

IN MEMORY OF MS. HU YAN HUAN

The former Executive Director of the Company, Ms. Hu Yan Huan (“Ms. Hu”), aged 54, passed away on 15th February 2004 due to illness. Ms. Hu joined the Group since 1982 and was appointed as Executive Director of the Company on 29th September 1999. On 18th March 2002, Ms. Hu resigned as Executive Director. Ms. Hu made much contribution to the Group over 20 years during her service with the Group. The Group and all its staff express our deepest sorrow at the loss of Ms. Hu.

悼念胡顏歡女士

本公司之前執行董事胡顏歡女士（「胡女士」），於二零零四年二月十五日因病辭世，享年五十四歲。胡女士自一九八二年已加入本集團工作，於一九九九年九月二十九日獲委任為本公司之執行董事，並於二零零二年三月十八日辭任執行董事一職。胡女士在本集團服務及作出之貢獻超逾二十年，建樹良多，本集團全人謹此悼念胡女士。

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. Lam Wing Kin, Sunny

(*Resigned on 21st February 2004*)

Mr Chiu Chan, Charles

(*Resigned on 21st January 2004*)

Independent Non-executive Directors

Mr. Au Son Yiu

Mr. Lee Wing Kwan, Denis

Mr. Tang Tin Sek

AUDIT COMMITTEE

Mr. Tang Tin Sek (*Chairman*)

Mr. Au Son Yiu

Mr. Lee Wing Kwan, Denis

COMPANY SECRETARY

Ms. Li Lai Sheung *ACIS*

AUDITORS

PricewaterhouseCoopers

Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co

Richards Butler

Appleby Spurling Hunter

PRINCIPAL BANKERS

China Construction Bank

CITIC Ka Wah Bank Limited

Dah Sing Bank Limited

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

Industrial and Commercial Bank of China

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

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Listed on The Stock Exchange of Hong Kong Limited

Stock Code: 0759

2003/2004 THIRD QUARTER RESULTS

The Board of Directors (the “Directors”) of CEC International Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31st January 2004, and the consolidated balance sheet as at 31st January 2004 of the Group.

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st January		Nine months ended 31st January	
		2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Turnover	2	111,395	93,225	346,945	341,184
Cost of sales		(82,435)	(68,539)	(259,522)	(258,042)
Gross profit		28,960	24,686	87,423	83,142
Selling and distribution expenses		(3,588)	(3,307)	(9,196)	(11,242)
General and administrative expenses		(18,559)	(16,654)	(51,670)	(51,611)
Other operating expenses		–	–	(662)	–
Operating profit	2,3	6,813	4,725	25,895	20,289
Interest income		34	61	126	296
Interest expense		(4,514)	(4,752)	(13,569)	(14,182)
Share of losses of an associate		(49)	–	(27)	–
Share of profits less losses of jointly controlled entities		–	175	–	140
Profit before taxation		2,284	209	12,425	6,543
Taxation	4	(621)	(193)	(2,219)	(1,233)
Profit attributable to shareholders		1,663	16	10,206	5,310
Earnings per share – Basic	6	0.240 cent	0.002 cent	1.473 cents	0.771 cent

CONSOLIDATED BALANCE SHEET

	Notes	As at 31st January 2004 HK\$'000 (Unaudited)	As at 30th April 2003 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	470,118	460,469
Investment properties	8	2,520	–
Investment in associates		1,453	4,193
Deposit with an associate		–	8,577
Deferred tax assets		428	413
Total non-current assets		474,519	473,652
CURRENT ASSETS			
Inventories		87,781	83,756
Trade receivables	9	76,362	77,680
Bills receivable		3,723	583
Prepayments, deposits and other current assets		9,442	9,713
Tax recoverable		432	436
Investment		8,317	7,939
Pledged bank deposits		25,051	24,983
Bank balances and cash		25,642	19,257
Total current assets		236,750	224,347
CURRENT LIABILITIES			
Short-term bank borrowings		(114,112)	(147,799)
Long-term bank loans, current portion		(76,203)	(42,996)
Finance lease obligations, current portion		(7,919)	(14,487)
Trade payables	10	(58,204)	(51,876)
Bills payable		(7,072)	(660)
Accruals and other payables		(22,068)	(21,788)
Tax payable		(1,656)	(140)
Total current liabilities		(287,234)	(279,746)
Net current liabilities		(50,484)	(55,399)
Total assets less current liabilities		424,035	418,253
NON-CURRENT LIABILITIES			
Long-term bank loans, non-current portion		(91,158)	(92,862)
Finance lease obligations, non-current portion		(3,730)	(8,226)
Deferred tax liabilities		(20,562)	(19,740)
Total non-current liabilities		(115,450)	(120,828)
MINORITY INTERESTS		(61)	(61)
Net assets		308,524	297,364
CAPITAL AND RESERVES			
Share capital	11	69,303	69,303
Reserves	14	239,221	228,061
Shareholders' equity		308,524	297,364

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Nine months ended 31st January	
		2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Operating activities			
Profit before taxation		12,425	6,543
Interest income		(126)	(296)
Interest expense		13,569	14,182
Depreciation of property, plant and equipment		44,640	43,869
Amortisation of distribution right		–	800
(Gain)/loss on disposal of property, plant and equipment		(17)	173
Share of losses of an associate		27	–
Share of profits less losses of jointly controlled entities		–	(140)
Unrealised gain on investment		(378)	(430)
Increase in inventories		(4,025)	(25,536)
Decrease/(increase) in trade receivables		1,318	(26,491)
Increase in bills receivable		(3,140)	–
Decrease/(increase) in prepayments, deposits and other current assets		271	(6,699)
Increase/(decrease) in trade payables		3,414	(106)
Increase in bills payable		6,412	5,522
Increase in accruals and other payables		280	1,563
Hong Kong profits tax paid		(67)	(23)
Hong Kong profits tax refunded		18	68
Mainland China enterprise income tax paid		(188)	(463)
Mainland China enterprise income tax refunded		384	–
Net cash inflow from operating activities		74,817	12,536
Investing activities			
Purchase of property, plant and equipment	15	(48,225)	(6,431)
Proceeds from disposal of property, plant and equipment		148	162
Purchase of investment properties		(2,291)	–
Purchase of a subsidiary, net of cash acquired		–	220
Purchase of an associate		–	(1,998)
Decrease in amounts due from jointly controlled entities		–	765
(Decrease)/increase in pledged bank deposits		(68)	10,901
Interest received		126	296
Decrease in deposit with an associate		8,577	–
Net cash (outflow)/inflow from investing activities		(41,733)	3,915

CONSOLIDATED CASH FLOW STATEMENT (continued)

	Notes	Nine months ended 31st January	
		2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Financing activities			
Share issue expense		–	(3)
New short-term bank borrowings		98,808	103,683
Repayment of short-term bank borrowings		(113,496)	(68,660)
New long-term bank loans		165,000	7,000
Repayment of long-term bank loans		(133,497)	(39,840)
Repayment of capital element of finance lease obligations		(11,064)	(13,622)
Interest paid		(13,569)	(14,182)
Net cash outflow from financing activities		(7,818)	(25,624)
Translation adjustments		118	2,301
Increase/ (decrease) in cash and cash equivalents		25,384	(6,872)
Cash and cash equivalents, beginning of period		(9,271)	(10,783)
Cash and cash equivalents, end of period		16,113	(17,655)
Analysis of cash and cash equivalents:			
Bank balances and cash		25,642	12,956
Bank overdrafts		(9,529)	(30,611)
		16,113	(17,655)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Nine months ended	
	31st January	
	2004	2003
	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)
– as restated	297,364	291,112
Exchange gain arising on translation of the financial statements of foreign subsidiaries and associates not recognised in the consolidated income statement	954	1,692
Profit attributable to shareholders	10,206	5,310
Issue of new shares	–	3,200
Premium arising from issue of new shares	–	5,120
Share issue expense	–	(3)
Total equity, end of period	308,524	306,431

Notes:

1. Principal accounting policies

The quarterly consolidated financial statements for the three months and nine months ended 31st January 2004 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”, which is effective for accounting periods commencing on or after 1st January 2003, and SSAP 13 “Accounting for investment properties”, issued by the Hong Kong Society of Accountants for the first time in the current period.

SSAP 12 (revised) “Income taxes”

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 has been reduced by HK\$3,308,000 (2002: HK\$3,300,000) and the retained profits as at 30th April 2003 have been increased by HK\$413,000 (2002: HK\$406,000). The deferred tax liabilities and deferred tax assets as at 30th April 2003 have been increased by HK\$3,308,000 (2002: HK\$3,300,000) and HK\$413,000 (2002: HK\$406,000), respectively. The loss attributable to shareholders for the year ended 30th April 2003 has been reduced by HK\$7,000.

SSAP 13 "Accounting for investment properties"

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length. Investment properties are stated at their open market value. Any revaluation increase or decrease (if any) arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the consolidated income statement. Where a decrease has previously been charged to the consolidated income statement and a revaluation increase subsequently arises, this increase is credited to the consolidated income statement to the extent of the decrease previously charged. On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the consolidated income statement. No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less. The adoption of this SSAP had no material effect on the Group's consolidated financial statements.

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; (ii) the provision of information technology services; and (iii) the manufacture and sale of ferrite powder which is a major raw material for the production of display tubes.

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

	Turnover			
	Three months ended		Nine months ended	
	31st January		31st January	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	96,988	81,835	303,859	277,568
Capacitors manufacturing	4,034	8,212	10,881	30,625
Electronic components trading	5,948	3,178	25,290	32,991
Information technology services	1,051	–	3,541	–
Ferrite powder manufacturing	3,374	–	3,374	–
	111,395	93,225	346,945	341,184

	Operating profit/(loss)			
	Three months ended		Nine months ended	
	31st January		31st January	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	9,547	4,939	31,893	20,219
Capacitors manufacturing	(814)	366	(2,914)	1,371
Electronic components trading	(117)	(580)	464	(1,301)
Information technology services	(1,025)	–	(2,770)	–
Ferrite powder manufacturing	(778)	–	(778)	–
	6,813	4,725	25,895	20,289

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

	Turnover			
	Three months ended 31st January		Nine months ended 31st January	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	59,292	54,611	207,220	218,982
Mainland China	23,891	10,301	55,850	30,565
Taiwan	7,086	13,502	27,421	47,458
Europe	8,957	5,866	24,295	18,352
Singapore	8,324	5,320	20,747	17,431
Others	3,845	3,625	11,412	8,396
	111,395	93,225	346,945	341,184

	Operating profit/(loss)			
	Three months ended 31st January		Nine months ended 31st January	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	2,761	3,855	14,183	12,271
Mainland China	1,271	710	4,077	4,128
Taiwan	(97)	315	(500)	1,817
Europe	820	297	2,389	1,060
Singapore	1,710	(26)	5,553	2,583
Others	348	(426)	193	(1,570)
	6,813	4,725	25,895	20,289

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Three months ended 31st January		Nine months ended 31st January	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
	Crediting			
Unrealised gain on investment	126	178	378	430
Charging				
Depreciation of property, plant and equipment	15,136	11,437	44,640	43,869
Amortisation of distribution right	–	266	–	800
Cost of inventories sold	81,709	68,539	257,405	258,042
Staff costs (including directors' emoluments)	27,969	18,269	81,405	64,799

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% (2003: 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 15% to 33% (2003: 15% to 33%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the respective jurisdictions.

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

	Three months ended 31st January		Nine months ended 31st January	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax				
– current tax	256	248	956	756
– over-provision in prior periods	–	–	(19)	–
Mainland China enterprise income tax				
– current tax	139	(55)	234	477
– over-provision in prior periods	(384)	–	(384)	–
Taxation in other jurisdictions				
– current tax	586	–	586	–
Deferred taxation	–	–	822	–
	597	193	2,195	1,233
Share of taxation attributable to an associate	24	–	24	–
	621	193	2,219	1,233

5. Dividend

The Directors resolved not to declare any interim dividend in respect of the nine months ended 31st January 2004 (2003: Nil).

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st January 2004 is based on the profit attributable to shareholders of approximately HK\$1,663,000 (2003: HK\$16,000) and the weighted average number of 693,028,811 (2003: 693,028,811) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January 2004 is based on the profit attributable to shareholders of approximately HK\$10,206,000 (2003: HK\$5,310,000) and the weighted average number of 693,028,811 (2003: 689,086,782) shares in issue during the period.

Diluted earnings per share is not presented as the outstanding share options and warrants during the three months and nine months ended 31st January 2003 and 31st January 2004 were anti-dilutive.

7. Property, plant and equipment

During the nine months ended 31st January 2004, the additions to property, plant and equipment were approximately HK\$53,839,000 (2003: HK\$15,883,000).

8. Investment properties

During the nine months ended 31st January 2004, the additions to investment properties were approximately HK\$2,520,000 (2003: Nil).

9. Trade receivables

The aging analysis of trade receivables is as follows:

	As at 31st January 2004 HK\$'000	As at 30th April 2003 HK\$'000
Current	57,716	52,393
Overdue by 0 – 1 month	8,604	9,472
Overdue by 1 – 2 months	5,148	3,879
Overdue by 2 – 3 months	2,177	5,923
Overdue by more than 3 months	6,505	8,922
	80,150	80,589
Less: Provision for bad and doubtful debts	(3,788)	(2,909)
	76,362	77,680

Management of the Group performs on-going credit and collectibility evaluations of each customer. Provisions for potential credit losses are maintained and such losses in aggregate have not exceeded management's estimation. 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.

10. Trade payables

The aging analysis of trade payables is as follows:

	As at 31st January 2004 HK\$'000	As at 30th April 2003 HK\$'000
Current	35,536	29,248
Overdue by 0 – 1 month	7,114	9,565
Overdue by 1 – 2 months	3,639	4,840
Overdue by 2 – 3 months	2,571	2,656
Overdue by more than 3 months	9,344	5,567
	58,204	51,876

11. Share capital

Movements in share capital are as follows:

	Nine months ended 31st January 2004		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

12. 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 nine months ended 31st January 2004 are as follows:

Date of grant	Vesting period	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	
(i) Directors							
<i>Mr. Lam Wai Chun</i>							
21st September 2000	21st September 2000 to 21st September 2002	22nd September 2002 to 21st September 2003	HK\$1.02	881,798	-	(881,798)	-
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	-	1,322,698
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				3,527,194	-	(881,798)	2,645,396
<i>Mr. Saito Misao (resigned on 30th June 2003)</i>							
21st September 2000	21st September 2000 to 21st September 2002	22nd September 2002 to 21st September 2003	HK\$1.02	881,798	-	(881,798)	-
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	(1,322,698)	-
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	(1,322,698)	-
				3,527,194	-	(3,527,194)	-
<i>Ms. Tang Fung Kwan</i>							
21st September 2000	21st September 2000 to 21st September 2002	22nd September 2002 to 21st September 2003	HK\$1.02	881,798	-	(881,798)	-
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	-	1,322,698
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				3,527,194	-	(881,798)	2,645,396
<i>Mr. Law Hoo Shan</i>							
1st November 2000	1st November 2000 to 31st October 2002	1st November 2002 to 31st October 2003	HK\$0.75	420,000	-	(420,000)	-
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	630,000	-	-	630,000
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	630,000	-	-	630,000
				1,680,000	-	(420,000)	1,260,000
<i>Mr. Ho Kwok Keung (resigned on 14th August 2003)</i>							
1st November 2000	1st November 2000 to 31st October 2002	1st November 2002 to 31st October 2003	HK\$0.75	195,000	-	(195,000)	-
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	292,500	-	-	292,500
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	292,500	-	-	292,500
				780,000	-	(195,000)	585,000

Date of grant	Vesting period	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	
(ii) Employees							
21st September 2000	21st September 2000 to 21st September 2002	22nd September 2002 to 21st September 2003	HK\$1.02	881,798	-	(881,798)	-
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	-	1,322,698
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				3,527,194	-	(881,798)	2,645,396
1st November 2000	1st November 2000 to 31st October 2002	1st November 2002 to 31st October 2003	HK\$0.75	7,800,000	-	(7,800,000)	-
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	11,700,000	-	(1,732,500)	9,967,500
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	11,700,000	-	(1,732,500)	9,967,500
				31,200,000	-	(11,265,000)	19,935,000
				47,768,776	-	(18,052,588)	29,716,188

During the nine months ended 31st January 2004, no option was granted under the New Scheme (2003: Nil).

13. Warrants

As at 1st May 2003, there were outstanding warrants of 300,800,000 units, which carry subscription rights of HK\$1.475 for every 10 units of warrants entitling 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) from the date of issue (3rd July 2000) to 30th September 2003 (both dates inclusive). The subscription rights attached to all the outstanding warrants expired on 30th September 2003 and following such date, the warrants ceased to be valid for any purpose. Up to 30th September 2003, no warrant was exercised.

14. 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	–	–	–	–	–	–	10,206	10,206
Transfer from subscription right reserve to retained profits upon expiration of warrants	–	–	(17,214)	–	–	–	17,214	–
Transfer from retained profits to Mainland China statutory reserve	–	–	–	–	955	–	(955)	–
Translation adjustments	–	–	–	–	–	954	–	954
As at 31st January, 2004	36,118	13,934	–	17,758	1,092	2,259	168,060	239,221

15. Major non-cash transaction

In December 2003, Rentz Technologies Co., Ltd (“Rentz”), an associate of the Group, reduced its issued share capital from NTD45,000,000 to NTD15,000,000 in proportion to the existing shareholdings. The repayment of the reduced share capital amounting to NTD12,000,000 (approximately HK\$2,700,000), representing 40% of the equity interest in Rentz, made to the Group was fully satisfied by way of plant and equipment in January 2004 .

16. Contingent liabilities

Contingent liabilities not provided for in the consolidated financial statements are:

	As at 31st January 2004 HK\$'000	As at 30th April 2003 HK\$'000
.....		
Factoring of trade receivables with recourse	30,261	25,286

17. Related party transactions

The Group entered into a contract with Rentz for the construction of a production plant and machineries in Nanjing, Mainland China amounting to approximately HK\$16,600,000 and paid HK\$8,577,000 as deposit for the project for the year ended 30th April 2003.

In August 2003, two supplemental contracts were entered between the Group and Rentz for revising the total contract price of the project to HK\$17,600,000 and the payment terms. Up to 31st October 2003, the remaining balance of the project was fully settled.

In November 2003, the Group and Rentz entered into a cancellation agreement to cancel all of the aforesaid contracts for the project.

18. Comparative figures

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

Reviewing the period for the nine months ended 31st January 2004, the Group has been carrying out the corporate strategy formulated last year, including the intensive development of the core manufacturing business, the trimming or restructure of under-performing projects, and the enhancement of the Group's overall operating efficiency. For the nine months ended 31st January 2004, the Group's turnover was HK\$346,945,000 (2003: HK\$341,184,000), up 1.7% as compared with the corresponding period last year. The increase in turnover was mainly contributed from the Group's core business – the coils manufacturing segment, the turnover of which for the period rose 9.5% as compared with the corresponding period last year. The turnover of low-profit-margin electronic components trading segment reduced by 23.3%, reflecting the Group's efforts in focusing its resources on the development of the core business.

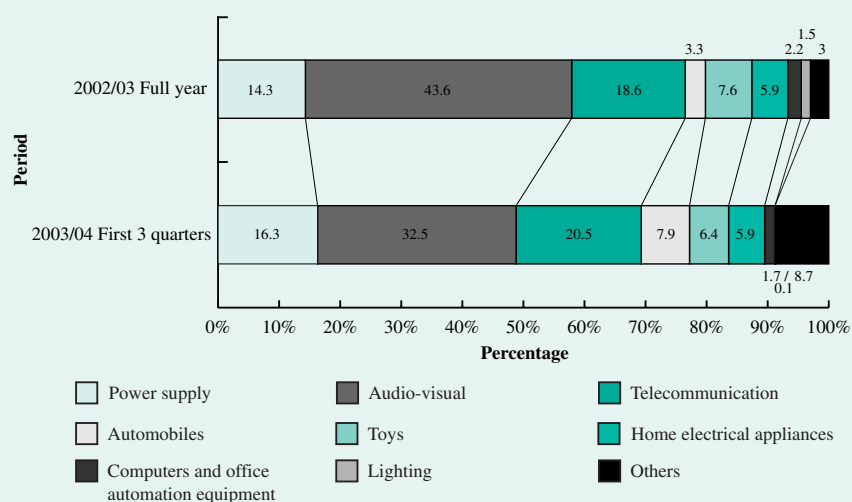
During the period under review, the Group recorded a gross profit of HK\$87,423,000 (2003: HK\$83,142,000), up 5.1% as compared with the same period last year. The overall gross profit margin was 25.2% (2003: 24.4%). Operating profit was HK\$25,895,000 (2003: HK\$20,289,000), up 27.6% as compared with the same period last year. Profit attributable to shareholders for the period amounted to 10,206,000 (2003: HK\$5,310,000), with a growth of 92.2%. The increases in operating profit and profit attributable to shareholders were mainly due to the Group's intensive development of its core business, the coils manufacturing segment, the turnover of which for the period accounted for 87.6% (2003: 81.4%) of the total turnover whilst the proportions for the turnover of the relative low-profit-margin capacitors manufacturing and electronic components trading segments to the total turnover decreased to 3.1% and 7.3%, respectively (2003: 9.0% and 9.7%). The improvement in the overall profit margin and profit growth indicates the effectiveness of the Group's strategy in focusing its resources on the development of the core business.

	Turnover		Gross profit/(loss)	
	Nine months ended 31st January		Nine months ended 31st January	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	303,859	277,568	86,432	78,028
Capacitors manufacturing	10,881	30,625	(2,166)	3,226
Electronic components trading	25,290	32,991	1,915	1,888
Information technology services	3,541	–	1,423	–
Ferrite powder manufacturing	3,374	–	(181)	–
	346,945	341,184	87,423	83,142

Coils Manufacturing Segment

The Group dedicated its resources to develop the coils manufacturing business during the period. For the nine months ended 31st January 2004, the gross profit of the coils manufacturing segment yielded an increase of 10.8% as compared with the corresponding period last year up to HK\$86,432,000 (2003: HK\$78,028,000), with a gross profit margin of 28.4% (2003: 28.1%). Turnover of this segment also rose by 9.5%, to HK\$303,859,000 (2003: HK\$277,568,000) as compared with the corresponding period last year, which was mainly attributable to the increasing demand from power-supply product manufacturers. This rendered the sales of the Group's highly promoted power-supply coils, including switching-mode transformers and line filters, soared. The Group's other coils products also maintained a steady growth. Below is a chart that indicates the distribution of customers' industries for the coils manufacturing segment:

Distribution of Turnover by Customer's Industries



In respect of sales market, the Group's targeted European and Mainland China markets recorded a significant growth of 32.4% and 82.7%, respectively during the period under review. Through the proactive development on power-supply coils and anti-electromagnetic interference filters in European market in the recent years, the Group succeeded in securing a certain number of customers in Europe. The enhanced customer recognition in the Group's product quality, pricing and services led to a remarkable increase in turnover from Europe. Meanwhile, the Group also recorded an increase of more than 80% in turnover from Mainland China, primarily because more and more electronic and electrical appliance manufacturers from all over the world have been setting up their manufacturing bases and furnishing their purchases in Mainland China, therefore benefiting the Group which has a core and well-established presence in that country. In respect of the customers in Mainland China, the Group continues to adopt a prudent and cautious approach in market development. During the period under review, the world-wide metal prices have been continuously increasing. Prices of copper and metal oxides had already accumulated a single-digit and a double-digit growth, respectively. However, the Group's on-going improvement in production technology and materials application resulted in a reduction of material costs. In addition, as the Group had signed up long-term purchasing forecasts with major suppliers, a relative stable supply of raw materials can be maintained. The Group's shrewd ability to control cost of raw materials for the period was reflected in the increase of profit margin of the coils manufacturing segment. Given the volatility of prices of raw materials, the Group will continue to closely monitor the price fluctuation in the international metal markets.

Capacitors Manufacturing Segment

Turnover for the capacitors manufacturing segment for the period was HK\$10,881,000 (2003: HK\$30,625,000), reduced significantly by 64.5% as compared with the corresponding period last year. The decrease in turnover was directly related to the Group's restructure of the clientele of capacitors manufacturing segment and revised the credit terms granted to certain customers with long credit period for enhancing the Group's cash-flow liquidity and alleviating credit risk.

Electronic Components Trading Segment

The Group continued to shrink the electronic components trading segment. For the nine months ended 31st January 2004, the turnover for the Group's electronic components trading segment was HK\$25,290,000 (2003: HK\$32,991,000), reduced by 23.3% as compared with the corresponding period last year. The Group expects to substantially phase out the electronic components trading segment in the next quarter, and upon completion, the Group will be able to further focus its resources on the development of the core business.

Information Technology Segment

During the period under review, the Group's information technology segment recorded a turnover of HK\$3,541,000 (2003: Nil), with a gross profit of HK\$1,423,000 (2003: Nil). In line with the Group's dedication to develop its core business, the Group decided to scale down the existing business of the information technology segment and cease to make any further new investment in the information technology business. The on-going development of the Group's incumbent operating system will continue as scheduled to complement the Group's core business development.

Ferrite Powder Manufacturing

Following the completion of the Nanjing Project's plant infrastructure and production equipment installation in October 2003, Nanjing Guo Zhong Magnetic Material Co., Ltd. ("Nanjing Guo Zhong"), a wholly-owned subsidiary of the Group, also completed the pilot production and equipment tuning in the current quarter. Product specifications had been sent to the Group's joint venture partner LG.Philips Displays' subsidiary, Nanjing Fei Jin Magnetic Products Co., Ltd. ("Nanjing Fei Jin"). It was the first time for Nanjing Guo Zhong to record a turnover of HK\$3,374,000 (2003: Nil) in this quarter. Nanjing Guo Zhong is currently working in matching equipment and improving the manufacturing workflow in order to increase the production output and efficiency, and is also actively teaming up with Nanjing Fei Jin to work out the formulae of the relative low-cost raw materials and to source the relevant suppliers of such materials.

Financial Review

As at 31st January 2004, the Group's aggregate banking facilities from banks amounted to HK\$425,981,000 (as at 30th April 2003: HK\$539,426,000), of which HK\$106,047,000 (as at 30th April 2003: HK\$222,320,000) remained unutilised. Cash and bank deposits were HK\$50,693,000 (as at 30th April 2003: HK\$44,240,000), denominated mainly in Hong Kong dollars, United States dollars, Renminbi, Singapore dollars and New Taiwan dollars. The Group is required to meet certain restrictive financial covenants with the major banks.

	Financial covenants with major banks	As at 31st January 2004	Compliance with financial covenants
Net tangible assets	Above HK\$290,000,000	HK\$308,524,000	Complied
Current ratio	Above 0.70	0.82	Complied
Interest coverage ratio	Above 3.50 times	5.25 times	Complied
Net gearing ratio (1)*	Below 1.05	0.91	Complied
Net gearing ratio (2)#	Below 0.85	0.78	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 dividend)

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

Cash Flow Summary

	Nine months ended 31st January		Change
	2004 HK\$'000	2003 HK\$'000	
Cash inflow from operating activities	74,817	12,536	↑
Cash (outflow)/inflow from investing activities	(41,733)	3,915	↓
Cash outflow from financing activities	(7,818)	(25,624)	↑
Cash and cash equivalents, end of period	16,113	(17,655)	↑

The Group's net cash inflow for the nine months ended 31st January 2004 was HK\$25,384,000 (2003: outflow of HK\$6,872,000). As at 31st January 2004, cash and cash equivalents amounted to HK\$16,113,000 (2003: minus HK\$17,655,000). The increase in net cash inflow was mainly attributable to the net cash inflow from operating activities of HK\$74,817,000 (2003: HK\$12,536,000) during the period. The net cash outflow from investing activities was HK\$41,733,000 (2003: inflow of HK\$3,915,000). This was primarily due to the additions of the property, plant and equipment amounting to HK\$48,225,000 for the period (2003: HK\$6,431,000), which included the purchase of plant and equipment in connection with the major investment in Nanjing Project. The net cash outflow from financing activities was HK\$7,818,000 (2003: HK\$25,624,000), mainly attributable to a new long-term bank loan of HK\$165,000,000 obtained in May 2003, which had positive impact on the Group's debt structure and cash flow. Besides, the Group also continued to repay certain balance of bank loans, reducing the net gearing ratios (1) and (2) to 0.91 and 0.78, respectively (2003: 1.00 and 0.89).

Corporate Governance

In line with the requirements of corporate governance, the Group has enhanced the transparency, efficiency and effectiveness of risk management and internal control with a view to protecting the interests of investors, creditors and shareholders. Accordingly, the Group newly established an Internal Audit Department during the current quarter. The Internal Audit Department mainly focuses on scrutinizing and reviewing the Group's internal operation and financial control systems. Besides, it also performs independent review on the consolidated financial statements of each quarter (including the current quarter) and provides the corresponding recommendations on identified issues.

The Group's Human Resources Distribution

Details of human resources as at 31st January 2004 are as follows:

Total number	6,084	Male:	27.2%	Female:	72.8%
Functional distribution	Management	Technology/development	Manufacturing	Sales and marketing	Others
	3.0%	1.5%	Workers: 79.2% Supervisors: 6.4%	1.1%	8.8%
Qualification	Management	Technology/development	Manufacturing	Sales and marketing	Others
High school and above	71.1%	74.5%	11.6%	89.4%	47.9%
Tertiary and above	53.9%	36.2%	0.6%	53.0%	5.5%
Age	25 or below	26-35	36-50	51 or above	
	58.4%	32.6%	8.1%	0.9%	
Nationality	Hong Kong	Mainland China	Overseas/others		
	1.8%	97.6%	0.6%		

Future Plans and Prospects

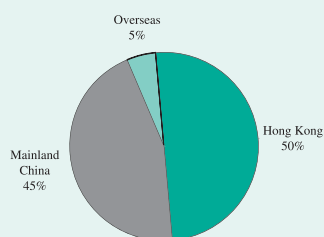
Re-organization to the China-focused Operating Model

Following the public listing of the Group, certain organizational structure and day-to-day operations that had been relocated to Mainland China were re-constructed in Hong Kong. This had an adverse effect on the synchronization of the Group's daily operation, thus diminishing operating efficiency while the expansion of Hong Kong organizational structure had also resulted in an increase in overall operating overheads. After thorough consideration, the Directors believe that the Group's most successful strength is its comprehensive management and operating base established in Mainland China. In view of this, the transfer of certain work procedures back to Hong Kong was a decision putting the cart before the horse. To rectify the mistake, the Directors have decided to return to use the full China-focused operating model as adopted by the Group before its public listing in 1999 by gradually stream-lining the operating structure in Hong Kong and transferring the relevant operations back to the headquarter in Mainland China.

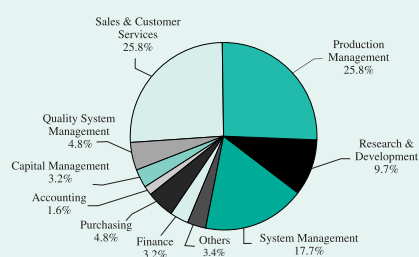
Executive Trainee Program

The “Executive Trainee Program” represents a crucial investment in human resources to the Group. The “Executive Trainee Program” aims at training and incubating quality people, bringing in new ideas and young talents, and developing a new generation of the management to support the Group’s fast-growing business. The “Executive Trainee Program” comprises “Hong Kong Executive Trainees”, who graduated from universities in Hong Kong, and also “Mainland Executive Trainees”, who are talents recruited from Mainland China. Since the launch of the Program in November 2003, there are 64 executive trainees employed under the program, of which 36 are “Hong Kong Executive Trainees”, and 28 are “Mainland Executive Trainees”. Up to 31st January 2004, the Group had invested resources with a total amount of HK\$1,263,000 into the “Executive Trainee Program” that spans across different departments in the core business, including production management, purchasing, sales, system management, capital analysis, research and development, and quality system management. The average age of the members of the “Executive Trainees Program” is about 25 years old and this young management team will further consolidate the foundation of the Group. The effectiveness of this crucial training program has a significant impact to the Group’s future development. The Group will, therefore, continue to report the latest progress of this “Executive Trainee Program” every quarter.

Distribution of Trainees of “Executive Trainee Program” by Location of Universities Graduated as at 31st January 2004



Distribution of Trainees of “Executive Trainee Programme” by Functional Department as at 31st January 2004



The above was written by:

Cheung Ming Yat

Lai Mei Chi, Sara

Liu Man Wong

Capital Management Department

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 31st January 2004.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES

As at 31st January 2004, 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					Total interests	Percentage of issued share capital
	Family interests	Personal interests (Note 2)	Corporate interests	Trusts and similar interests	Other interests		
Mr. Lam Wai Chun	404,008,996 (Note 3)	5,332,000	404,008,996 (Note 3)	404,008,996 (Note 3)	–	409,340,996 (Note 3)	59.07%
Ms. Tang Fung Kwan	–	3,502,611	–	–	–	3,502,611	0.51%
Mr. Law Hoo Shan	–	546,751	–	–	–	546,751	0.08%
Mr. Lam Wing Kin, Sunny	–	902,000	–	–	–	902,000	0.13%
Mr. Au Son Yiu	–	2,498,000	–	–	–	2,498,000	0.36%
Mr. Tang Tin Sek	–	302,000	–	–	–	302,000	0.04%

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.
- 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 409,340,996 shares in the total interests column for Mr. Lam Wai Chun was arrived at after eliminating the duplication.

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

As at 31st January 2004, 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:

Date of grant	Vesting period	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	
<i>Mr. Lam Wai Chun</i>							
21st September 2000	21st September 2000 to 21st September 2002	22nd September 2002 to 21st September 2003	HK\$1.02	881,798	-	(881,798)	-
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	-	1,322,698
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				3,527,194	-	(881,798)	2,645,396
<i>Ms. Tang Fung Kwan</i>							
21st September 2000	21st September 2000 to 21st September 2002	22nd September 2002 to 21st September 2003	HK\$1.02	881,798	-	(881,798)	-
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	-	1,322,698
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				3,527,194	-	(881,798)	2,645,396
<i>Mr. Law Hoo Shan</i>							
1st November 2000	1st November 2000 to 31st October 2002	1st November 2002 to 31st October 2003	HK\$0.75	420,000	-	(420,000)	-
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	630,000	-	-	630,000
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	630,000	-	-	630,000
				1,680,000	-	(420,000)	1,260,000

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 4 and 5)	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 January 2004, 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 January 2004, 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	409,340,996 (Note 2)	-	-	-	59.07%
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:

- All the above interests in the shares of the Company were long positions.
- 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.
- 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.
- 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	2,645,396 (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 2,645,396 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 January 2004.

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 was prepaid in May 2003.

INTERNAL AUDIT DEPARTMENT

To enhance the efficiency and effectiveness of risk management, internal control and governance processes as well as to protect the interests of the investors, creditors and shareholders, the Group newly established an Internal Audit Department during the current quarter.

The purpose of establishing the Internal Audit Department is to safeguard the Group’s assets from unauthorized access and disposition; to ensure the Group’s accounting records truly reflect the Group’s financial performance; and also to ascertain that comprehensive systems and policies are in place in the Group and that systems and policies are strictly implemented and complied. Besides, the Internal Audit Department is required to periodically assess the risk exposure of each of the Group’s operating unit so as to enable the management to promptly develop the corresponding pre-caution measures.

To ensure the Internal Audit Department maintain a neutral and independent position, the Internal Audit Department reports directly to the Chairman of the Company and the Audit Committee while the reporting frequency is to be determined in accordance with the Internal Audit Plan approved by the Audit Committee.

The Annual Internal Audit Plan was formulated in accordance with an appropriate risk based methodology and has been submitted to the Audit Committee for review and approval. The current Annual Internal Audit Plan mainly focuses on scrutinizing and reviewing the Group's internal operation and financial control systems, including inventory/production, fixed assets, sales and payroll. The Plan is proposed to be fully implemented in April 2004 and is expected to be completed in December 2004. Findings and recommendations will be reported to the Audit Committee and the Chairman of the Company and the identified issues and their corresponding improvement process will be properly followed up and monitored respectively.

During the current quarter, the Internal Audit Department has already submitted an independent review and recommendation reports in connection with both operating and financial control of Xiamen Coils Electronic Co., Ltd, a wholly-owned subsidiary of the Group, as well as the current quarter's consolidated financial statements. In the coming time, the Internal Audit Department will strictly implement the Annual Internal Audit Plan approved by the Audit Committee and also gradually adopt international audit standards so as to assist the Group to achieve its long-term objective of meeting international corporate governance standards.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed this third quarterly report for the nine months ended 31st January 2004.

CODE OF BEST PRACTICE

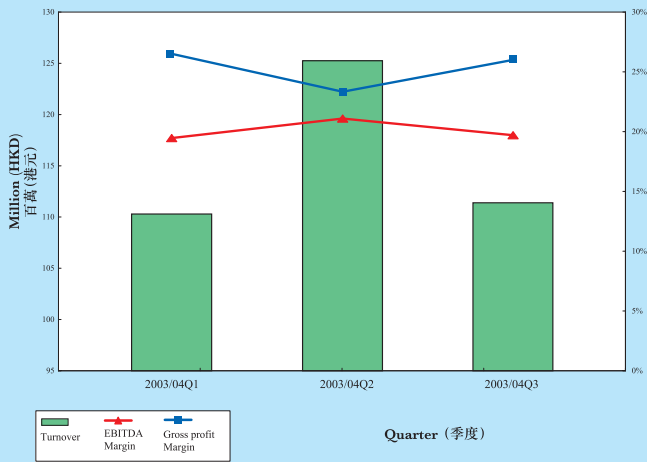
None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the nine months ended 31st January 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive director (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

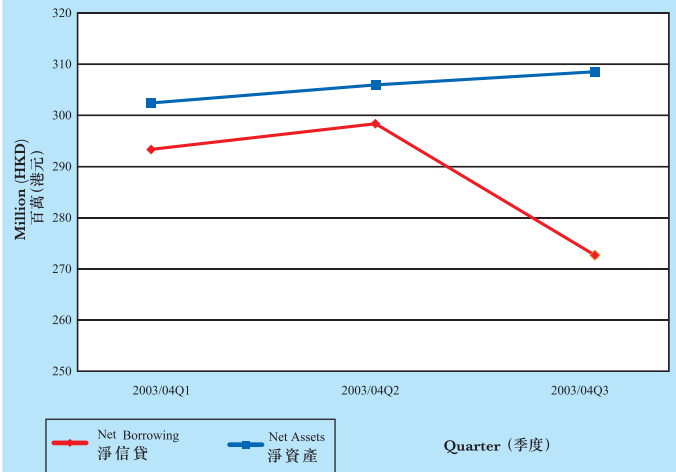
Hong Kong, 25th March 2004

Other Information (1) 其他資料 (1)

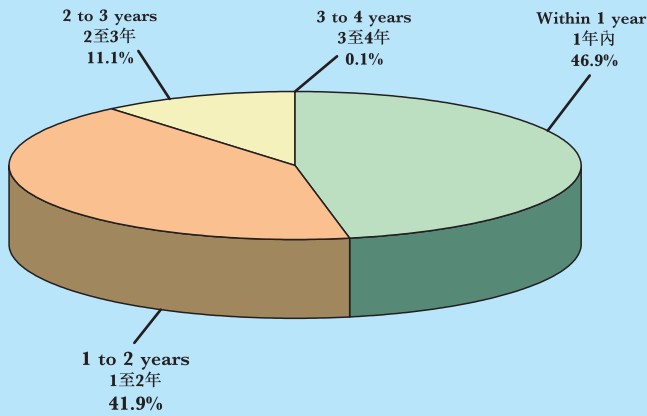
Turnover, EBITDA margin and gross profit margin of the Group for the recent 3 quarters
本集團最近三個季度的營業額，未計利息、稅項、折舊及攤銷之邊際盈利率和毛利率



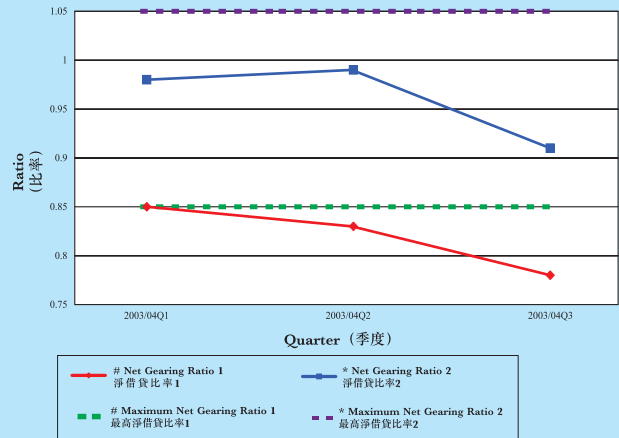
Net borrowing and Net assets of the Group as at 31st January 2004
於2004年1月31日本集團的淨借貸及淨資產



Maturity of finance lease & term loan of the Group as at 31st January 2004
於2004年1月31日本集團的融資租賃及有期貨款之到期分佈
(Total 總額: HKD179,009,000)

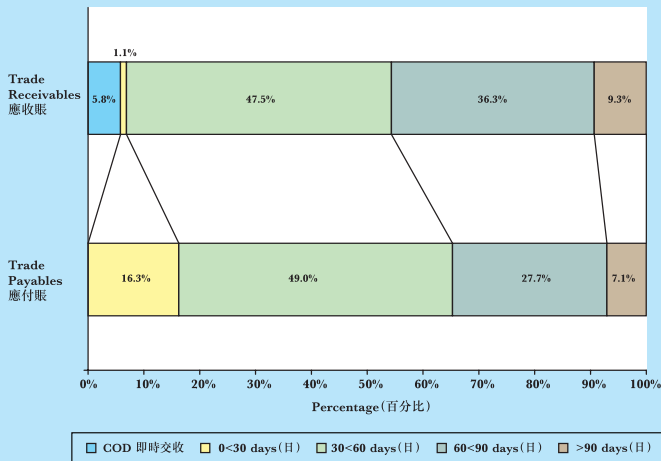


Net gearing ratio trend of the Group for the recent 3 quarters
集團最近三季的淨借貸比率趨勢

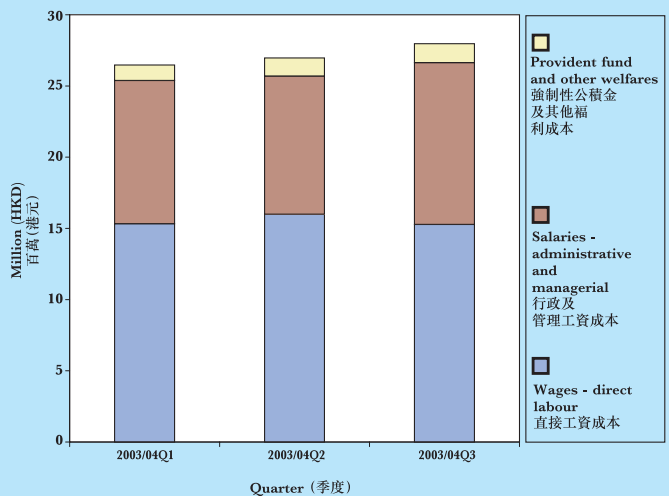


* The ratio of (total borrowings plus bills payable and contingent liabilities less total cash and bank deposits) over (net tangible assets less proposed final dividend)
(借貸總額加應付票據及或然負債減現金及銀行存款總額)與(有形資產淨值減建議末期股息)之比率
The ratio of (total borrowings plus bills payable less total cash and bank deposits and investment) over (net tangible assets plus minority interests less proposed final dividend)
(借貸總額加應付票據減現金及銀行存款及投資總額)與(有形資產淨值加少數股東權益減建議末期股息)之比率

Aging analysis of trade receivables and payables for coils manufacturing segment for the nine months ended 31st January 2004
截至2004年1月31日止9個月，按信貸期劃分涉及線圈製造業務的應收賬及應付賬之分析



Details of Human Resources costs for the 3 quarters ended 31st January 2004
截至2004年1月31日止三個月，人力資源成本的明細



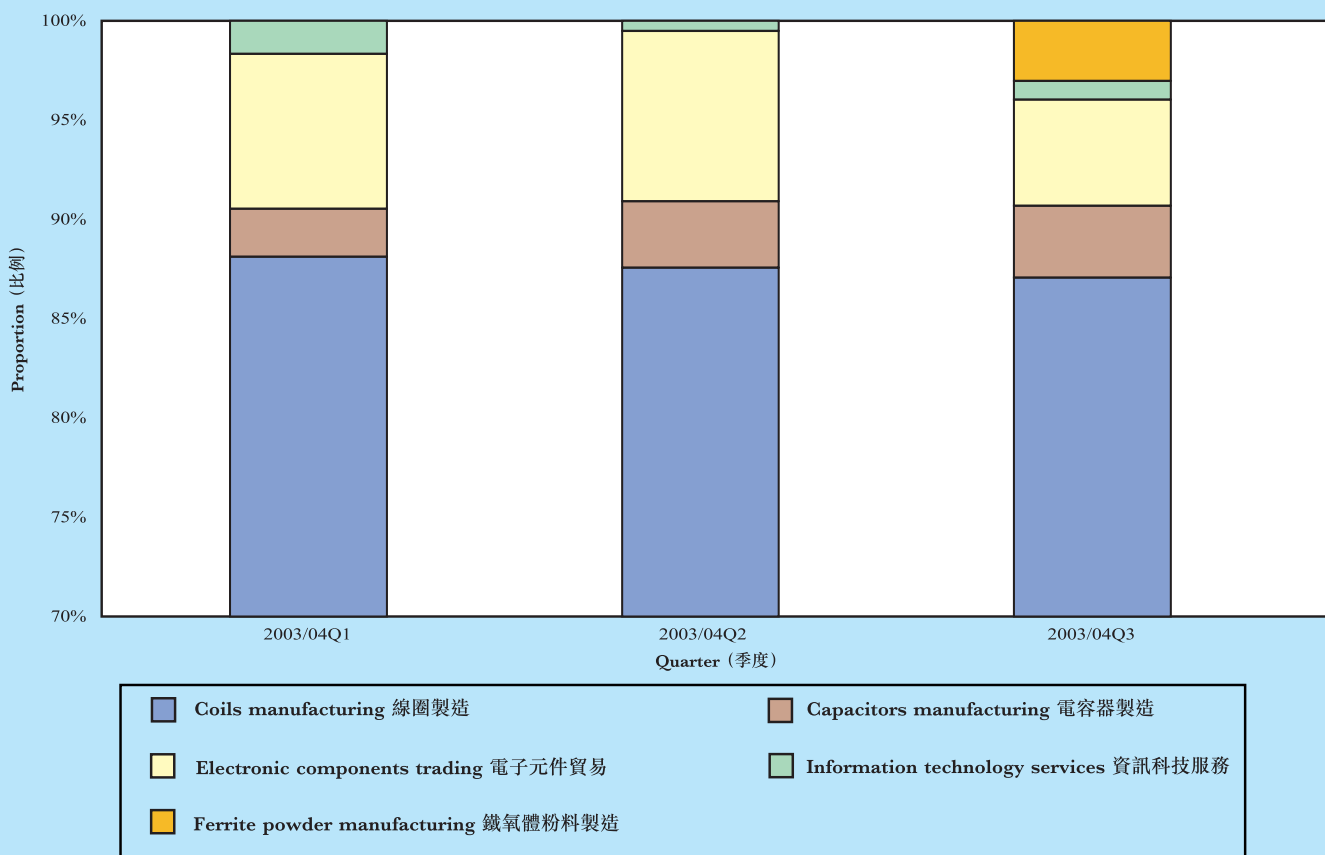
2003/04Q1: For the period from 1st May 2003 to 31st July 2003 (由2003年5月1日至2003年7月31日期間)
2003/04Q2: For the period from 1st August 2003 to 31st October 2003 (由2003年8月1日至2003年10月31日期間)
2003/04Q3: For the period from 1st November 2003 to 31st January 2004 (由2003年11月1日至2004年1月31日期間)

Other Information (2)

其他資料 (2)

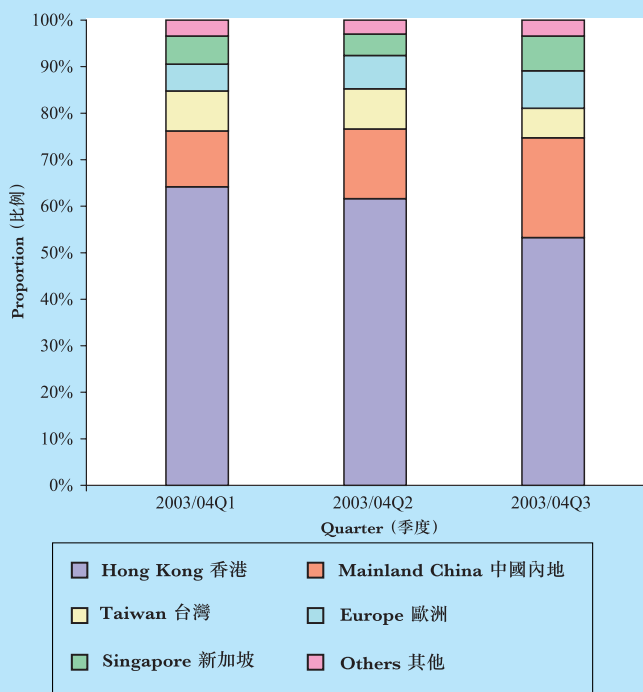
Proportion of turnover of the Group by business segment in the recent 3 quarters

最近之三個季度的按業務性質劃分的本集團銷售額比例



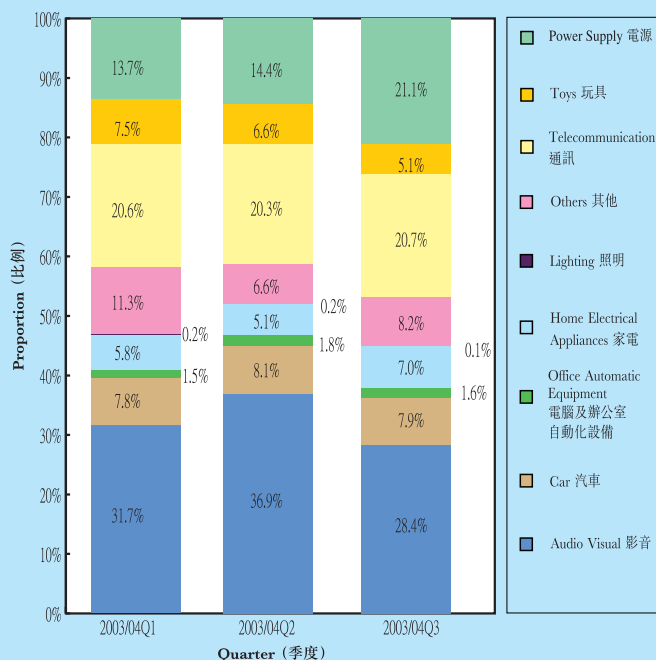
Turnover of the Group by geographical segment of the recent 3 quarters

截至2004年1月31日止最近之三個季度按地區劃分的本集團銷售額比例



Turnover of coils manufacturing segment by customers' industries for the 3 quarters ended 31st January 2004

截至2004年1月31日止最近之三個季度按客戶行業劃分涉及線圈製造業務的銷售額比例



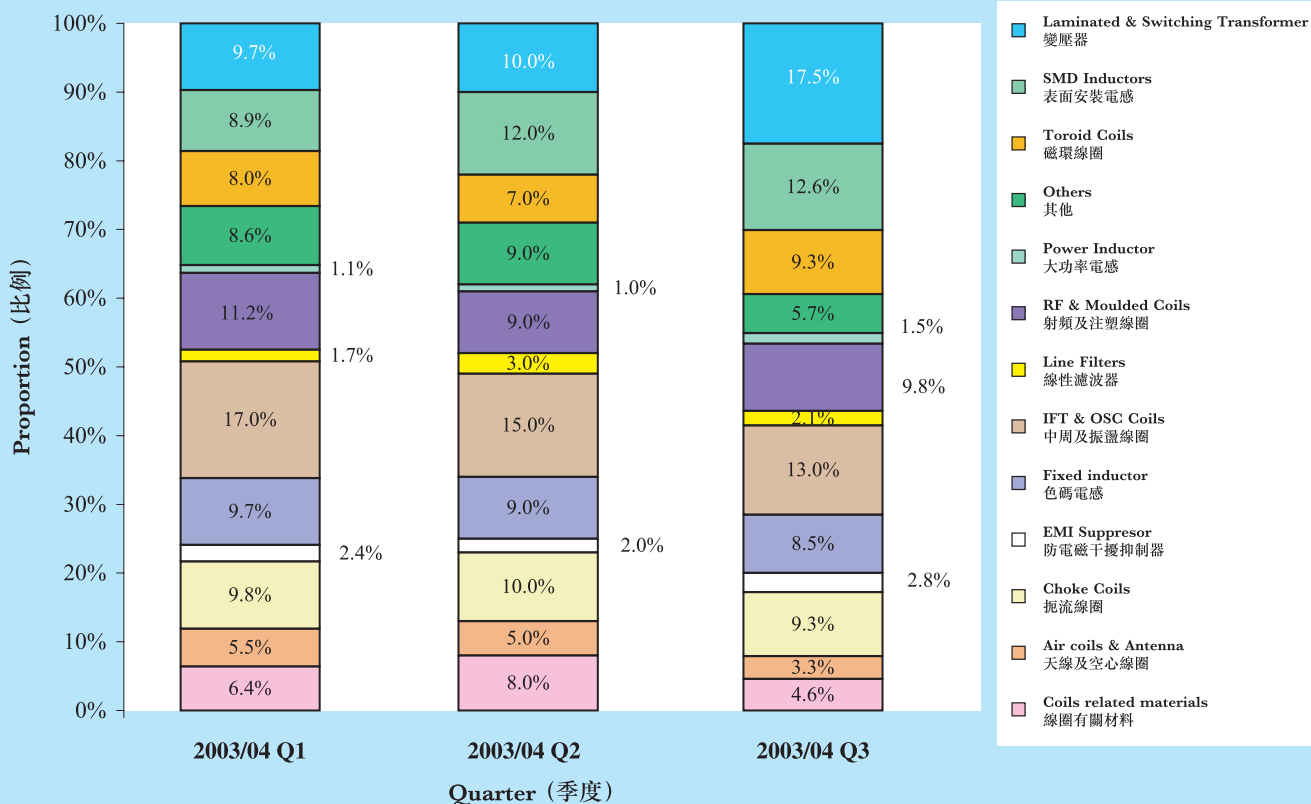
2003/04Q1: For the period from 1st May 2003 to 31st July 2003 (由2003年5月1日至2003年7月31日期間)
 2003/04Q2: For the period from 1st August 2003 to 31st October 2003 (由2003年8月1日至2003年10月31日期間)
 2003/04Q3: For the period from 1st November 2003 to 31st January 2004 (由2003年11月1日至2004年1月31日期間)

Other Information (3)

其他資料 (3)

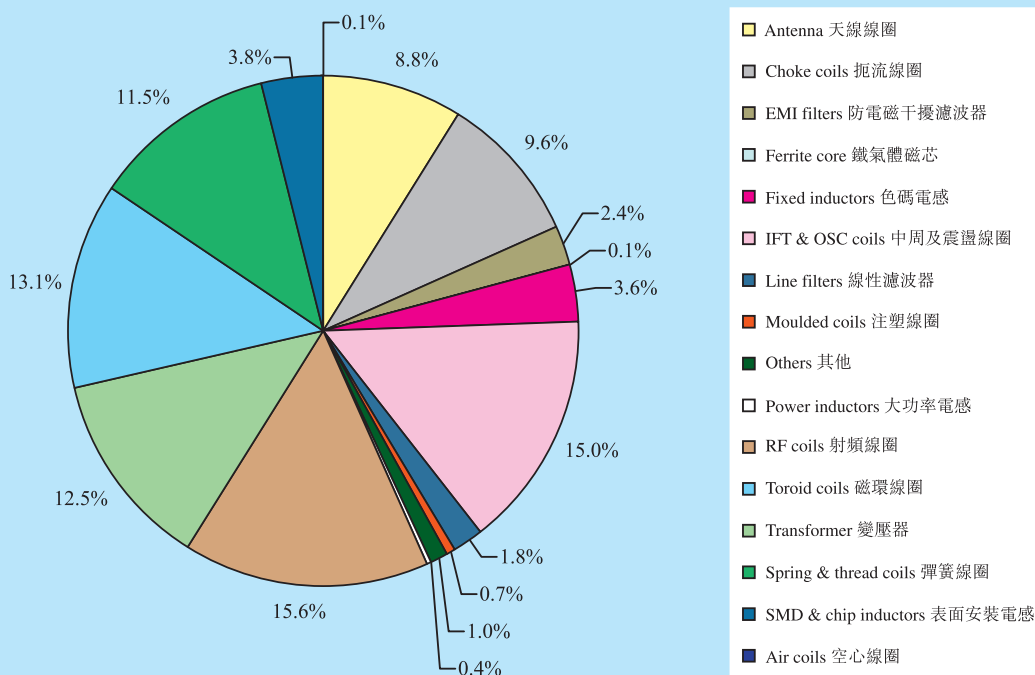
Turnover of coils manufacturing segment by product category for the 3 quarters ended 31st January 2004

截至2004年1月31日止三個季度，根據產品種類劃分涉及線圈製造業務的銷售額比例



Distribution of new specification by product category for the 9 months ended 31st January 2004

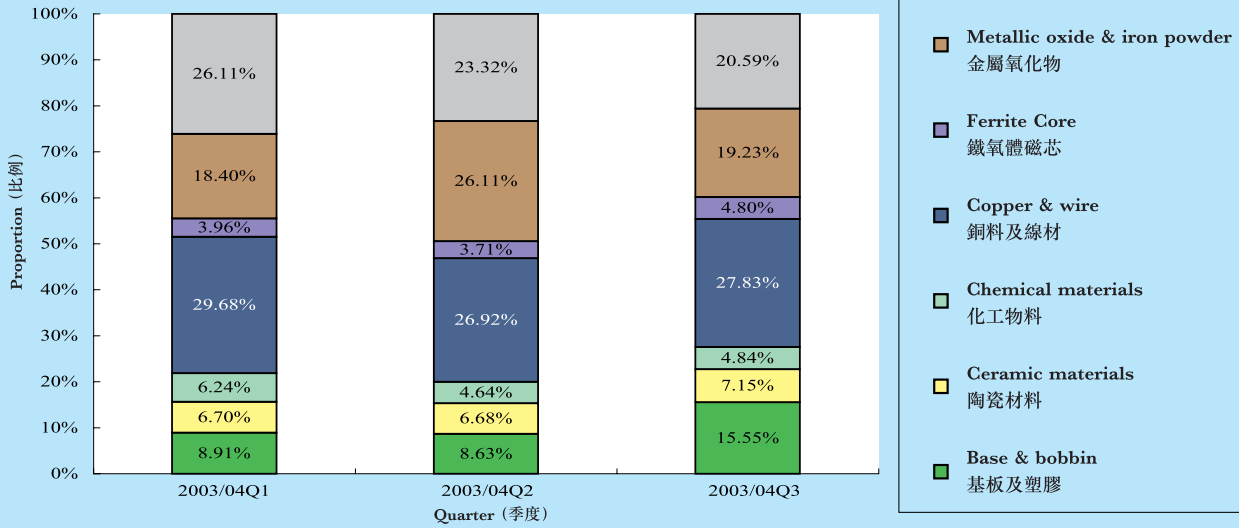
截至二零零四年一月三十一日止九個月，以貨品種類劃分之新規格分佈



2003/04Q1: For the period from 1st May 2003 to 31st July 2003 (由2003年5月1日至2003年7月31日期間)
 2003/04Q2: For the period from 1st August 2003 to 31st October 2003 (由2003年8月1日至2003年10月31日期間)
 2003/04Q3: For the period from 1st November 2003 to 31st January 2004 (由2003年11月1日至2004年1月31日期間)

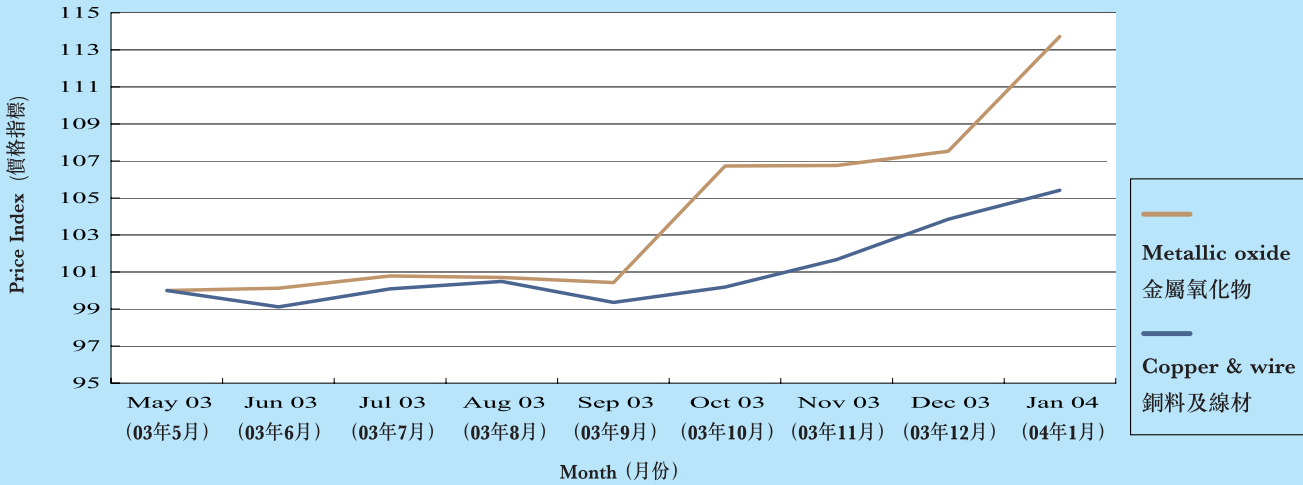
Other Information (4) 其他資料 (4)

Purchasing amount by raw material type for the 3 quarters ended 31st January 2004
截至2004年1月31日止三個季度，根據物料種類劃分與線圈製造業務有關的採購額比例



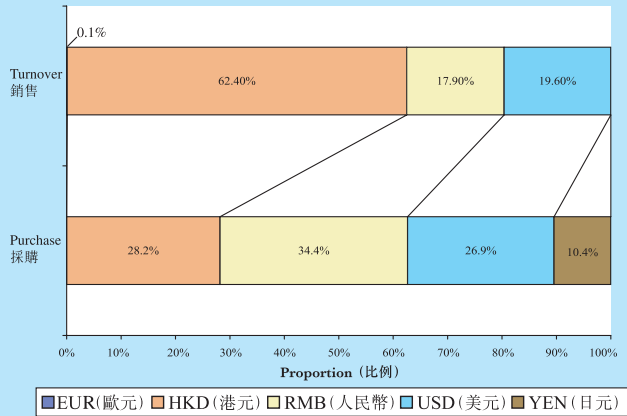
Price Index of Copper & wire and Metallic oxide purchased for the 9 months ended 31st January 2004
(base index 100 as at May 2003)

截至2004年1月31日止之九個月所購買之銅料及線材、金屬氧化物的價格趨勢指標—(2003年5月之基數定為100)



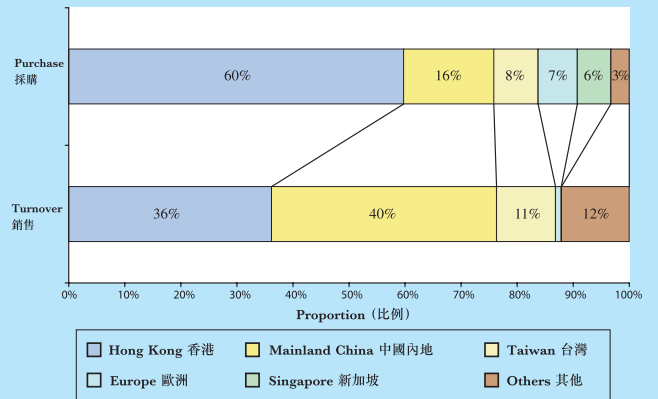
Purchase & turnover for coils manufacturing segment by settlement currency for the nine months ended 31st January 2004

截至2004年1月31日止九個月，根據清算貨幣劃分涉及線圈製造業務的採購及銷售金額



Purchase & turnover of coils manufacturing segment by the purchase origin & sales destination for the 9 months ended 31st January 2004

截至2004年1月31日止九個月，根據採購來源地及銷售目的地劃分涉及線圈製造業務的採購及銷售金額



2003/04Q1: For the period from 1st May 2003 to 31st July 2003 (由2003年5月1日至2003年7月31日期間)
2003/04Q2: For the period from 1st August 2003 to 31st October 2003 (由2003年8月1日至2003年10月31日期間)
2003/04Q3: For the period from 1st November 2003 to 31st January 2004 (由2003年11月1日至2004年1月31日期間)