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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lam Wai Chun (*Chairman*)
 Ms. Tang Fung Kwan
 (*Deputy Chairman and Managing Director*)
 Mr. Law Hoo Shan
 Mr. Huang Kong
 (*Deputy Managing Director, resigned on
 6th December 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
 Standard Chartered Bank
 (Hong Kong) Limited
 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

HEAD QUARTER IN MAINLAND CHINA

Li Xin Jie, Yong An Lu
 Dong Feng Zhen, Zhongshan
 Guangdong
 Mainland China

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
 46th Floor
 Hopewell Centre
 183 Queen's Road East
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Listed on The Stock Exchange of
 Hong Kong Limited
 Stock Code: 0759

2004/2005 THIRD QUARTER RESULTS

The Board of Directors (the “Directors”) of CEC International Holdings Limited (the “Company”) is pleased to present the unaudited condensed 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 2005, and the unaudited consolidated balance sheet as at 31st January 2005 of the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st January		Nine months ended 31st January	
		2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Turnover	2	134,135	111,395	427,523	346,945
Cost of sales		(103,813)	(82,435)	(332,179)	(259,522)
Gross profit		30,322	28,960	95,344	87,423
Selling and distribution expenses		(3,330)	(3,588)	(9,290)	(9,196)
General and administrative expenses		(16,631)	(18,559)	(52,271)	(51,670)
Other operating expenses		(331)	–	(993)	(662)
Operating profit	2,3	10,030	6,813	32,790	25,895
Interest income		60	34	122	126
Interest expense		(3,283)	(4,514)	(10,618)	(13,569)
Share of losses of an associate		–	(49)	–	(27)
Profit before taxation		6,807	2,284	22,294	12,425
Taxation	4	(1,474)	(621)	(3,995)	(2,219)
Profit attributable to shareholders		5,333	1,663	18,299	10,206
Earnings per share					
– Basic	6	0.77 cent	0.24 cent	2.64 cents	1.47 cents
– Diluted	6	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 31st January 2005 HK\$'000 (Unaudited)	As at 30th April 2004 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets	7	438,121	457,213
Investment in associates		33	33
Deposit for acquisition of land		6,255	4,764
Total non-current assets		444,409	462,010
CURRENT ASSETS			
Inventories		46,607	83,973
Trade receivables	8	106,580	92,258
Bills receivable		601	2,181
Prepayments, deposits and other current assets		7,391	8,402
Investment		7,727	8,580
Tax recoverable		58	471
Pledged bank deposits		24,806	25,058
Bank balances and cash		35,120	24,506
Total current assets		228,890	245,429
CURRENT LIABILITIES			
Short-term bank borrowings	9	(212,115)	(198,359)
Trade payables	10	(38,434)	(59,288)
Bills payable		(3,563)	(2,890)
Accruals and other payables		(27,656)	(25,730)
Finance lease obligations, current portion		(2,920)	(6,017)
Taxation payable		(4,400)	(2,420)
Dividend payable		(2)	–
Total current liabilities		(289,090)	(294,704)
Net current liabilities		(60,200)	(49,275)
Total assets less current liabilities		384,209	412,735
NON-CURRENT LIABILITIES			
Long-term bank loans, non-current portion	9	(33,196)	(72,926)
Finance lease obligations, non-current portion		(1,447)	(2,971)
Deferred tax		(21,906)	(23,076)
Total non-current liabilities		(56,549)	(98,973)
Net assets		327,660	313,762
CAPITAL AND RESERVES			
Share capital	11	69,303	69,303
Reserves			
Proposed final dividend	13	–	3,465
Others	13	258,357	240,994
Shareholders' equity		327,660	313,762

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Nine months ended 31st January	
	2005 HK\$'000 (Unaudited)	2004 HK\$'000 Unaudited)
Net cash inflow from operating activities	86,777	74,817
Net cash outflow from investing activities	(30,256)	(41,733)
Net cash outflow from financing activities	(44,493)	(7,818)
Translation adjustments	(658)	118
Increase in cash and cash equivalents	11,370	25,384
Cash and cash equivalents, beginning of period	9,097	(9,271)
Cash and cash equivalents, end of period	20,467	16,113
Analysis of cash and cash equivalents:		
Bank balances and cash	35,120	25,642
Bank overdrafts	(14,653)	(9,529)
	20,467	16,113

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Nine months ended 31st January	
	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Total equity, beginning of period	313,762	297,251
Exchange differences arising on translation of the accounts of foreign subsidiaries and associates not recognised in the condensed consolidated income statement	(936)	954
Profit attributable to shareholders	18,299	10,206
2003/2004 final dividend	(3,465)	—
Total equity, end of period	327,660	308,411

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. Principal accounting policies

The quarterly condensed consolidated accounts for the three months and nine months ended 31st January 2005 comply with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants, and the same principal accounting policies and methods of computation are followed as compared with the most recent published annual accounts for the year ended 30th April 2004.

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) sales and manufacture of ferrite powder; and (iii) the provision of information technology services.

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

	Turnover			
	Three months ended		Nine months ended	
	31st January		31st January	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	120,558	96,988	390,418	303,859
Ferrite powder manufacturing	10,508	3,374	26,408	3,374
Capacitors manufacturing	2,593	4,034	6,812	10,881
Electronic components trading	197	5,948	2,769	25,290
Information technology services	144	1,051	794	3,541
Others	135	–	322	–
	134,135	111,395	427,523	346,945

	Operating profit/(loss)			
	Three months ended		Nine months ended	
	31st January		31st January	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	8,557	9,547	30,010	31,893
Ferrite powder manufacturing	1,494	(778)	2,542	(778)
Capacitors manufacturing	141	(814)	666	(2,914)
Electronic components trading	(353)	(117)	(249)	464
Information technology services	105	(1,025)	(406)	(2,770)
Others	86	–	227	–
	10,030	6,813	32,790	25,895

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

3. Operating profit

Operating profit is stated after (crediting)/charging the following:

	Three months ended 31st January		Nine months ended 31st January	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Crediting				
Gain on disposal of investment properties	–	–	50	–
Unrealised gain on investment	–	126	–	378
Charging				
Depreciation of property, plant and equipment	16,151	15,136	48,260	44,640
Unrealised loss on investment	–	–	939	–
Cost of inventories sold	103,395	81,709	330,905	257,405
Staff costs (including directors' emoluments)	30,111	27,969	92,144	81,405

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

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% (2004: 17.5%) on the estimated assessable profit for the period. 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 condensed consolidated income statement represents:

	Three months ended		Nine months ended	
	31st January		31st January	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax				
– current tax	959	256	3,717	956
– over-provision in prior periods	–	–	–	(19)
Oversea tax				
– current tax	331	725	1,476	820
– over-provision in prior periods	–	(384)	–	(384)
Deferred taxation	184	–	(1,198)	822
	1,474	597	3,995	2,195
Share of taxation attributable to an associate	–	24	–	24
	1,474	621	3,995	2,219

5. Dividend

The Directors resolved not to declare any dividend in respect of the nine months ended 31st January 2005 (2004: Nil).

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st January 2005 is based on the profit attributable to shareholders of approximately HK\$5,333,000 (2004: HK\$1,663,000) and the weighted average number of 693,028,811 (2004: 693,028,811) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January 2005 is based on the profit attributable to shareholders of approximately HK\$18,299,000 (2004: HK\$10,206,000) and the weighted average number of 693,028,811 (2004: 693,028,811) shares in issue during the period.

No information in respect of diluted earnings per share is presented as the exercise of the outstanding options during the three months and nine months ended 31st January 2005 and the three months ended 31st January 2004 would have no dilutive effect.

No information in respect of diluted earnings per share is presented as the exercise of the outstanding options and warrants during the nine months ended 31st January 2004 would have no dilutive effect.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

7. Fixed assets

During the nine months ended 31st January 2005, the additions to fixed assets were approximately HK\$30,925,000 (2004: HK\$53,839,000); the total net book value of disposals and written off of fixed assets was approximately HK\$1,528,000 (2004: HK\$131,000).

8. Trade receivables

The aging analysis of trade receivables is as follows:

	As at 31st January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Current	88,970	78,954
Overdue by 0 – 1 month	10,111	7,048
Overdue by 1 – 2 months	5,518	2,648
Overdue by 2 – 3 months	2,350	2,961
Overdue by more than 3 months	3,538	3,686
	110,487	95,297
Less: Provision for bad and doubtful debts	(3,907)	(3,039)
	106,580	92,258

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 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.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

9. Bank loans

(a) Short-term bank borrowings

	As at 31st January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Long-term bank loans, current portion	87,129	74,936
Others	124,986	123,423
	212,115	198,359

(b) Long-term bank loans

During the period, the Group obtained a long-term bank loan in the amount of HK\$35,000,000 and the long-term bank loans amounting to approximately HK\$62,537,000 were repaid.

10. Trade payables

The aging analysis of trade payables is as follows:

	As at 31st January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Current	33,165	41,701
Overdue by 0 – 1 month	3,412	7,322
Overdue by 1 – 2 months	609	3,811
Overdue by 2 – 3 months	412	1,311
Overdue by more than 3 months	836	5,143
	38,434	59,288

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS**11. Share capital**

	Number of shares	Nominal value HK\$'000
.....		
Shares of HK\$0.10 each		
Authorised:		
As at 30th April 2004 and 31st January 2005	1,000,000,000	100,000
<hr/>		
Issued and fully paid:		
As at 30th April 2004 and 31st January 2005	693,028,811	69,303
<hr/>		

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.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

12. Share options (continued)

Movements in options granted under the Old Scheme during the nine months ended 31st January 2005 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 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)	-
				2,645,396	-	(2,645,396)	-
<i>Ms. Tang Fung Kwan</i>							
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)	-
				2,645,396	-	(2,645,396)	-
<i>Mr. Law Hoo Shan</i>							
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
				1,260,000	-	(630,000)	630,000
(ii) Employees							
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)	-
				2,645,396	-	(2,645,396)	-
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	9,112,500	-	(9,112,500)	-
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	9,112,500	-	(1,237,500)	7,875,000
				18,225,000	-	(10,350,000)	7,875,000
				27,421,188	-	(18,916,188)	8,505,000

During the nine months ended 31st January 2005, no option was granted under the New Scheme (2004: Nil).

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

13. Reserves

Movements in reserves are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Subscription rights 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 2003	36,118	13,934	17,214	17,447	137	1,305	141,793	227,948
Transfer from subscription rights reserve to retained profits	-	-	(17,214)	-	-	-	17,214	-
Transfer from retained profits to Mainland China statutory reserve	-	-	-	-	953	-	(953)	-
Profit attributable to shareholders	-	-	-	-	-	-	15,857	15,857
Translation adjustments	-	-	-	-	-	654	-	654
As at 30th April 2004	36,118	13,934	-	17,447	1,090	1,959	173,911	244,459
2003/2004 final dividend	-	-	-	-	-	-	(3,465)	(3,465)
Transfer from retained profits to Mainland China statutory reserve	-	-	-	-	2,799	-	(2,799)	-
Profit attributable to shareholders	-	-	-	-	-	-	18,299	18,299
Translation adjustments	-	-	-	-	-	(936)	-	(936)
As at 31st January 2005	36,118	13,934	-	17,447	3,889	1,023	185,946	258,357

14. Commitments and contingent liabilities

(a) Capital commitments

	As at 31st January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Contracted but not provided for		
– purchase of land in Zhongshan, Mainland China	1,463	2,954
– purchase of other fixed assets	1,124	42
	2,587	2,996

(b) Contingent liabilities

	As at 31st January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Discounted bills with recourse	–	2,484
Factoring of trade receivables with recourse	26,006	35,568
	26,006	38,052

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group's turnover for the nine months ended 31st January 2005 was HK\$427,523,000 (2004: HK\$346,945,000), up 23.2% as compared with the corresponding period last year, which was attributable to the rise in turnover of coils manufacturing segment and ferrite powder manufacturing segment. However, turnover of electronic components trading segment and information technology segment decreased by 89.1% and 77.6% respectively as compared with the same period last year.

During the period under review, the Group's overall gross profit was HK\$95,344,000 (2004: HK\$87,423,000), with an increase of 9.1% as compared with the corresponding period last year. Gross profit margin decreased to 22.3% (2004: 25.2%), which was mainly due to the sustaining high raw materials prices and the increase in wages in Mainland China.

During the period, operating profit and profit attributable to shareholders were HK\$32,790,000 (2004: HK\$25,895,000) and HK\$18,299,000 (2004: HK\$10,206,000), up 26.6% and 79.3%, respectively as compared with the same period last year, whilst earnings before interest, tax, depreciation and amortisation was HK\$81,050,000 (2004: HK\$70,535,000).

Manufacturing Segment

The turnover of the coils manufacturing segment, the Group's core business, recorded a rise of 28.5% to HK\$390,418,000 (2004: HK\$303,859,000) for the nine months ended 31st January 2005 and accounted for 91.3% (2004: 87.6%) of the Group's turnover. The sales volume of SMD chip inductor, power inductor, toroid coil and transformer primarily drove the increase in turnover.

Turnover of ferrite powder manufacturing segment, which contributed in December 2003, was HK\$26,408,000 (2004: HK\$3,374,000) during the period. The operation of this business segment has moved on to a stable stage.

During the period, turnover of capacitor manufacturing segment decreased by 37.4% to HK\$6,812,000 (2004: HK\$10,881,000) as compared with the same period last year. The Group is currently striving to improve the mode of business operation of this segment, by which the business segment is expected to achieve a better performance in future.

FINANCIAL REVIEW

Funds Surplus and Liabilities

As at 31st January 2005, cash and bank deposits (denominated mainly in Hong Kong dollar, United States dollar, Renminbi, etc) was HK\$59,926,000 (as at 30th April 2004: HK\$49,564,000). The banking facilities were secured by mortgages on the Group's certain land and buildings, pledges of the Group's bank deposits, investment, machinery, and corporate guarantees provided by the Company and its certain subsidiaries. In addition, the Group is required to meet certain restrictive financial covenants with the major banks. As at 31st January 2005, the Group could comply with such financial ratios, which indicates that the Group's financial position was satisfactory.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Funds Surplus and Liabilities (continued)

As at 31st January 2005, the Group's total borrowings granted from banks and financial institutions was HK\$249,678,000 (as at 30th April 2004: HK\$280,273,000), of which HK\$215,035,000 (as at 30th April 2004: HK\$204,376,000) was current and HK\$34,643,000 (as at 30th April 2004: HK\$75,897,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. Furthermore, with a continuous decline in the total borrowings, interest expenses of the Group reduced by 21.7% to HK\$10,618,000 (2004: HK\$13,569,000) as compared with the corresponding period last year.

As at 31st January 2005, contingent liabilities amounted to HK\$26,006,000 (as at 30th April 2004: HK\$38,052,000), all of which HK\$26,006,000 (as at 30th April 2004: HK\$35,568,000) was factoring of trade receivables with recourse.

Financial Resources and Capital Structure

The Group's net cash flow for the nine months ended 31st January 2005 amounted to HK\$11,370,000 (2004: HK\$25,384,000). Net cash flow from operating activities was HK\$86,777,000 (2004: HK\$74,817,000). Net cash flow from investing activities was minus HK\$30,256,000 (2004: minus HK\$41,733,000), the capital expenditure of which was mainly used in purchasing equipment and expanding manufacturing plant, thereby increasing the Group's production capacity. Net cash flow from financing activities was minus HK\$44,493,000 (2004: minus HK\$7,818,000). During the period, the Group obtained banking facilities, which were used for the acquisition of new equipment and as working capital. Taking into account the corporate development and the market condition, the Group will gradually improve its capital structure. During the period under review, the Group continued to repay certain balances of bank loans for reducing the Group's net gearing ratio. As at 31st January 2005, the Group's net gearing ratio* was 0.67 (as at 30th April 2004: 0.88).

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

Charges on Assets

As at 31st January 2005, certain assets of the Group with an aggregate carrying value of HK\$48,470,000 (as at 30th April 2004: HK\$69,671,000) were pledged to secure banking facilities and finance lease.

Exchange Risks

The Group's business is mainly conducted in Mainland China and Hong Kong and the major revenue generating currencies and major currencies in purchase commitments primarily denominated in Hong Kong dollar, Renminbi and United States dollar. As such, the management is of the view that it is not necessary for the Group to purchase any foreign exchange futures or options contract to hedge against exchange risks.

The Group's borrowings are mainly settled in Hong Kong dollars, Renminbi and United States dollars. The management believes that there is no substantial exchange risk.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLAN AND PROSPECTS

The Group expects that the first phase of the construction work for a new plant on a land with a parcel of 35,000 square meters (which would be purchased under an agreement made with the local government in Mainland China last financial year) can be completed in the interim of next financial year. The plant will be used to expand production lines for powder inductor, transformer and capacitor as well as for godown purpose. In addition, a wholly-owned subsidiary of the Group, which was incorporated in Dongguan in December 2004 and will be principally engaged in manufacture and sale of transformers, aims at exploring the local market.

EMPLOYEES AND REMUNERATION POLICY

The Group had approximately 6,500 employees as at 31st January 2005. The remuneration of the employees is determined by reference to market benchmark, individual performance and work experience, subject to periodic review, while bonus entitlement depends on the Group's results and employees' individual performance.

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES

As at 31st January 2005, 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 Issuers were as follows:

(a) 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 (Note 3)	Trusts and similar interests (Note 3)	Other interests		
Mr. Lam Wai Chun	404,008,996 (Note 3)	9,332,000	404,008,996 (Note 3)	404,008,996 (Note 3)	–	413,340,996 (Note 3)	59.64%
Ms. Tang Fung Kwan	–	3,502,611	–	–	–	3,502,611	0.51%
Mr. Law Hoo Shan	–	546,751	–	–	–	546,751	0.08%
Mr. Au Son Yiu	–	4,200,000	–	–	–	4,200,000	0.60%
Mr. Tang Tin Sek	–	876,000	–	–	–	876,000	0.13%

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.
- 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 413,340,996 shares in the total interests column for Mr. Lam Wai Chun was arrived at after eliminating the duplications.

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES (continued)

(b) Underlying shares pursuant to equity derivatives of the Company

As at 31st January 2005, 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 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)	-
				2,645,396	-	(2,645,396)	-
<i>Ms. Tang Fung Kwan</i>							
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)	-
				2,645,396	-	(2,645,396)	-
<i>Mr. Law Hoo Shan</i>							
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
				1,260,000	-	(630,000)	630,000

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES (continued)

(c) Shares of associated corporation(s) 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, held 100% of 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 3 to sub-paragraph (a) 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 held by Mr. Lam Wai Chun were long positions.
- Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

Save as disclosed above, as at 31st January 2005, 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 Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Save as disclosed above, at no time during the nine months ended 31st January 2005 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st January 2005, 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 Divisions 2 and 3 of Part XV of the SFO:

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			Beneficial owner	Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests		
Ms. Law Ching Yee	413,340,996 (Note 2)	-	-	-	59.64%
Ka Yan China Development (Holding) Company Limited	-	-	-	404,008,996 (Notes 2 and 3)	58.30%
Ka Yan China Investments Limited	-	404,008,996 (Notes 2 and 3)	-	-	58.30%
HSBC International Trustee Limited	-	-	404,008,996 (Notes 3 and 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			Beneficial owner	Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests		
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 held by her spouse for the purpose of the SFO.

OTHER INFORMATION

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(continued)*

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 was interested were the shares referred to in Notes 2 and 3 above.

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interests (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 31st January 2005.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of rule 13.21 of the Listing Rules, the Company makes the following disclosures in relation to the details of the 2003 Agreement (as defined below) and the Facility Letter (as defined below), which includes conditions relating to specific performance of the controlling shareholder of the Company.

- (a) 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 (“Coils”), a wholly-owned subsidiary of the Company, as original guarantor, and a group of banks.

Under the provisions of the 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.

OTHER INFORMATION

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES *(continued)*

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.

As at 31st January 2005, the aggregate outstanding balance under the 2003 Facility was approximately HK\$68,750,000.

- (b) On 30th July 2004, Coils accepted an offer of (i) a documentary credit plus trust receipt facility plus invoice financing – import facility of up to HK\$20,000,000 (the “First Facility”) and (ii) a 2-year term loan facility of up to HK\$20,000,000 (the “Second Facility”, together with the First Facility, the “Facilities”) under a facility letter dated 28th July 2004 (the “Facility Letter”) issued by a bank in Hong Kong (the “Bank”). The Company (as corporate guarantor) also countersigned the Facility Letter and has provided a guarantee and indemnity up to the extent of HK\$40,000,000 and accrued interest and default interest thereon and all other costs and expenses to secure the Facilities. The Facilities shall be subject to periodical review as the Bank deems fits and at the Bank’s sole and absolute discretion. The Facilities shall expire and be repayable forthwith as and when the Bank has given Coils notice of termination.

Under the provisions of the Facility Letter, there are conditions, among other things, that (a) Mr. Lam and Ka Yan shall remain the beneficial owners, together, of the largest proportion of the issued share capital of the Company at all times and, Mr. Lam and Ka Yan shall not sell, transfer, assign, encumber or dispose of all or part of their respective beneficial shareholdings in the Company and (b) the aggregate beneficial shareholdings of Mr. Lam and Ka Yan shall not fall below 35% of the issued share capital of the Company throughout the life of the Facilities. Should there be any breach of such conditions, the Bank shall have the right to demand for repayment of all outstanding amounts due by Coils under the Facilities.

As at 31st January 2005, the aggregate outstanding balance under the Facilities was approximately HK\$23,452,000.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares during the nine months ended 31st January 2005.

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises the three independent non-executive directors. One of the independent non-executive directors is a Certified Public Accountant in Hong Kong with substantial experience in corporate finance, auditing and financial management. Regular meetings have been held by the Audit Committee since its establishment and it meets at least twice each financial year.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Third Quarterly Report for the nine months ended 31st January 2005.

CORPORATE GOVERNANCE

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 2005, in compliance with the Code of Best Practice set out in Appendix 14 to the Listing Rules (which was in force prior to 1st January 2005 and remains applicable to the accounting periods commencing before 1st January 2005), except that the independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions for the nine-month period to 31st January 2005. Following specific enquiry by the Company, all of the Directors (including the resigned Director, Mr. Huang Kong) confirmed compliance with the required standard set out in the Model Code at the applicable times for the period from 1st May 2004 to 31st January 2005.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 18th March, 2005

Summary

of credit facilities utilisation

融資 信貸動用摘要

As at 31st January 2005

於2005年1月31日



31/1/2005

30/4/2004

A stylized white outline map of Hong Kong is centered on a green background. The text '0759.com' is overlaid on the map in a bold, yellow, sans-serif font. The background features a pattern of thin, white, curved lines that create a sense of motion or a grid.

0759.com

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