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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

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 INTERIM RESULTS

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

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st October		Six months ended 31st October	
		2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Turnover	2	150,217	125,257	293,388	235,550
Cost of sales		(116,883)	(96,031)	(228,366)	(177,087)
Gross profit		33,334	29,226	65,022	58,463
Selling and distribution expenses		(2,798)	(2,771)	(5,960)	(5,608)
General and administrative expenses		(18,450)	(17,118)	(35,640)	(33,811)
Other operating expenses		(331)	(331)	(662)	(662)
Operating profit	2, 3	11,755	9,006	22,760	18,382
Interest income		37	40	62	92
Interest expense		(3,723)	(4,507)	(7,335)	(9,055)
Share of profits less losses of associates		–	14	–	22
Profit before taxation		8,069	4,553	15,487	9,441
Taxation	4	(919)	(609)	(2,521)	(898)
Profit after taxation but before minority interests		7,150	3,944	12,966	8,543
Minority interests		–	4	–	–
Profit attributable to shareholders		7,150	3,948	12,966	8,543
Earnings per share					
– Basic	6	1.03 cents	0.57 cent	1.87 cents	1.23 cents
– Diluted	6	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 31st October 2004 HK\$'000 (Unaudited)	As at 30th April 2004 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets	7	448,877	457,213
Investment in associates		33	33
Deposit for acquisition of land		6,255	4,764
Total non-current assets		455,165	462,010
CURRENT ASSETS			
Inventories		53,676	83,973
Trade receivables	8	104,664	92,258
Bills receivable		562	2,181
Prepayments, deposits and other current assets		7,193	8,402
Investment		7,641	8,580
Tax recoverable		58	471
Pledged bank deposits		24,766	25,058
Bank balances and cash		25,683	24,506
Total current assets		224,243	245,429
CURRENT LIABILITIES			
Short-term bank borrowings	9	(201,124)	(198,359)
Trade payables	10	(48,169)	(59,288)
Bills payable		(6,138)	(2,890)
Accruals and other payables		(25,489)	(25,730)
Finance lease obligations, current portion		(3,150)	(6,017)
Taxation payable		(4,984)	(2,420)
Dividend payable		(5)	–
Total current liabilities		(289,059)	(294,704)
Net current liabilities		(64,816)	(49,275)
Total assets less current liabilities		390,349	412,735
NON-CURRENT LIABILITIES			
Long-term bank loans, non-current portion	9	(44,176)	(72,926)
Finance lease obligations, non-current portion		(1,465)	(2,971)
Deferred tax		(21,711)	(23,076)
Total non-current liabilities		(67,352)	(98,973)
Net assets		322,997	313,762
CAPITAL AND RESERVES			
Share capital	11	69,303	69,303
Reserves			
Proposed final dividend	13	–	3,465
Others	13	253,694	240,994
Shareholders' equity		322,997	313,762

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31st October	
	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Net cash inflow from operating activities	67,741	44,164
Net cash outflow from investing activities	(25,204)	(31,273)
Net cash (outflow)/inflow from financing activities	(45,382)	11,270
Translation adjustments	(206)	269
(Decrease)/increase in cash and cash equivalents	(3,051)	24,430
Cash and cash equivalents, beginning of period	9,097	(9,271)
Cash and cash equivalents, end of period	6,046	15,159
Analysis of cash and cash equivalents:		
Bank balances and cash	25,683	24,207
Bank overdrafts	(19,637)	(9,048)
	6,046	15,159

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31st October	
	2004 HK\$'000 (Unaudited)	2003 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	(266)	65
Profit attributable to shareholders	12,966	8,543
2003/2004 final dividend	(3,465)	—
Total equity, end of period	322,997	305,859

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. Principal accounting policies

The interim condensed consolidated accounts for the three months and six months ended 31st October 2004 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		Six months ended	
	31st October		31st October	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	139,520	109,680	269,860	206,871
Ferrite powder manufacturing	8,697	–	15,900	–
Capacitors manufacturing	1,363	4,188	4,219	6,847
Electronic components trading	426	10,742	2,572	19,342
Information technology services	101	647	650	2,490
Others	110	–	187	–
	150,217	125,257	293,388	235,550

	Operating profit/(loss)			
	Three months ended		Six months ended	
	31st October		31st October	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	11,238	11,377	21,453	21,646
Ferrite powder manufacturing	435	–	1,048	–
Capacitors manufacturing	149	(1,212)	525	(2,100)
Electronic components trading	55	195	104	581
Information technology services	(190)	(1,354)	(511)	(1,745)
Others	68	–	141	–
	11,755	9,006	22,760	18,382

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

2. Segment information (continued)

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

	Turnover			
	Three months ended 31st October		Six months ended 31st October	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	71,072	77,158	141,265	147,928
Mainland China	47,202	18,757	91,877	31,959
Taiwan	9,838	10,820	19,504	20,335
Europe	6,347	8,993	11,748	15,338
Singapore	6,916	5,743	12,276	12,423
Others	8,842	3,786	16,718	7,567
	150,217	125,257	293,388	235,550

	Operating profit/(loss)			
	Three months ended 31st October		Six months ended 31st October	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	1,471	4,977	2,482	10,722
Mainland China	8,451	394	16,112	2,806
Taiwan	153	(148)	305	(403)
Europe	200	1,016	278	1,569
Singapore	1,198	2,898	3,188	3,843
Others	282	(131)	395	(155)
	11,755	9,006	22,760	18,382

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Three months ended 31st October		Six months ended 31st October	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
	Crediting			
Gain on disposal of investment properties	–	–	50	–
Unrealised gain on investment	–	103	–	252
Charging				
Depreciation of fixed assets	16,171	17,417	32,109	29,504
Unrealised loss on investment	939	–	939	–
Cost of inventories sold	116,584	95,357	227,510	175,696
Staff costs (including directors' emoluments)	31,406	26,966	62,033	53,436

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% (2003: 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 31st October		Six months ended 31st October	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax				
– current tax	1,530	–	2,758	–
– over-provision in prior years	–	(1)	–	(19)
Overseas taxation				
– current tax	62	33	1,145	95
Deferred taxation	(673)	577	(1,382)	822
	919	609	2,521	898

5. Dividend

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

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st October 2004 is based on the profit attributable to shareholders of approximately HK\$7,150,000 (2003: HK\$3,948,000) 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 six months ended 31st October 2004 is based on the profit attributable to shareholders of approximately HK\$12,966,000 (2003: HK\$8,543,000) and the weighted average number of 693,028,811 (2003: 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 six months ended 31st October 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 three months and six months ended 31st October 2003 would have no dilutive effect.

7. Fixed assets

During the six months ended 31st October 2004, the additions to fixed assets were approximately HK\$24,600,000 (2003: HK\$40,010,000); the total net book value of disposals and written offs of fixed assets were approximately HK\$800,000 (2003: HK\$128,000).

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

8. Trade receivables

The aging analysis of trade receivables is as follows:

	As at 31st October 2004 HK\$'000	As at 30th April 2004 HK\$'000
Current	85,512	78,954
Overdue by 0 – 1 month	8,115	7,048
Overdue by 1 – 2 months	7,618	2,648
Overdue by 2 – 3 months	2,938	2,961
Overdue by more than 3 months	3,978	3,686
	108,161	95,297
Less: Provision for bad and doubtful debts	(3,497)	(3,039)
	104,664	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 estimates. The Group offers an average credit period ranging from one to three months to its trade customers who have good payment records and well-established relationships with the Group.

9. Bank loans

(a) Short-term bank borrowings

	As at 31st October 2004 HK\$'000	As at 30th April 2004 HK\$'000
Long-term bank loan, current portion	82,714	74,936
Others	118,410	123,423
	201,124	198,359

(b) Long-term bank loans

During the period, the Group obtained a long-term bank loan in the amount of HK\$20,000,000 and the long-term bank loans amounting to approximately HK\$40,972,000 were repaid.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

10. Trade payables

The aging analysis of trade payables is as follows:

	As at 31st October 2004 HK\$'000	As at 30th April 2004 HK\$'000
Current	39,692	41,701
Overdue by 0 – 1 month	2,820	7,322
Overdue by 1 – 2 months	1,187	3,811
Overdue by 2 – 3 months	38	1,311
Overdue by more than 3 months	4,432	5,143
	48,169	59,288

11. Share capital

	Number of shares	Nominal value HK\$'000
Shares of HK\$0.10 each		
Authorised:		
As at 30th April 2004 and 31st October 2004	1,000,000,000	100,000
Issued and fully paid:		
As at 30th April 2004 and 31st October 2004	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 Board 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 six months ended 31st October 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 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	-	(1,322,698)	1,322,698
<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	-	(1,322,698)	1,322,698
<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	-	(1,322,698)	1,322,698
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	-	(1,035,000)	8,077,500
				18,225,000	-	(10,147,500)	8,077,500
				27,421,188	-	(14,745,594)	12,675,594

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

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

13. Reserves

Movements in reserves are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Mainland China statutory reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1st May 2003	36,118	13,934	17,214	17,447	137	1,305	141,793	227,948
Transfer from subscription right 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	-	-	-	-	227	-	(227)	-
Profit attributable to shareholders	-	-	-	-	-	-	12,966	12,966
Translation adjustments	-	-	-	-	-	(266)	-	(266)
As at 31st October 2004	36,118	13,934	-	17,447	1,317	1,693	183,185	253,694

14. Commitments and contingent liabilities

(a) Capital commitments

	As at 31st October 2004 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	1,061	42
	2,524	2,996

(b) Contingent liabilities

	As at 31st October 2004 HK\$'000	As at 30th April 2004 HK\$'000
Discounted bills with recourse	-	2,484
Factoring of trade receivables with recourse	32,976	35,568
	32,976	38,052

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group's turnover for the six months ended 31st October 2004 was HK\$293,388,000 (2003: HK\$235,550,000), up 24.6% as compared with the corresponding period last year. During the period, coils manufacturing segment recorded a rise of 30.4% in turnover. In addition, ferrite powder manufacturing segment, which started sales in December 2003, also reported turnover of HK\$15,900,000 in the period. As for the electronic components trading segment and information technology segment, the turnover of these segments decreased by 86.7% and 73.9% respectively as compared with the same period last year. These reflected that the Group has been strictly implementing the step-by-step restructuring policy for its coils business.

During the period under review, the Group's overall gross profit was HK\$65,022,000 (2003: HK\$58,463,000), with an increase of 11.2% as compared with the corresponding period last year. Gross profit margin decreased to 22.2% (2003: 24.8%), which was attributable to the sustaining high prices of raw materials, as well as the increase in energy charges and wages incurred by its plant in Mainland China.

During the period, operating profit and profit attributable to shareholders were HK\$22,760,000 (2003: HK\$18,382,000) and HK\$12,966,000 (2003: HK\$8,543,000), up 23.8% and 51.8%, respectively as compared with the same period last year. Earnings before interest, tax, depreciation and amortisation ("EBITDA") was HK\$54,869,000 (2003: HK\$47,886,000) for the period.

Manufacturing Segment

The turnover of the coils manufacturing segment, the Group's core business, recorded a rise of 30.4% to HK\$269,860,000 (2003: HK\$206,871,000) for the six months ended 31st October 2004 and accounted for 92.0% (2003:87.8%) of the Group's turnover. The increase in turnover was mainly attributable to the growth in sales volume of SMD chip inductor, power inductor, toroid coil and transformer.

Moreover, as at 31st October 2004, the Group's inventory was HK\$53,676,000 (as at 30th April 2004: HK\$83,973,000). The decrease in inventory was mainly resulted from the active consumption of raw materials inventory in the warehouse during the period by virtue of the sustaining high prices of raw materials, such as plastics, copper and metallic oxides, some of which surged to a new ten-year highs. In view of no dealings on commodity futures contract for hedging, the Group has been actively consuming the backlog of raw materials inventory in the warehouse since May of this year. This helped to alleviate the negative impact of the increasing production cost on profit and to reduce working capital locked up in inventory. Meanwhile, the Group has been striving to improve the logistics and control system to maintain inventory turnover days to the existing level. However, the policy regarding the active consumption of inventory could only ease pressure on the rising production cost in the short-term, and the directors recognize that it is not a long-term policy. If the aforesaid raw materials prices still stay pinned virtually to the highs in the future, it will inevitably put a squeeze on the Group's profit margin. As such, the Group is actively studying any possible long-term solutions to address this issue.

Under the maturing business environment and system in Mainland China, the Group also has grasped such opportunity for business development. The turnover in Mainland China reached HK\$91,877,000 for the six months ended 31st October 2004 (2003: HK\$31,959,000), with a growth of more than two-fold as compared with the same period last year, and accounted for 31.3% (2003: 13.6%) of the Group's turnover. Moreover, with the achievement in exploring active foreign markets, the turnover in America more than doubled to HK\$10,185,000 (2003: HK\$3,747,000) as compared with the corresponding period last year and accounted for 3.5% (2003: 1.6%) of the Group's turnover.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Funds Surplus and Liabilities

As at 31st October 2004, cash and bank deposits (denominated mainly in Hong Kong dollar, United States dollar, Renminbi, etc) was HK\$50,449,000 (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 October 2004, the Group could comply with such financial ratios, which indicates that the Group's financial position was satisfactory.

As at 31st October 2004, the Group's total borrowings granted from banks and financial institutions was HK\$249,915,000 (as at 30th April 2004: HK\$280,273,000), of which HK\$204,274,000 (as at 30th April 2004: HK\$204,376,000) was current and HK\$45,641,000 (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 19% to HK\$7,335,000 (2003: HK\$9,055,000) as compared with the corresponding period last year.

As at 31st October 2004, contingent liabilities amounted to HK\$32,976,000 (as at 30th April 2004: HK\$38,052,000), of which HK\$32,976,000 (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 six months ended 31st October 2004 amounted to minus HK\$3,051,000 (2003: HK\$24,430,000). Net cash flow from operating activities was HK\$67,741,000 (2003: HK\$44,164,000). Net cash flow from financing activities was minus HK\$45,382,000 (2003: HK\$11,270,000). 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 October 2004, the Group's net gearing ratio* was 0.74 (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))

Net cash flow from investing activities for the six months ended 31st October 2004 was minus HK\$25,204,000 (2003: minus HK\$31,273,000), the capital expenditure of which was mainly used in purchasing equipment and expanding manufacturing plant, thereby increasing the production capacity.

Cash Flow Summary

	Six months ended	
	31st October	
	2004	2003
	HK\$'000	HK\$'000
Net cash inflow from operating activities	67,741	44,164
Net cash outflow from investing activities	(25,204)	(31,273)
Net cash (outflow)/inflow from financing activities	(45,382)	11,270
Exchange adjustment	(206)	269
(Decrease)/increase in cash and cash equivalents	(3,051)	24,430

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on Assets

As at 31st October 2004, certain assets of the Group with an aggregate carrying value of HK\$48,363,000 (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.

FUTURE PLAN AND PROSPECTS

With regard to plant and production facilities, the Group reached an agreement with the local government in Mainland China for purchasing a land parcel of 35,000 square meters nearby its main plant at Zhongshan. During the period under review, the infrastructure construction for the land and plant started off. The new plant will be utilized to expand production lines for power inductor and transformer. Besides, the Group continues to pursue more business opportunities, including plans to set up production lines in Gaozhou and Dongguan, Guangdong Province of Mainland China, as well as Brazil in South America in order to meet the increasing demand from its customers. It is expected that these development projects will come into production in the second half of this financial year.

CORPORATE DEVELOPMENT POLICY

The Group's Hong Kong head office will still be responsible for formulating its overall management policy, while the management in accounting, finance, capital and risk is strictly implemented according to the policies approved by the Board. As to the financing aspect, the Group will continue to make use of the credit facilities provided by financial institutions in Hong Kong as the major financing method. The Group recognizes that fund-raising from the capital market is an important financing method. As such, the Group will further reinforce corporate governance and transparency in information disclosure, and strengthen its coils business development.

Apart from the local business which is involved with Hong Kong customers to be continuously run by Coils Electronic Co., Limited, a wholly-owned subsidiary of the Group, the Group will continue to adhere to the "Re-organization to the China-focused Operating Model" as laid down in the last financial year with all the functional departments, including manufacturing business, research and development, logistics management, sales and customer service, to be re-located to its main plant in Zhongshan. On the other hand, the Group will also fully make use of the relationship network and human resources of its subsidiaries in different locations for less resources overlapped so as to enhance the overall operating efficiency of the Group. The Board expects that the said re-organization can be completed before the end of 2005.

The Group will make all its employees attain the requisite professional standards in line with their job duties, especially in the areas of sales and marketing, production, research and development, environmental system, quality assurance, financial management as well as human resources and administration. The Group will devote to upgrading the senior management to professional standards. It is expected that all the senior management will be qualified in their respective professions before the end of 2005. All the middle management must have the requisite qualification in their specialized studies or attained tertiary level. Moreover, the Group's "Executive Trainee Program" will continue to provide the relevant training courses to the employees under the program in order to let them attain the requisite professional standards in their respective positions.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE DEVELOPMENT POLICY *(continued)*

The Group as a coils manufacturer fully realizes that product development and research and development must be major for component products, instead of depending on assembly business, to continuously provide electronic component products of high quality at competitive prices to its customers when facing the rapidly changing demand in electronic products. Accordingly, the Group will continue to implement this policy for achieving a steady business development.

DIVIDEND POLICY

The Board has adopted a stable dividend policy to distribute dividend income to the Company's shareholders that is in line with the Group's profit performance. The dividend payout ratio will not exceed 25% of the profit attributable to shareholders for the relevant financial year. The recommendation or declaration of dividends to be considered by the Board will be subject to a minimum dividend per share of HK0.5 cent. No declaration of dividend will be made in the first quarter and third quarter of each financial year. The Company will consider the following factors to review the dividend policy:

- the level of the Group's cash position in comparison to its current and projected operating and capital requirements;
- rewarding shareholders for their continued support;
- improving return on investment; and
- sustaining the Group's stability, growth and maintaining prudent risk management.

EMPLOYEES AND REMUNERATION POLICY

The Group had approximately 6,700 employees as at 31st October 2004. The remuneration of the employees is determined by reference to market benchmark, individual performance and work experience, subject to 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 October 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 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	Trusts and similar interests	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	-	3,700,000	-	-	-	3,700,000	0.53%
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 October 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 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	-	(1,322,698)	1,322,698
<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	-	(1,322,698)	1,322,698
<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 (<i>Notes 4 and 5</i>)	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 October 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 Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES *(continued)*

Save as disclosed above, at no time during the six months ended 31st October 2004 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.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st October 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 Divisions 2 and 3 of Part XV of the SFO:

(a) Shares of the Company

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

OTHER INFORMATION

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

(a) Shares of the Company *(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.

(b) 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	1,322,698 <i>(Note 5)</i>

Note:

5. Ms. Law Ching Yee was deemed to be interested in 1,322,698 shares in respect of the outstanding share option granted to her spouse, 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 under the sub-paragraph headed "Underlying shares pursuant to equity derivatives of the Company" in the section headed "Interests of directors and chief executives in securities".

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 October 2004.

OTHER INFORMATION

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.

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.

- (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.

OTHER INFORMATION

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

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.

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 six months ended 31st October 2004.

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 Interim Report for the six months ended 31st October 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 six months ended 31st October 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors have not been appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

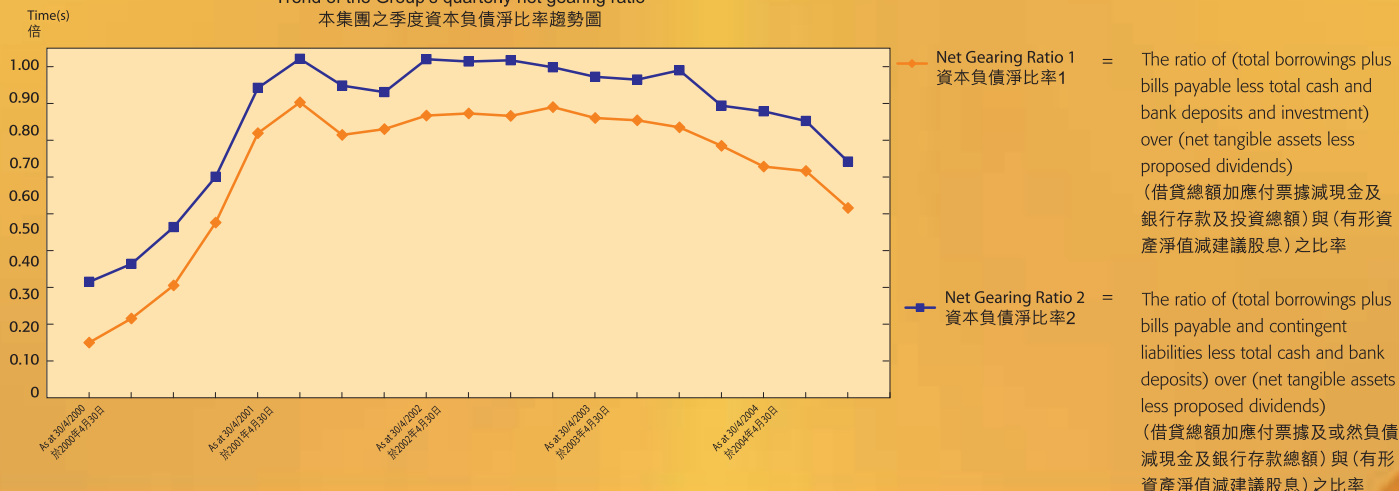
CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 six-month period to 31st October 2004. Following specific enquiry by the Company, all of the Directors confirmed compliance with the required standard set out in the Model Code throughout the six months ended 31st October 2004.

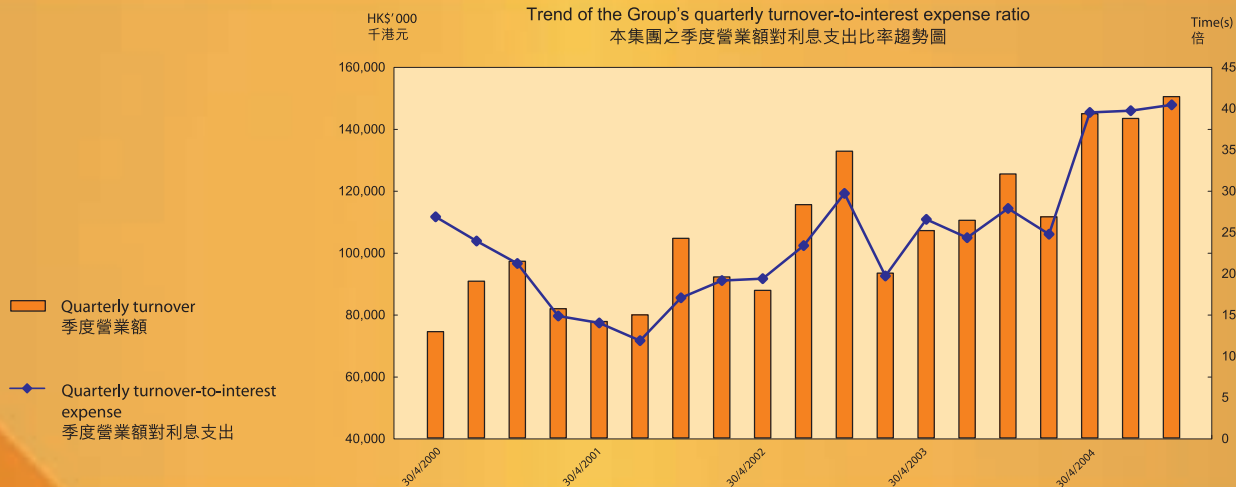
By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 22nd December 2004

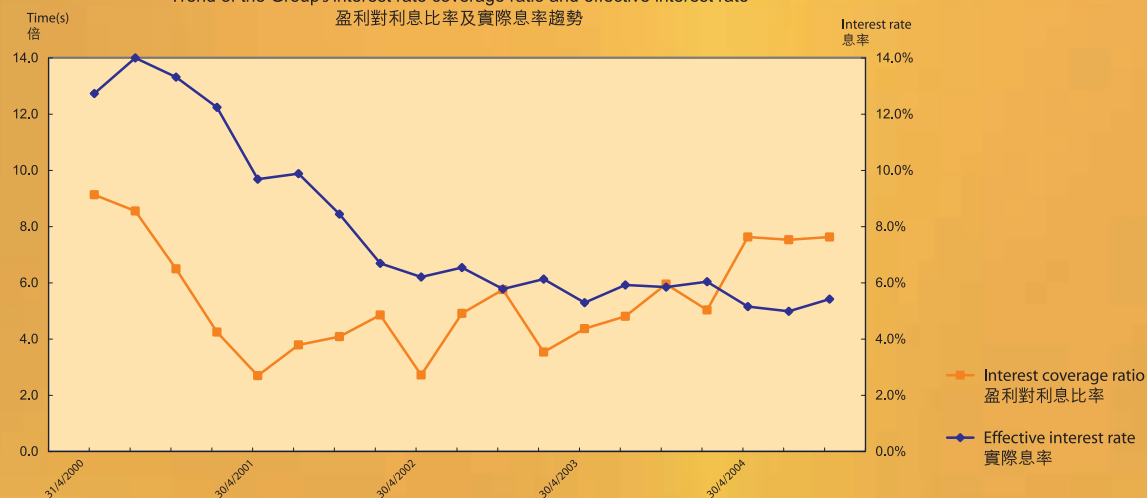
Trend of the Group's quarterly net gearing ratio
本集團之季度資本負債淨比率趨勢圖



Trend of the Group's quarterly turnover-to-interest expense ratio
本集團之季度營業額對利息支出比率趨勢圖



Trend of the Group's interest rate coverage ratio and effective interest rate
盈利對利息比率及實際息率趨勢



Interest coverage ratio:
$$\frac{\text{Operating profit plus depreciation, amortisation and impairment loss on intangible assets during the relevant quarter}}{\text{Interest expenses less interest income during the relevant quarter}}$$

盈利對利息比率：
$$\frac{\text{於有關季度之經營溢利加折舊、攤銷及無形資產減值}}{\text{於有關季度之利息支出減利息收入}}$$

Effective interest rate:
$$\frac{\text{Interest expenses during the relevant quarter}}{(\text{Total borrowings at the beginning of the relevant quarter} + \text{Total borrowings at the end of the relevant quarter}) \div 2} \times \frac{360}{90}$$

實際息率：
$$\frac{\text{於有關季度之利息支出}}{(\text{於有關季度初之總借貸} + \text{於有關季度末之總借貸}) \div 2} \times \frac{360}{90}$$

Land in Zhongshan, Mainland China, for construction of new plant as planned
於中國中山擬用作興建新廠房之土地



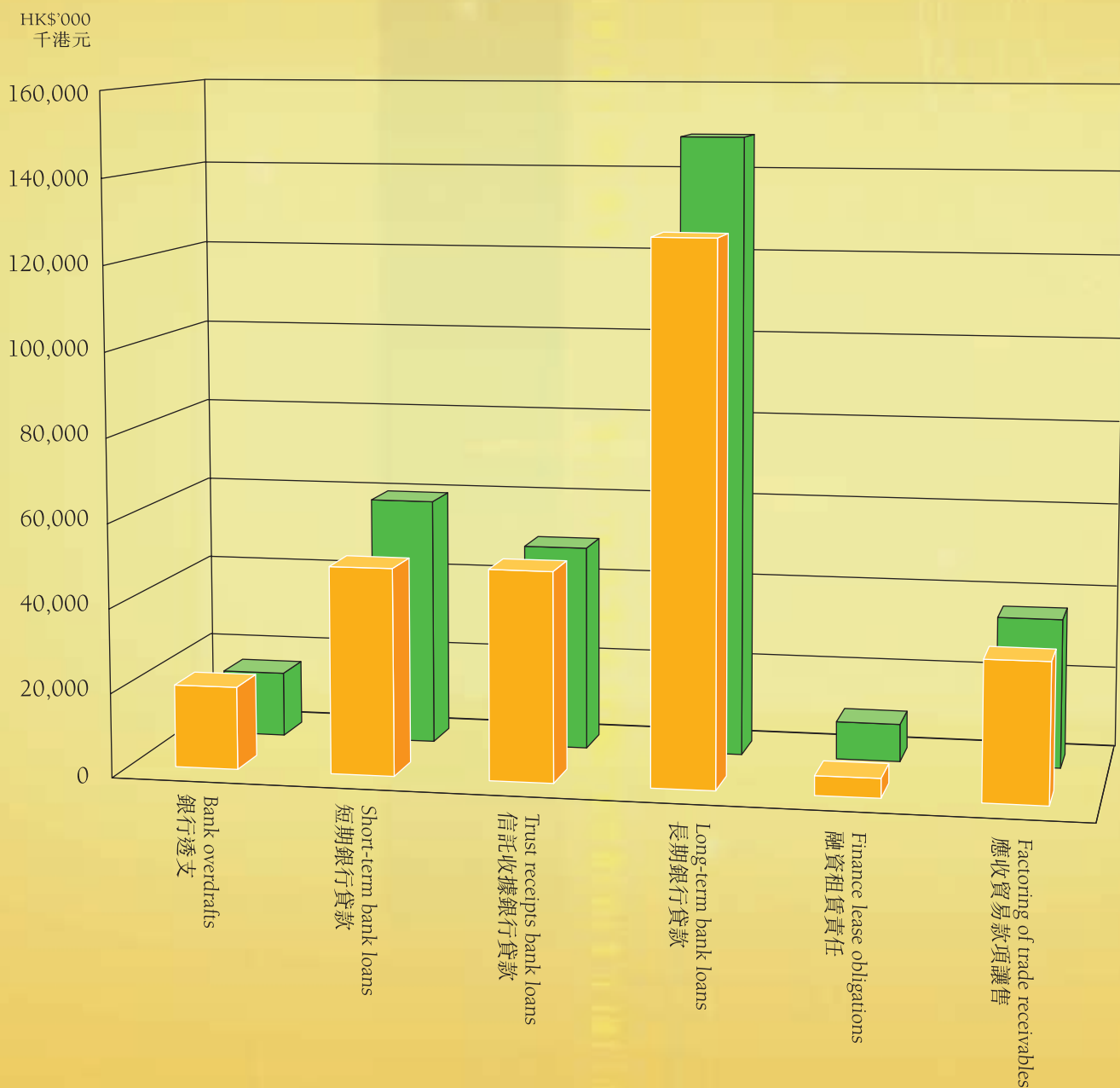
Summary

of credit facilities utilisation

融資 信貸動用摘要

As at 31st October 2004

於2004年10月31日



31/10/2004

30/4/2004



0759.com

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