672	225,009
Premium arising from issue of new shares	6,560	–	–	–	–	–	–	6,560
Share issue expense	(3)	–	–	–	–	–	–	(3)
Provision for deferred taxation	–	–	–	(8)	–	–	–	(8)
Loss attributable to shareholders	–	–	–	–	–	–	(4,940)	(4,940)
Transfer from retained profits to Mainland China statutory reserve	–	–	–	–	137	–	(137)	–
Translation adjustments	–	–	–	–	–	1,443	–	1,443
As at 30th April 2003	36,118	13,934	17,214	17,758	137	1,305	141,595	228,061
As at 1st May 2003								
– as previously reported	36,118	13,934	17,214	21,066	137	1,305	141,182	230,956
– effect of adopting SSAP 12 (revised)	–	–	–	(3,308)	–	–	413	(2,895)
– as restated	36,118	13,934	17,214	17,758	137	1,305	141,595	228,061
Profit attributable to shareholders	–	–	–	–	–	–	4,595	4,595
Translation adjustments	–	–	–	–	–	439	–	439
As at 31st July 2003	36,118	13,934	17,214	17,758	137	1,744	146,190	233,095



**14. Contingent liabilities**

Contingent liabilities not provided for in the financial statements are:

	As at 31st July 2003 HK\$'000	As at 30th April 2003 HK\$'000
.....		
Factoring of trade receivables with recourse	29,922	25,286

**15. Comparative figures**

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Business Review

The business environment of electronic manufacturing industry reverted to its stable state in the first quarter of the financial year 2003/2004 under review. Although market competition was as fierce as it was, the demand for and prices of electronic components were comparatively stable. The Group's profit attributable to shareholders for the three months ended 31st July 2003 was HK\$4,595,000 (2002: HK\$3,199,000), representing an increase of 43.6% as compared with the corresponding period last year.



Turnover for the period was HK\$110,293,000 (2002: HK\$115,364,000), representing a drop of 4.4% as compared with the corresponding period last year. The Group's overall gross profit and gross profit margin for the period both increased to HK\$29,237,000 and 26.5% (2002: HK\$26,732,000 and 23.2%), respectively.

The Group has adhered to the operating direction established in the last financial year. During the period, the Group has shrunk certain low-profit-margin trading business. Meanwhile, the Group strived to develop its core coils manufacturing business. The overall results have rebounded, demonstrating the Group's competitive edges in its core manufacturing business established during the past years and the fruit resulting from its concentration on principal business.



	Turnover		Gross profit/(loss)	
	Three months ended 31st July		Three months ended 31st July	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	97,191	92,171	28,065	24,488
Capacitors manufacturing	2,659	8,803	(739)	1,137
Electronic components trading	8,600	14,390	785	1,107
Information technology services	1,843	–	1,126	–
	110,293	115,364	29,237	26,732

The above was written by:

**Tang Fung Kwan**

*Deputy Chairman and Managing Director*

**Huang Kong**

*Deputy Managing Director*



### Manufacturing Segment

The Group's core business, the manufacturing segment, recorded a growth in both gross profit and gross profit margin for the three months ended 31st July 2003, which amounted to HK\$27,326,000 and 27.4% (2002: HK\$25,625,000 and 25.4%), respectively. Turnover, however, was down 1.1% from the same period last year. During the period, the Group has been active in reshuffling certain capacitors customers with relatively long payment terms, resulting in the drop in

turnover of capacitors. With the speeding up of the restructuring exercise, there will be gradual improvement in the capacitors business.

The Group has been actively investing in vertical integration and production automation over the years, all with a view to cultivating a long-term competitive advantage for the Group's manufacturing segment. During the period, the Group has been fully committed to the development of its core coils business. Turnover of coils for the three months ended 31st July 2003 reached HK\$97,191,000

(2002: HK\$92,171,000), with a gross profit and gross profit margin of HK\$28,065,000 and 28.9% (2002: HK\$24,488,000 and 26.6%), respectively. The rise in gross profit margin was mainly attributable to the improvement in production efficiency and the growth in sales volume of power supply coils. During the first quarter of the current year, turnover to customers who manufacture power supply products has climbed by 256.4% to HK\$13,023,000 (2002: HK\$3,654,000). Therefore, the Group's active investment in power supply coils and manganese-zinc ferrite in recent years can reap the fruit of enhancement in production efficiency through the expansion of production.



The Group's products are mainly sold to Hong Kong, Mainland China, Taiwan and Singapore, etc. With the establishment of more and more production bases and businesses in Mainland China by foreign electronic and electrical manufacturers, most of the foreign manufacturers have been looking for local purchases and delivery. Being a Mainland China based manufacturer for over 20 years, the Group is capitalising on this opportunity firmly. For the three months ended 31st July 2003, the Group's turnover in Mainland China reached HK\$13,202,000 (2002: HK\$8,427,000), growing substantially by 56.7%. The Group looks forward to a sustained high-speed growth in its business in Mainland China for the future. On the other hand, the Group's business in Europe, where the Group has long been devoted in its development, achieved a growth rate of 36.2% to reach HK\$6,345,000 (2002: HK\$4,659,000). The rise in turnover was mainly due to the increasingly stringent electromagnetic environmental standards in many European countries. The Group's actively developed anti-electromagnetic interference filters in recent years have become indispensable components in electrical products applied in Europe.

The above was written by:

**Tang Fung Kwan**

*Deputy Chairman and Managing Director*

**Law Hoo Shan**

*Executive Director*



### Trading Segment

The Group continued the strategy mapped out last year, curtailing low-return trading operations step by step and putting resources in projects with higher return. For the three months ended 31st July 2003, turnover of the Group's electronic components trading segment amounted to HK\$8,600,000 (2002: HK\$14,390,000), down 40.2% from the corresponding period last year and accounting for 7.8% (2002: 12.5%) of the Group's turnover. The gross profit margin was 9.1% (2002: 7.7%). Turnover for the period decreased while gross profit margin increased slightly, reflecting the Group's efforts on restructuring the trading segment.

The above was written by:

**Lam Wing Kin, Sunny**

*Executive Director*

### Information Technology Segment

The Group's information technology segment recorded a turnover of HK\$1,843,000 for the three months ended 31st July 2003, accounting for 1.7% of the Group's turnover and with a gross profit and operating loss of HK\$1,126,000 and HK\$391,000, respectively. The Group's 51% owned Sun-iOMS Technology Holdings Limited ("Sun-iOMS") recorded a consolidated operating profit of HK\$9,000, reflecting Sun-iOMS' achievement of a breakeven point.

The above was written by:

**Huang Kong**

*Deputy Managing Director*

### Financial Review

As at 31st July 2003, the Group's aggregate banking facilities from banks and financial institutions amounted to HK\$443,122,000 (as at 30th April 2003: HK\$539,426,000), of which HK\$114,648,000 (as at 30th April 2003: HK\$222,320,000) remained unutilised. The Group had cash and bank deposits of HK\$48,038,000 (as at 30th April 2003: HK\$44,240,000), denominated mainly in Hong Kong dollars, United States dollars, Renminbi, Japanese yen, Singapore dollars and New Taiwan dollars. The Group is required to meet certain restrictive financial covenants with the major financing banks.

	Financial covenants with major banks	As at 31st July 2003	Compliance with financial covenants
Net tangible assets	Above HK\$290,000,000	HK\$302,398,000	Complied
Current ratio	Above 0.70	0.92	Complied
Interest coverage ratio	Above 3.50 times	4.77 times	Complied
Net gearing ratio (1)*	Below 1.05	0.98	Complied
Net gearing ratio (2)#	Below 0.85	0.85	Complied

\* The ratio of (total borrowings plus bills payable and contingent liabilities less total cash and bank deposits) over (net tangible assets less proposed final dividends)

# The ratio of (total borrowings plus bills payable less total cash and bank deposits and investment) over (net tangible assets less proposed final dividends)





The Group's net cash inflow for the three months ended 31st July 2003 was HK\$30,401,000 (three months ended 31st July 2002: HK\$654,000) with a net cash inflow from operating activities of HK\$18,511,000 (three months ended 31st July 2002: HK\$2,986,000) and a net cash inflow from financing activities of HK\$26,211,000 (three months ended 31st July 2002: net cash outflow of HK\$1,260,000). This was primarily attributable to the new long-term bank loans of HK\$165,000,000 (three months ended 31st July 2002: Nil) during the period, which helped improve the Group's debt structure and cash flow.

The above was written by:

**Cheung Man Ho**

*Financial Controller*

### Future Plans and Prospects

The Group planned in January 2003 to set up a factory in Nanjing to supply ready-to-press ferrite powder to Nanjing Fei Jin Magnetic Products Co., Ltd., a subsidiary of LG.Philips Displays, for its production of "deflection yoke", which is a critical component in display tubes. The total investment for the project is HK\$23,000,000, and as at 31st July 2003, the Group has invested HK\$15,800,000 in the project for Nanjing.

▶ 16

CEC International  
Holdings Limited



The project is going on smoothly, and is expected to run a trial production in October 2003 and to go into operation by the end of the year. The project will extend the technological range of the Group's ferrite production, and will boost the sales of ferrite as well.

The above was written by:

**Huang Kong**

*Deputy Managing Director*

**Lam Wing Kin, Sunny**

*Executive Director*



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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31st July 2003.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES

As at 31st July 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### (a) *Interests and short positions in the shares of the Company*

Name of director	Number of shares of HK\$0.10 each						Percentage of issued share capital
	Family interests	Personal interests (Note 2)	Corporate interests	Trusts and similar interests	Other interests	Total interests	
Mr. Lam Wai Chun	404,008,996 (Note 3)	3,832,000	404,008,996 (Note 3)	404,008,996 (Note 3)	-	407,840,996 (Note 3)	58.85%
Ms. Tang Fung Kwan	-	3,502,611	-	-	-	3,502,611	0.51%
Mr. Law Hoo Shan	-	546,751	-	-	-	546,751	0.08%
Mr. Ho Kwok Keung (resigned on 14th August 2003)	248,266 (Note 4)	-	-	-	200,266 (Note 4)	448,532 (Note 4)	0.06%
Mr. Au Son Yiu	-	2,498,000	-	-	-	2,498,000	0.36%
Mr. Lam Wing Kin, Sunny	-	902,000	-	-	-	902,000	0.13%
Mr. Tang Tin Sek	-	100,000	-	-	-	100,000	0.01%

#### Notes:

- All the above interests in the shares of the Company were long positions. These interests need to be aggregated with those set out in sub-paragraph (b) below (if applicable) to give the total interests of the relevant directors of the Company. None of the directors or chief executives of the Company held any short position in the shares of the Company.
- Personal interests were interests held by the relevant directors as beneficial owners.

3. The 404,008,996 shares were held by and registered in the name of Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust, namely Ka Yan China Family Trust (the "Trust"). The beneficiaries under the Trust were Mr. Lam Wai Chun's spouse, Ms. Law Ching Yee, and his children who were under the age of 18 years. By virtue of his being a founder of the Trust, Mr. Lam Wai Chun was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The 404,008,996 shares in the family interests, corporate interests and trusts and similar interests related to the same block of shares in the Company and duplicated each other. Accordingly, the figure of 407,840,996 shares in the total interests column for Mr. Lam Wai Chun was arrived at after eliminating the duplication.
4. The 248,266 shares which constituted the family interests of Mr. Ho Kwok Keung ("Mr. Ho") consisted of 48,000 shares which were beneficially owned by the spouse of Mr. Ho and the 200,266 shares which were jointly beneficially owned by Mr. Ho and his spouse.

(b) *Interests and short positions in underlying shares pursuant to equity derivatives of the Company*

As at 31st July 2003, the following directors of the Company had beneficial interests in the outstanding share options granted under the Old Scheme entitling them to subscribe for shares of the Company, the interests of which were long positions:

Name of director	Date of grant	Exercisable period	Subscription price per share	Number of shares under options			End of period
				Beginning of period	Exercised during the period	Lapsed during the period	
Mr. Lam Wai Chun	21st September 2000	22nd September 2002 to 21st January 2005*	HK\$1.02	3,527,194	-	-	3,527,194
Ms. Tang Fung Kwan	21st September 2000	22nd September 2002 to 21st January 2005*	HK\$1.02	3,527,194	-	-	3,527,194
Mr. Law Hoo Shan	1st November 2000	1st November 2002 to 28th February 2005**	HK\$0.75	1,680,000	-	-	1,680,000
Mr. Ho Kwok Keung (resigned on 14th August 2003)	1st November 2000	1st November 2002 to 28th February 2005**	HK\$0.75	780,000	-	-	780,000

\* 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; and (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 automatically after they cease to be exercisable.



\*\* 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; and (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 automatically after they cease to be exercisable.

None of the directors or chief executives of the Company held any short position in underlying shares of the Company.

(c) *Interests and short positions in the shares and underlying shares pursuant to equity derivatives of associated corporations of the Company*

*Coils Electronic Co., Limited*

Name of director	Number of non-voting deferred shares of HK\$1.00 each				Percentage of issued non-voting deferred shares
	Personal interests	Corporate interests	Family interests	Total interests	
Mr. Lam Wai Chun (Notes 5 and 6)	7,500,000	6,000,000	500,000	14,000,000	100%

*Notes:*

- Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK\$1.00 each, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of HK\$1.00 each issued by Coils Electronic Co., Limited, in which Coils International Holdings Limited, a direct wholly-owned subsidiary of the Company, had 100% interest in the issued ordinary share capital.
- 6,000,000 non-voting deferred shares of HK\$1.00 each were held by Ka Yan China Development (Holding) Company Limited and 500,000 non-voting deferred shares of HK\$1.00 each were held by Ms. Law Ching Yee respectively 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 these shares under the SFO by virtue of, in the case of shares held by Ka Yan China Development (Holding) Company Limited, the reasons set out in Note (a)3 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.
- All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited were long positions.
- Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

None of the directors or chief executives of the Company held any short position in the shares or underlying shares in the Company's associated corporations.

(d) *Interests in debentures of the Company*

None

(e) *Interests in debentures of associated corporation(s) of the Company*

None

Save as disclosed above, as at 31st July 2003, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

### INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st July 2003, according to the register required to be kept by the Company under section 336 of the SFO, the following persons, other than the directors or chief executives of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) *Interests and short positions in the shares of the Company*

*Substantial shareholders (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"))*

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Ms. Law Ching Yee	407,840,996 (Note 2)	–	–	–	58.85% (Note 2)
Ka Yan China Development (Holding) Company Limited	–	–	–	404,008,996 (Notes 2 & 3)	58.30%
Ka Yan China Investments Limited	–	404,008,996 (Notes 2 & 3)	–	–	58.30%
HSBC International Trustee Limited	–	–	404,008,996 (Notes 3 & 4)	–	58.30%



Other persons as recorded in the register kept by the Company pursuant to section 336 of the SFO

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Nittoku Engineering Co., Ltd.	-	-	-	51,093,983	7.37%
Toko, Inc.	-	-	-	36,785,402	5.31%

Notes:

1. All the above interests in the shares of the Company were long positions.
2. The 404,008,996 shares were held by and registered in the name of Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust. The beneficiaries under the Trust were Mr. Lam Wai Chun's spouse, Ms. Law Ching Yee, and his children who were under the age of 18 years. By virtue of Mr. Lam Wai Chun being a founder of the Trust, Ms. Law Ching Yee was deemed to be interested in all the shares and equity derivatives held by her spouse for the purpose of the SFO. These interests need to be aggregated with those set out in sub-paragraph (b) below to give the total interests of Ms. Law Ching Yee.
3. The interests of Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, the ultimate holding company of the Company, were in respect of the same 404,008,996 shares and duplicated each other.
4. The 404,008,996 shares in which HSBC International Trustee Limited, the trustee of the Trust, was interested were the shares referred to in Notes 2 and 3 above.



(b) *Interests and short positions in underlying shares pursuant to equity derivatives of the Company*

*Substantial shareholder (as defined in the Listing Rules)*

Name	Number of shares pursuant to option granted Family interests
Ms. Law Ching Yee	3,527,194 (Note 5)

*Note:*

5. By virtue of Ms. Law Ching Yee's spouse, Mr. Lam Wai Chun, being a founder of the Trust, Ms. Law Ching Yee was deemed to be interested in 3,527,194 shares in respect of the outstanding share option granted to Mr. Lam Wai Chun under the Old Scheme, the interests of which were long positions. The details of the outstanding share option are set out in the section headed "Interests of directors and chief executives in securities" and under sub-paragraph (b) headed "Interests and short positions in underlying shares pursuant to equity derivatives of the Company".

Save as disclosed above, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which was required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 31st July 2003.

### PRACTICE NOTE 19 TO THE LISTING RULES

In accordance with the disclosure requirements of Practice Note 19 to the Listing Rules, the Company makes the following disclosures in relation to the details of the 2002 Agreement (as defined below) and 2003 Agreement (as defined below), which includes conditions relating to specific performance of the controlling shareholder of the Company.

- (a) On 31st January 2002, the Company entered into a 3-year term loan and revolving credit facility agreement (the "2002 Agreement") for an aggregate amount of HK\$100,000,000 (the "2002 Facility") with Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company, as original guarantor and a group of banks.
- (b) On 30th April 2003, the Company entered into a 3-year transferable term loan facility agreement (the "2003 Agreement") for an aggregate amount of HK\$165,000,000 (the "2003 Facility") with Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company, as original guarantor and a group of banks.



Under the provisions of the 2002 Agreement and 2003 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 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.

For 2002 Agreement, if any such event of default occurs, upon a notice served to the Company, (i) the 2002 Facility shall immediately be cancelled; (ii) all amounts accrued and outstanding or owing under the 2002 Facility shall immediately become due and payable; and/or (iii) the 2002 Facility shall immediately become payable on demand.

For 2003 Agreement, if any such event of default occurs, upon a notice served to the Company, (i) the 2003 Facility shall immediately be cancelled; (ii) all amounts accrued and outstanding or owing under the 2003 Facility shall immediately become due and payable; and/or (iii) the 2003 Facility shall immediately become payable on demand.

All the outstanding indebtedness under the 2002 Agreement has been prepaid in May 2003.

## AUDIT COMMITTEE

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The Company’s Audit Committee has reviewed this first quarterly report for the three months ended 31st July 2003.



## CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the three months ended 31st July 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive director (Mr. Tang Tin Sek, who has been re-designated as an independent non-executive director with effect from 3rd June 2003) and 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, 24th September 2003

# Summary of Credit Facilities Utilisation

## 融資信貸動用摘要

As at 31st July 2003

於二零零三年七月三十一日



As at 30th April 2003  
於二零零三年四月三十日  
As at 31st July 2003  
於二零零三年七月三十一日

- |  |  |  |
|--|--|--|
| BOT Lease (Hong Kong) Co., Limited<br>東銀利市(香港)有限公司                       | Hang Seng Bank Limited<br>恒生銀行有限公司           | Dah Sing Bank Limited<br>大新銀行有限公司              |
| Trilease International Limited<br>鼎協租賃國際有限公司                             | ORIX Asia Limited<br>歐力士(亞洲)有限公司             | East Asia Heller Limited<br>東亞興萊有限公司           |
| Industrial and Commercial Bank of China<br>中國工商銀行                        | Standard Chartered Bank<br>渣打銀行              | East Asia Finance Company, Limited<br>東亞財務有限公司 |
| The Hongkong and Shanghai<br>Banking Corporation Limited<br>香港上海滙豐銀行有限公司 | CITIC Ka Wah Bank Limited<br>中信嘉華銀行有限公司      | Way Chong Finance Limited<br>匯昌財務有限公司          |
| China Construction Bank<br>中國建設銀行  | DBS Bank (Hong Kong) Limited<br>星展銀行(香港)有限公司 |  |

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