

CORPORATE INFORMATION**DIRECTORS***Executive Directors*

Mr. Lam Wai Chun

(Chairman and Managing Director)

Mr. Saito Misao *(Deputy Chairman)*

Ms. Tang Fung Kwan

Ms. Hu Yan Huan

Mr. Iwata Kenji

Non-executive Director

Mr. Tang Tin Sek

Independent Non-executive Directors

Mr. Au Son Yiu

Mr. Lee Wing Kwan, Denis

AUDIT COMMITTEE

Mr. Au Son Yiu

Mr. Lee Wing Kwan, Denis

Mr. Tang Tin Sek

COMPANY SECRETARY

Ms. Li Lai Sheung *ACIS*

AUDITORS

Arthur Andersen & Co

Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co

Richards Butler

Appleby Spurling & Kempe

PRINCIPAL BANKERS

BNP Paribas

Dah Sing Bank Limited

Dao Heng Bank Limited

Standard Chartered Bank

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flats A and B, 2nd Floor

Hing Win Factory Building

No. 110 How Ming Street

Kwun Tong

Kowloon

Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES*Bermuda Principal Share Registrar*

Butterfield Corporate Services Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

Hong Kong Branch Share Registrar

Central Registration Hong Kong Limited

Rooms 1901-5, 19th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

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Listed on The Stock Exchange of

Hong Kong Limited

Stock Code: 0759 (shares)

0337 (warrants)

**2000/2001 INTERIM RESULTS**

The Board of Directors (the “Directors”) of CEC International Holdings Limited (the “Company”) is pleased to present the unaudited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 31st October, 2000 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st October,		Six months ended 31st October,	
		2000 HK\$'000 (Unaudited)	1999 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)	1999 HK\$'000 (Unaudited)
Turnover	2	97,058	72,712	187,675	133,282
Cost of sales		(66,915)	(47,385)	(126,294)	(86,981)
Gross profit		30,143	25,327	61,381	46,301
Other revenue		630	431	1,295	745
Distribution and selling expenses		(2,753)	(2,321)	(5,021)	(4,174)
General and administrative expenses		(9,511)	(6,918)	(19,269)	(11,375)
Profit from operations		18,509	16,519	38,386	31,497
Finance cost		(4,592)	(2,587)	(8,392)	(4,996)
Profit before taxation	3	13,917	13,932	29,994	26,501
Taxation	4	(1,075)	(1,358)	(2,483)	(2,699)
Profit after taxation but before minority interests		12,842	12,574	27,511	23,802
Minority interests		81	–	–	76
Profit attributable to shareholders		<u>12,923</u>	<u>12,574</u>	<u>27,511</u>	<u>23,878</u>
Earnings per share					
– Basic	5	<u>2.56 cents</u>	<u>3.35 cents</u>	<u>5.48 cents</u>	<u>6.37 cents</u>
– Diluted	5	<u>2.30 cents</u>	<u>N/A</u>	<u>5.10 cents</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

	Notes	As at 31st October, 2000 HK\$'000 (Unaudited)	As at 30th April, 2000 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	6	314,762	244,064
CURRENT ASSETS			
Inventories		59,610	42,888
Trade receivables	7	33,696	26,201
Prepayments, deposits and other current assets		13,084	5,312
Pledged bank deposits		44,459	43,201
Cash and other bank deposits		11,052	6,442
Total current assets		161,901	124,044
CURRENT LIABILITIES			
Short-term bank borrowings		(56,394)	(35,446)
Long-term bank loans, current portion		(11,474)	(3,623)
Finance lease obligations, current portion		(26,185)	(20,487)
Trade payables	8	(31,301)	(39,615)
Bills payable		(1,988)	–
Accruals and other payables		(16,057)	(14,559)
Proposed final dividend		–	(10,000)
Taxation payable		(2,861)	(552)
Total current liabilities		(146,260)	(124,282)
Net current assets (liabilities)		15,641	(238)
Total assets less current liabilities		330,403	243,826
NON-CURRENT LIABILITIES			
Long-term bank loans		(22,129)	(4,824)
Finance lease obligations		(39,861)	(32,854)
Deferred taxation		(9,637)	(9,637)
Total non-current liabilities		(71,627)	(47,315)
Net assets		258,776	196,511
CAPITAL AND RESERVES			
Share capital	9	51,198	20,000
Reserves	10	65,346	61,790
Retained profit		142,232	114,721
Shareholders' equity		258,776	196,511

**CONSOLIDATED CASH FLOW STATEMENT**

	Six months ended 31st October,	
	2000 HK\$'000 (Unaudited)	1999 HK\$'000 (Unaudited)
Operating activities	15,493	37,628
Returns on investments and servicing of finance		
Interest received	1,295	745
Interest paid	(8,392)	(4,996)
Dividend paid	(2,395)	(1,088)
	<u>(9,492)</u>	<u>(5,339)</u>
Taxation		
Hong Kong profits tax paid	(21)	(2,288)
Overseas tax paid	(153)	(244)
	<u>(174)</u>	<u>(2,532)</u>
Investing activities		
Additions of property, plant and equipment	(61,648)	(8,627)
Attributable to reorganisation	–	10
Increase in pledged bank deposits	(1,258)	(6,666)
Effect of foreign exchange rate changes	57	(48)
	<u>(62,849)</u>	<u>(15,331)</u>
Net cash (outflow) inflow before financing	<u>(57,022)</u>	<u>14,426</u>
Financing		
Proceeds from issue of warrants	25,000	–
Warrant issuance expenses	(2,109)	–
Proceeds from exercise of warrants	4,543	–
Share issuance expenses	(178)	–
New long-term bank loans	28,266	5,000
Repayment of long-term bank loans	(3,110)	(3,769)
Repayment of capital element of finance lease obligations	(11,728)	(13,757)
Decrease in due from a director	–	2,860
Decrease in due to intermediate holding company	–	(2,087)
	<u>40,684</u>	<u>(11,753)</u>
(Decrease) Increase in cash and cash equivalents	(16,338)	2,673
Cash and cash equivalents, beginning of period	<u>(29,004)</u>	<u>(41,016)</u>
Cash and cash equivalents, end of period	<u><u>(45,342)</u></u>	<u><u>(38,343)</u></u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Six months ended 31st October,	
	2000 HK\$'000 (Unaudited)	1999 HK\$'000 (Unaudited)
Surplus on revaluation of properties	—	234
Exchange differences arising from translation of the financial statements of foreign entities	(107)	33
Net (losses) gains not recognised in the consolidated income statement	(107)	267
Profit attributable to shareholders	27,511	23,878
Total recognised gains	27,404	24,145
Elimination of goodwill arising from acquisition of additional interest in a subsidiary	—	(72)
	<u>27,404</u>	<u>24,073</u>

Notes:

1. Principal accounting policies

The same principal accounting policies and methods of computation are followed in these interim financial statements for the three months and six months ended 31st October, 2000 as compared with the most recent published annual financial statements for the year ended 30th April, 2000. These interim financial statements comply with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. Principal activities and turnover

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, development, manufacture and sale of a wide range of coils. The Group's products are generally used in the manufacture of various kinds of electronic and electrical products.



An analysis of the Group's turnover by geographical location where merchandise is delivered is as follows:

	Three months ended 31st October,		Six months ended 31st October,	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Hong Kong	79,267	60,037	148,516	112,632
Mainland China	5,710	7,066	11,611	10,473
Europe	5,500	2,215	11,648	6,145
Others	6,581	3,394	15,900	4,032
	<u>97,058</u>	<u>72,712</u>	<u>187,675</u>	<u>133,282</u>

No analysis of profit attributable to shareholders by geographical location is presented as they were generally in line with the distribution of turnover as set out above.

3. Profit before taxation

Profit before taxation in the consolidated income statement was determined after charging or crediting the following items:

	Three months ended 31st October,		Six months ended 31st October,	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
After charging –				
Depreciation of property, plant and equipment	7,714	5,318	15,220	10,058
Interest expense on				
– bank overdrafts and loans wholly repayable				
within five years	1,870	1,171	3,137	2,560
– factoring of trade receivables	1,059	775	2,073	1,287
– finance leases	1,663	641	3,182	1,149
After crediting –				
Interest income from bank deposits	630	431	1,295	745
	<u>630</u>	<u>431</u>	<u>1,295</u>	<u>745</u>

4. Taxation

	Three months ended 31st October,		Six months ended 31st October,	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Current taxation				
– Hong Kong profits tax	1,030	1,298	2,330	2,683
– Mainland China enterprise income tax	45	60	153	176
Write-back of deferred taxation	–	–	–	(160)
	<u>1,075</u>	<u>1,358</u>	<u>2,483</u>	<u>2,699</u>

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax was provided at the rate of 16% (1999: 16%) on the estimated assessable profit arising in or derived from Hong Kong for the periods. Mainland China enterprise income tax was provided at the applicable rate relating to the profit of a subsidiary of the Company established in Zhongshan, Mainland China.

5. Earnings per share

The calculation of basic earnings per share for the three months ended 31st October, 2000 was based on the profit attributable to shareholders of approximately HK\$12,923,000 (1999: HK\$12,574,000) and on the weighted average number of 504,675,368 (1999: 375,000,000) shares in issue during the period.

The calculation of basic earnings per share for the six months ended 31st October, 2000 was based on the profit attributable to shareholders of approximately HK\$27,511,000 (1999: HK\$23,878,000) and on the weighted average number of 502,337,684 (1999: 375,000,000) shares in issue during the period.

The comparative weighted average number of shares in issue and basic earnings per share for the three months and six months ended 31st October, 1999 have been adjusted to reflect the bonus issue of shares on the basis of three bonus shares for every two shares held by shareholders on 17th August, 2000.

The calculation of diluted earnings per share for the three months ended 31st October, 2000 was based on the profit attributable to shareholders of approximately HK\$12,923,000 and on the weighted average number of 561,806,215 shares, adjusted to reflect the effects of all dilutive potential shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 31st October, 2000 was based on the profit attributable to shareholders of approximately HK\$27,511,000 and on the weighted average number of 539,686,544 shares, adjusted to reflect the effects of all dilutive potential shares in issue during the period.

A reconciliation of the weighted average number of shares used in the calculation of basic earnings per share for the three months and six months ended 31st October, 2000 to that used in the calculation of diluted earnings per share is as follows:

	Three months ended 31st October, 2000	Six months ended 31st October, 2000
Weighted average number of shares used in the calculation of basic earnings per share	504,675,368	502,337,684
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	<u>57,130,847</u>	<u>37,348,860</u>
Weighted average number of shares used in the calculation of diluted earnings per share	<u>561,806,215</u>	<u>539,686,544</u>

The effect of dilutive potential shares resulting from the outstanding share options was not taken into account in the calculation of diluted earnings per share for the three months and six months ended 31st October, 2000 because it was anti-dilutive.

Diluted earnings per share for the three months and six months ended 31st October, 1999 was not presented because there was no dilutive potential shares in existence during those periods.

6. Property, plant and equipment

During the six months ended 31st October, 2000, the additions to property, plant and equipment were approximately HK\$86,211,000 (1999: HK\$37,916,000).

7. Trade receivables

The Group usually grants a credit period of approximately 30 days to 90 days to its customers who have good payment records and well-established relationship with the Group.



As at 31st October, 2000, an ageing analysis of trade receivables is as follows:

	As at 31st October, 2000 HK\$'000	As at 30th April, 2000 HK\$'000
Current – 1 month	25,527	23,734
2 – 3 months	8,724	2,516
Over 3 months	1,498	1,857
	<u>35,749</u>	<u>28,107</u>
Less: Provision for bad and doubtful debts	(2,053)	(1,906)
	<u>33,696</u>	<u>26,201</u>

8. Trade payables

As at 31st October, 2000, an ageing analysis of trade payables is as follows:

	As at 31st October, 2000 HK\$'000	As at 30th April, 2000 HK\$'000
Current - 1 month	23,407	35,068
2 - 3 months	2,833	2,425
Over 3 months	5,061	2,122
	<u>31,301</u>	<u>39,615</u>

9. Share capital

	Six months ended 31st October, 2000		Year ended 30th April, 2000	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised shares of HK\$0.10 each				
Beginning of period/year	1,000,000	100,000	–	–
Upon incorporation	–	–	1,000	100
Addition	–	–	999,000	99,900
	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
End of period/year				
Issued and fully paid shares of HK\$0.10 each				
Beginning of period/year	200,000	20,000	–	–
Issued upon incorporation	–	–	1,000	100
Issue of shares arising from reorganisation	–	–	1,000	100
Issue of shares through public offering and private placement	–	–	50,000	5,000
Capitalisation of share premium	–	–	148,000	14,800
Bonus issue of shares	300,000	30,000	–	–
Issue of new shares pursuant to scrip dividend scheme	4,277	428	–	–
Issued upon exercise of warrants	7,700	770	–	–
	<u>511,977</u>	<u>51,198</u>	<u>200,000</u>	<u>20,000</u>
End of period/year				

10. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Cumulative translation adjustments HK\$'000	Total HK\$'000
Balance as at 1st May, 1999	5,932	14,000	-	-	17,242	(28)	37,146
Attributable to reorganisation	(5,932)	6	5,810	-	-	-	(116)
Premium arising from issue of shares	50,000	-	-	-	-	-	50,000
Share issuance expenses	(10,593)	-	-	-	-	-	(10,593)
Capitalisation of share premium	(14,800)	-	-	-	-	-	(14,800)
Elimination of goodwill arising from acquisition of additional interest in a subsidiary	-	(72)	-	-	-	-	(72)
Surplus on revaluation of properties	-	-	-	-	234	-	234
Translation adjustments	-	-	-	-	-	(9)	(9)
Balance as at 30th April, 2000	24,607	13,934	5,810	-	17,476	(37)	61,790
Proceeds from issue of warrants	-	-	-	25,000	-	-	25,000
Warrant issuance expenses	-	-	-	(2,109)	-	-	(2,109)
Bonus issue of shares	(24,190)	-	(5,810)	-	-	-	(30,000)
Share issuance expenses	(178)	-	-	-	-	-	(178)
Premium arising from issue of shares pursuant to scrip dividend scheme	7,177	-	-	-	-	-	7,177
Premium arising from exercise of warrants	5,698	-	-	(1,925)	-	-	3,773
Translation adjustments	-	-	-	-	-	(107)	(107)
Balance as at 31st October, 2000	13,114	13,934	-	20,966	17,476	(144)	65,346

11. Contingent liabilities

Contingent liabilities not provided for in the financial statements were:

	As at 31st October, 2000 HK\$'000	As at 30th April, 2000 HK\$'000
Factoring of trade receivables with recourse	40,396	31,803
Shipping guarantees	-	315
	<u>40,396</u>	<u>32,118</u>

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current periods' presentation. In particular, the comparative figures have been adjusted or expanded to take into account Statement of Standard Accounting Practice 1 "Presentation of Financial Statements" issued by the Hong Kong Society of Accountants which became effective during the year ended 30th April, 2000.

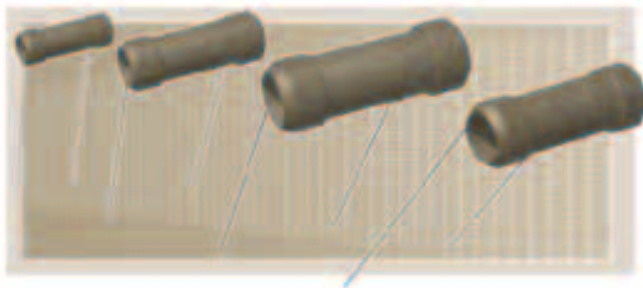
DIVIDEND

The Directors resolved not to declare any interim dividend in respect of the six months ended 31st October, 2000 (1999: HK\$1,088,000 paid by a subsidiary of the Company to its then shareholders prior to the Group's reorganisation and the listing of the Company's shares on The Stock Exchange of Hong Kong Limited).

BUSINESS REVIEW

The Directors are pleased to announce that the Group has continued to achieve double-digit growth in both turnover and earnings during the six months ended 31st October, 2000 over the corresponding period in 1999. The Group recorded a turnover of approximately HK\$187,675,000, representing a growth of 41% as compared to the same period in 1999. Profit attributable to shareholders was approximately HK\$27,511,000, up 15% over the same period last year. The Group was able to enjoy strong and sustainable growth in business and profitability amidst the flourishing worldwide electronics industry by the implementation of effective strategies in capturing the emerging business opportunities, a summary of which is presented as follows:

Reinforcement of Capital Structure



On 3rd July, 2000, the Company issued 400,000,000 units of warrants at HK\$0.0625 per unit of warrant through a private placement, resulting in net proceeds of approximately HK\$22,891,000, after deduction of related issuance expenses of approximately HK\$2,109,000. During

the period under review, 7,700,000 new shares were issued upon exercise of the warrants, which has brought in additional proceeds of HK\$4,543,000 to the Group for further enrichment of its financial frontier and more progressive business development.

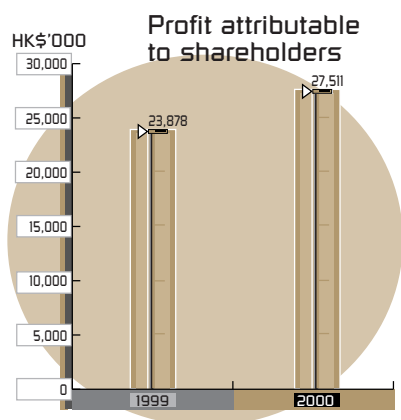
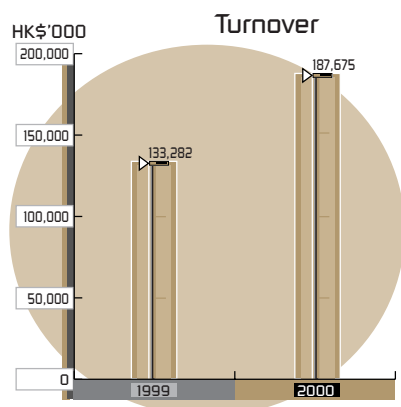
On 13th July, 2000, the Company announced a scrip dividend scheme for the year ended 30th April, 2000, under which shareholders of the Company may elect to receive new fully paid shares in lieu of cash in respect of part or all of the final dividend for the year ended 30th April, 2000. Pursuant to the elections of the shareholders, a total of 4,277,108 new shares were issued in lieu of cash in respect of final dividend of approximately HK\$7,605,000 in aggregate. The Directors considered the popularity of the scrip dividend scheme attributable to strong shareholders' confidence in the Group's future.

Growth of Market and Expansion of Production Capacity

Due to the continued growth of the telecommunication and information technology industries as well as the digital revolution in the audio-visual (AV) sector where the demand for modern handheld electronic communication and AV products such as personal digital assistants (PDA), digital cameras, DVD and MD players was increasing, the growth in global demand for high-quality and miniaturized electronic components was also dynamic and is expected to continue in the future. The Group's turnover to all major geographical locations for the six months ended 31st October, 2000 recorded a double-digit increase over the corresponding period in 1999. In particular, the turnover to Europe recorded an encouraging growth rate of 90% during the period.



To lay more solid foundations for future development, the Group has actively implemented a number of expansion plans, which was evidenced by the capital investment totalling more than HK\$86,000,000 during the first half of the financial year. In June, a new branch factory in Zhuhai, Guangdong Province,



was established to accommodate the expanded production facilities for such components as toroidal transformers, common mode chokes and electromagnetic interference (EMI) filters. Further to the acquisition of three new land lots in Zhongshan with an aggregate cost of approximately HK\$5,000,000 in January and May, the construction of the new phase of factory blocks was already near completion by the end of October. Upon completion during the third quarter, the new phase will be ready to house the production facilities for manganese-zinc series ferrite cores, which are the key components of line filters and compact but high power converters such as switching mode power supply (SMPS).

Management of Production Cost Structure

The Group was committed to its uncompromising strategy of production cost management. In particular, the Group's capabilities and experience in refining the production technology of the key component of coils - ferrite powders and ferrite cores, has enabled the Group to slash its production cost successfully and enhance its profitability throughout the years. *During the period under review, the considerable and continuous surge in the price of petroleum products on a global basis has led to adverse repercussions on the manufacturing*

sector. Owing to this trend in the worldwide petroleum market, the Group's factory in Zhongshan has incurred an additional cost of power generation amounting to approximately HK\$4,000,000 during the period. Despite the impact resulting from this factor, the Group has still managed to keep its overall production cost under control and achieved a 33% growth in gross profit from approximately HK\$46,301,000 for the first half of the previous financial year to approximately HK\$61,381,000 for the same period in the current year.

In a bid to mitigate the impact resulting from the unfavourable trend in petroleum market, the Group commenced the installation of a new power conversion station for its factory in Zhongshan in the third quarter, which is expected to improve the Group's production cost management by saving approximately 30% in the cost of power generation starting from the fourth quarter of the financial year.

FUTURE PLANS AND PROSPECTS

Foundation for the Future

With the completion of the new phase of factory blocks in Zhongshan expected in the third quarter of the financial year, the Group will continue to well-equip itself with substantially improved infrastructure to capitalise on the favourable development in the global electronics industry as well as to meet the ever-intensifying market competition. This will embrace a further expansion of the production facilities



for chip inductors in the coming quarter in order to cater for the growing demand of our customers. The first phase of such expansion will consist of five production lines and is expected to contribute to the growth in the Group's profitability in the fourth quarter.

Diversification of Product Line

The Group will also implement the production of ceramic capacitors, which represent a kind of electronic components complementary to coils. Further to this investment, which is expected to bring in higher return starting from the third quarter, the Group also plans to invest in the manufacture of machinery and equipment for the production of ceramic capacitors, which is scheduled to be fully operational in the fourth quarter.

Based on the Group's expertise and know-how in manufacturing coils over the years, the Group is now ready to further elevate its strengths in the industry by implementing the production plan for micro-motor coils, a kind of electronic components commonly found in mobile phones, in the coming year. The Group will then be able to provide more value-added services to the blooming telecommunication industry and, at the same time, enhance its status in the global coil market.

Looking forward to the future, with the persistently growing worldwide demand in the electronics industry and coupled with the Group's proactive business strategies, the Group's future is bright and promising. The management is fully confident that the Group will achieve even more rewarding results in the coming future.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st October, 2000.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st October, 2000, the Directors of the Company had the following interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) and in the warrants of the Company as recorded in the register required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

(a) The Company

	Number of shares of HK\$0.10 each			Number of warrants
	Family interests	Personal interests	Corporate interests	Personal interests
Mr. Lam Wai Chun (Note 1)	332,574,381	1,000,000	—	—
Mr. Saito Misao (Note 2)	—	—	42,125,000	—
Ms. Tang Fung Kwan (Note 2)	—	—	42,125,000	—
Ms. Hu Yan Huan (Note 2)	—	—	42,125,000	—
Mr. Au Son Yiu	—	—	—	1,000,000

Notes:

- As at 31st October, 2000, Ka Yan China Development (Holding) Company Limited held 332,574,381 shares in the Company. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately beneficially owned by Ka Yan China Family Trust, the family trust of Mr. Lam Wai Chun. The beneficiaries under this family trust were Mr. Lam Wai Chun's spouse, Ms. Law Ching Yee, and his children who were under the age of 18 years, and accordingly Mr. Lam Wai Chun was deemed under the SDI Ordinance to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited.
- As at 31st October, 2000, CMPP Investment Holdings Limited ("CMPP") held 42,125,000 shares in the Company. The issued share capital of CMPP was US\$471.49 divided into 47,149 shares of US\$0.01 each, of which Mr. Saito Misao, Ms. Tang Fung Kwan and Ms. Hu Yan Huan, the directors of the Company, respectively held 700 shares, 3,514 shares and 1,230 shares of US\$0.01 each.

(b) Associated corporation

Coils Electronic Co., Limited

	Number of non-voting deferred shares of HK\$1.00 each (<i>Note 5</i>)		
	Personal interests	Family interests	Total
Mr. Lam Wai Chun (<i>Notes 3 and 4</i>)	7,500,000	6,500,000	14,000,000

Notes:

- Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK\$1.00 each in Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of HK\$1.00 each in the share capital of Coils Electronic Co., Limited.
- In respect of the 6,000,000 non-voting deferred shares of HK\$1.00 each held by Ka Yan China Development (Holding) Company Limited and the remaining 500,000 non-voting deferred shares of HK\$1.00 each held by Ms. Law Ching Yee in Coils Electronic Co., Limited, representing approximately 42.86% and approximately 3.57% respectively of the 14,000,000 non-voting deferred shares of HK\$1.00 each in the share capital of Coils Electronic Co., Limited, Mr. Lam Wai Chun was deemed to be interested in all those shares under the SDI Ordinance by virtue of, in the case of Ka Yan China Development (Holding) Company Limited, the reasons set out in Note (a)1 above and, in the case of Ms. Law Ching Yee, the fact that Ms. Law Ching Yee is the spouse of Mr. Lam Wai Chun.
- Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of Coils Electronic Co., Limited exceeds HK\$100,000,000,000,000, and are not entitled to any distributions upon winding up unless a sum of HK\$100,000,000,000,000 has been distributed to the holders of ordinary shares.

Save as disclosed above, as at 31st October, 2000, none of the Directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) had any interests in the securities of the Company or its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31st October, 2000, the Directors had the following personal interests in share options to subscribe for shares in the Company granted under the share option scheme, as recorded in the register required to be kept under Section 29 of the SDI Ordinance:

Name	Date of grant	Exercisable period	Subscription price per share	Number of option shares outstanding
Mr. Lam Wai Chun	21/09/2000	22/09/2002 – 21/01/2005	HK\$1.22	2,948,966
Mr. Saito Misao	21/09/2000	22/09/2002 – 21/01/2005	HK\$1.22	2,948,966
Ms. Tang Fung Kwan	21/09/2000	22/09/2002 – 21/01/2005	HK\$1.22	2,948,966
Ms. Hu Yan Huan	21/09/2000	22/09/2002 – 21/01/2005	HK\$1.22	2,948,966

Save as disclosed above, at no time during the six months ended 31st October, 2000 was the Company or any of its associated corporations (within the meaning of the SDI Ordinance) a party to any arrangement to enable the Directors of the Company or any of their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st October, 2000, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, other than the Directors of the Company, the following persons were interested or taken or deemed to be interested in 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage holding
Ka Yan China Development (Holding) Company Limited (Notes 1 and 2)	332,574,381	64.959%
Ka Yan China Investments Limited (Note 2)	332,574,381	64.959%
HSBC Holdings plc (Note 3)	332,574,381	64.959%
HSBC Finance (Netherlands) (Note 3)	332,574,381	64.959%

Name	Number of issued shares	Percentage holding
HSBC Holdings B.V. (Note 3)	332,574,381	64.959%
HSBC Investment Bank Holdings B.V. (Note 3)	332,574,381	64.959%
HSBC International Trustee Limited (Note 3)	332,574,381	64.959%

Notes:

1. The 332,574,381 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited, the entire issued share capital of which was ultimately beneficially owned by Ka Yan China Family Trust, the family trust of Mr. Lam Wai Chun, a director of the Company.
2. The interests of Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, the ultimate holding company of the Company, in respect of 332,574,381 shares duplicated with each other.
3. The interests of HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings B.V., HSBC Investment Bank Holdings B.V., HSBC International Trustee Limited in respect of 332,574,381 shares in the Company duplicated with each other.

The 332,574,381 shares in which HSBC International Trustee Limited was interested were the shares referred to in Note 2 above.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company which was required to be recorded under Section 16(1) of the SDI Ordinance as at 31st October, 2000.

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, 2000, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 14th December, 2000