



CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

2001/2002 THIRD QUARTER RESULTS ANNOUNCEMENT

The Board of Directors (the “Directors”) of CEC International Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated income statement of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31st January, 2002 together with unaudited comparative figures for the corresponding period in 2001, and the unaudited consolidated balance sheet of the Group as at 31st January, 2002 together with audited comparative figures as at 30th April, 2001, are as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended		Nine months ended	
		31st January, 2002	2001	31st January, 2002	2001
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Turnover	2	91,988	81,718	276,241	269,393
Cost of sales		(69,863)	(55,702)	(200,015)	(181,996)
Gross profit		22,125	26,016	76,226	87,397
Distribution and selling expenses		(2,440)	(2,989)	(7,879)	(8,010)
General and administrative expenses		(11,883)	(10,859)	(36,221)	(30,128)
Profit from operations	2	7,802	12,168	32,126	49,259
Interest income		152	650	911	1,945
Interest expense		(4,828)	(5,532)	(17,751)	(13,924)
Share of profits less losses of jointly controlled entities		(11)	–	5	–
Profit before taxation	3	3,115	7,286	15,291	37,280
Taxation	4	(795)	(757)	(2,393)	(3,240)
Profit after taxation but before minority interests		2,320	6,529	12,898	34,040
Minority interests		–	–	(101)	–
Profit attributable to shareholders		2,320	6,529	12,797	34,040
Earnings per share	6				
– Basic		0.35 cent	1.05 cents	1.98 cents	5.58 cents
– Diluted		0.35 cent	0.98 cent	1.97 cents	5.21 cents

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 31st January, 2002 <i>HK\$'000</i> (Unaudited)	As at 30th April, 2001 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	462,320	432,417
Intangible asset		2,044	2,844
Investment in jointly controlled entities		979	234
Total non-current assets		<u>465,343</u>	<u>435,495</u>
CURRENT ASSETS			
Inventories		71,631	58,762
Trade receivables	8	34,833	30,780
Prepayments, deposits and other current assets		31,685	8,071
Pledged bank deposits		43,531	47,387
Cash and other bank deposits		8,879	8,327
Total current assets		<u>190,559</u>	<u>153,327</u>
CURRENT LIABILITIES			
Short-term bank borrowings		(119,415)	(88,803)
Long-term bank loans, current portion		(34,016)	(73,266)
Finance lease obligations, current portion		(33,212)	(33,092)
Trade payables	9	(33,803)	(23,427)
Bills payable		(4,577)	(11,971)
Accruals and other payables		(16,119)	(13,033)
Taxation payable		(2,143)	(59)
Total current liabilities		<u>(243,285)</u>	<u>(243,651)</u>
Net current liabilities		<u>(52,726)</u>	<u>(90,324)</u>
Total assets less current liabilities		<u>412,617</u>	<u>345,171</u>
NON-CURRENT LIABILITIES			
Long-term bank loans, non-current portion		(69,954)	(11,252)
Finance lease obligations, non-current portion		(32,182)	(49,145)
Deferred taxation		(13,262)	(13,262)
Total non-current liabilities		<u>(115,398)</u>	<u>(73,659)</u>
MINORITY INTERESTS			
Net assets		<u>297,219</u>	<u>271,507</u>
CAPITAL AND RESERVES			
Share capital	10	66,103	52,803
Reserves	13	231,116	218,704
Shareholders' equity		<u>297,219</u>	<u>271,507</u>

1. Principal accounting policies

The same principal accounting policies and methods of computation are followed in the quarterly financial statements for the three months and nine months ended 31st January, 2002 as compared with the most recent published annual financial statements for the year ended 30th April, 2001.

The Group has adopted a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants for the first time in the current period. The adoption of these new or revised SSAPs does not have any effect on the current or prior period financial statements except in accordance with the revised SSAP 9 “Events after the balance sheet date”, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date.

2. Turnover and segmental information

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, capacitors, power supply devices and other electronic components. The Group’s products are generally used in the manufacture of various kinds of electronic and electrical products.

Analysis of turnover and profit (loss) from operations by product category is as follows:

	Turnover			
	Three months ended		Nine months ended	
	31st January,		31st January,	
	2002	2001	2002	2001
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Coils	75,299	76,455	223,495	247,070
Capacitors	8,219	3,858	24,203	15,416
Power supply devices	760	–	2,685	–
Other electronic components	7,710	1,405	25,858	6,907
	<u>91,988</u>	<u>81,718</u>	<u>276,241</u>	<u>269,393</u>
	Profit (loss) from operations			
	Three months ended		Nine months ended	
	31st January,		31st January,	
	2002	2001	2002	2001
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Coils	8,797	12,640	30,496	50,202
Capacitors	(263)	(64)	2,134	(694)
Power supply devices	77	–	88	–
Other electronic components	(809)	(408)	(592)	(249)
	<u>7,802</u>	<u>12,168</u>	<u>32,126</u>	<u>49,259</u>

Analysis of turnover by geographical location as determined on the basis of the location where merchandise is delivered is as follows:

	Three months ended		Nine months ended	
	31st January,		31st January,	
	2002	2001	2002	2001
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Hong Kong	64,985	64,526	195,168	213,042
Mainland China	6,652	4,839	16,901	16,450
Taiwan	14,830	1,514	33,805	9,493
Europe	3,360	3,962	11,530	15,610
Others	2,161	6,877	18,837	14,798
	<u>91,988</u>	<u>81,718</u>	<u>276,241</u>	<u>269,393</u>

No analysis of profit (loss) from operations by geographical location is presented as it is generally in line with the distribution of turnover as set out above.

3. Profit before taxation

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

	Three months ended		Nine months ended	
	31st January,		31st January,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
After charging –				
Depreciation of property, plant and equipment	14,480	8,404	37,045	23,624
Amortisation of intangible asset	267	–	800	–
Staff costs (including directors' emoluments)	20,830	17,896	69,660	65,988
Interest expense on				
– bank overdrafts and loans wholly repayable within five years	3,065	2,480	10,759	5,617
– factoring of trade receivables	548	648	1,898	2,721
– finance leases	1,215	2,404	5,094	5,586
	<u>152</u>	<u>650</u>	<u>911</u>	<u>1,945</u>
After crediting –				
Interest income from bank deposits	152	650	911	1,945

4. Taxation

Taxation comprises:

	Three months ended		Nine months ended	
	31st January,		31st January,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current taxation –				
Hong Kong profits tax				
– current year	736	700	2,084	3,030
Mainland China enterprise income tax				
– current year	59	57	309	210
	<u>795</u>	<u>757</u>	<u>2,393</u>	<u>3,240</u>

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit arising in or derived from Hong Kong during the period. Mainland China enterprise income tax has been provided at the applicable rate relating to the profit of a subsidiary of the Company established in Zhongshan, Mainland China.

5. Dividends

The Directors resolved not to declare any interim dividend in respect of the nine months ended 31st January, 2002 (2001: Nil).

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st January, 2002 is based on the profit attributable to shareholders of approximately HK\$2,320,000 (2001: HK\$6,529,000) and on the weighted average number of 661,028,811 (2001: 623,859,052) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January, 2002 is based on the profit attributable to shareholders of approximately HK\$12,797,000 (2001: HK\$34,040,000) and on the weighted average number of 645,174,211 (2001: 609,823,164) shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 31st January, 2002 is based on the profit attributable to shareholders of approximately HK\$2,320,000 (2001: HK\$6,529,000) and on the weighted average number of 661,028,811 (2001: 662,895,594) shares, adjusted to reflect the effect of all dilutive potential shares in issue during the period.

The calculation of diluted earnings per share for the nine months ended 31st January, 2002 is based on the profit attributable to shareholders of approximately HK\$12,797,000 (2001: HK\$34,040,000) and on the weighted average number of 649,576,633 (2001: 653,986,254) shares, adjusted to reflect the effect of all dilutive potential shares in issue during the period.

The comparative weighted average number of shares in issue, basic earnings per share and diluted earnings per share for the three months and nine months ended 31st January, 2001 have been adjusted to reflect the bonus issue of shares on the basis of one bonus share for every five shares held by shareholders on 14th September, 2001.

A reconciliation of the weighted average number of shares used in the calculation of basic earnings per share for the three months and nine months ended 31st January, 2002 to that used in the calculation of diluted earnings per share is as follows:

	Three months ended 31st January,		Nine months ended 31st January,	
	2002	2001	2002	2001
Weighted average number of shares used in the calculation of basic earnings per share	661,028,811	623,859,052	645,174,211	609,823,164
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	–	37,354,616	4,402,422	43,602,448
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period	–	1,681,926	–	560,642
Weighted average number of shares used in the calculation of diluted earnings per share	<u>661,028,811</u>	<u>662,895,594</u>	<u>649,576,633</u>	<u>653,986,254</u>

7. Property, plant and equipment

During the nine months ended 31st January, 2002, the additions of property, plant and equipment were approximately HK\$67,067,000 (nine months ended 31st January, 2001: HK\$153,490,000).

8. Trade receivables

The aging analysis of trade receivables as at 31st January, 2002 is as follows:

	As at 31st January, 2002 HK\$'000	As at 30th April, 2001 HK\$'000
Current	21,491	20,707
Overdue by 0 – 1 month	6,977	6,559
Overdue by 1 – 2 months	3,797	4,250
Overdue by 2 – 3 months	1,840	1,010
Overdue by more than 3 months	2,655	2,869
	<u>36,760</u>	<u>35,395</u>
Less: Provision for bad and doubtful debts	(1,927)	(4,615)
	<u>34,833</u>	<u>30,780</u>

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 month to three months to its trade customers who have good payment records and well-established relationships with the Group.

9. Trade payables

The aging analysis of trade payables as at 31st January, 2002 is as follows:

	As at 31st January, 2002 HK\$'000	As at 30th April, 2001 HK\$'000
Current	17,101	12,212
Overdue by 0 – 1 month	7,495	4,432
Overdue by 1 – 2 months	4,532	1,665
Overdue by 2 – 3 months	1,098	257
Overdue by more than 3 months	3,577	4,861
	<u>33,803</u>	<u>23,427</u>

10. Share capital

Movements in share capital are:

	Nine months ended 31st January, 2002		Year ended 30th April, 2001	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised shares of HK\$0.10 each				
Beginning and end of period/year	<u>1,000,000,000</u>	<u>100,000</u>	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid shares of HK\$0.10 each				
Beginning of period/year	528,027,108	52,803	200,000,000	20,000
Bonus issue	105,815,421	10,581	300,000,000	30,000
Issue of shares pursuant to scrip dividend scheme	5,548,047	555	4,277,108	428
Issue of shares upon exercise of warrants	1,050,000	105	23,750,000	2,375
Issue of new shares	<u>20,588,235</u>	<u>2,059</u>	–	–
End of period/year	<u>661,028,811</u>	<u>66,103</u>	<u>528,027,108</u>	<u>52,803</u>

11. Share options

Under the share option scheme adopted by the Company on 26th October, 1999, the Directors may grant options to any full-time 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.

Movements in share options during the nine months ended 31st January, 2002 are as follows:

Name of holders	Subscription price per share	Number of shares under options				End of period
		Beginning of period	Adjustment for bonus issue***	Exercised during the period	Lapsed during the period	
Directors						
Mr. Lam Wai Chun	HK\$1.02*	2,948,966	578,228	–	–	3,527,194
Mr. Saito Misao	HK\$1.02*	2,948,966	578,228	–	–	3,527,194
Ms. Tang Fung Kwan	HK\$1.02*	2,948,966	578,228	–	–	3,527,194
Ms. Hu Yan Huan	HK\$1.02*	2,948,966	578,228	–	–	3,527,194
Employees of the Group	HK\$0.75**	35,400,000	6,680,000	–	(3,560,000)	38,520,000
		<u>47,195,864</u>	<u>8,992,912</u>	<u>–</u>	<u>(3,560,000)</u>	<u>52,628,776</u>

* Such share options were granted on 21st September, 2000. The options are exercisable subject to: (a) up to one quarter of the options are exercisable from 22nd September, 2002 to 21st September, 2003, both dates inclusive, with vesting period commencing from 21st September, 2000 to 21st September, 2002; (b) up to three-eighths of the options are exercisable from 22nd September, 2003 to 21st June, 2004, both dates inclusive, with vesting period commencing from 21st September, 2000 to 21st September, 2003; (c) up to three-eighths of the options are exercisable from 22nd June, 2004 to 21st January, 2005, both dates inclusive, with vesting period commencing from 21st September, 2000 to 21st June, 2004. Any options not exercised during each of the exercisable periods will lapse immediately after the relevant exercisable period. The subscription price was adjusted from HK\$1.22 per share to HK\$1.02 per share with effect from 15th September, 2001 for the bonus issue.

** Such share options were granted on 1st November, 2000. The options are exercisable subject to: (a) up to one quarter of the options are exercisable from 1st November, 2002 to 31st October, 2003, both dates inclusive, with vesting period commencing from 1st November, 2000 to 31st October, 2002; (b) up to three-eighths of the options are exercisable from 1st November, 2003 to 31st July, 2004, both dates inclusive, with vesting period commencing from 1st November, 2000 to 31st October, 2003; (c) up to three-eighths of the options are exercisable from 1st August, 2004 to 28th February, 2005, both dates inclusive, with vesting period commencing from 1st November, 2000 to 31st July, 2004. Any options not exercised during each of the exercisable periods will lapse immediately after the relevant exercisable period. The subscription price was adjusted from HK\$0.90 per share to HK\$0.75 per share with effect from 15th September, 2001 for the bonus issue.

*** The adjustment for number of shares under options was made to reflect the bonus issue of shares on the basis of one bonus share for every five shares held by shareholders on 14th September, 2001.

12. Warrants

As at 31st January, 2002, the outstanding warrants carry the subscription rights of HK\$1.475 for every 10 units of warrants entitling the holders thereof to subscribe in cash for new shares in the Company up to the aggregate amount of HK\$44,368,000 at a subscription price of HK\$0.49 per new share (subject to adjustment).

13. Reserves

Movements of reserves are:

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Subscription right reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Cumulative translation adjustments <i>HK\$'000</i>	Proposed final dividend <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1st May, 2000	24,607	13,934	5,810	-	17,476	(37)	10,000	114,721	186,511
Proceeds from issue of warrants	-	-	-	25,000	-	-	-	-	25,000
Warrant issuance expenses	-	-	-	(2,109)	-	-	-	-	(2,109)
Bonus issue	(24,190)	-	(5,810)	-	-	-	-	-	(30,000)
Issue of shares pursuant to scrip dividend scheme	7,177	-	-	-	-	-	(7,605)	-	(428)
Proceeds from exercise of warrants	11,637	-	-	-	-	-	-	-	11,637
Premium arising from issuance of shares on exercise of warrants	5,437	-	-	(5,437)	-	-	-	-	-
Share issuance expenses	(178)	-	-	-	-	-	-	-	(178)
Profit attributable to shareholders	-	-	-	-	-	-	-	30,863	30,863
Dividends paid	-	-	-	-	-	-	(2,395)	-	(2,395)
Proposed final dividend	-	-	-	-	-	-	5,280	(5,280)	-
Translation adjustments	-	-	-	-	-	(197)	-	-	(197)
Balance as at 30th April, 2001	24,490	13,934	-	17,454	17,476	(234)	5,280	140,304	218,704
Bonus issue	(10,581)	-	-	-	-	-	-	-	(10,581)
Issue of shares pursuant to scrip dividend scheme	3,195	-	-	-	-	-	(3,750)	-	(555)
Proceeds from exercise of warrants	515	-	-	-	-	-	-	-	515
Premium arising from issuance of shares on exercise of warrants	240	-	-	(240)	-	-	-	-	-
Premium arising from issue of new shares	11,941	-	-	-	-	-	-	-	11,941
Share issuance expenses	(240)	-	-	-	-	-	-	-	(240)
Profit attributable to shareholders	-	-	-	-	-	-	-	12,797	12,797
Dividends paid *	-	-	-	-	-	-	(1,530)	(10)	(1,540)
Translation adjustments	-	-	-	-	-	75	-	-	75
Balance as at 31st January, 2002	29,560	13,934	-	17,214	17,476	(159)	-	153,091	231,116

* During the nine months ended 31st January, 2002, the final dividend paid in respect of shares issued upon exercise of warrants prior to the record date (14th September, 2001) for the payment of final dividend for the year ended 30th April, 2001 was approximately HK\$10,000.

14. Contingent liabilities

Contingent liabilities not provided for in the financial statements are:

	As at 31st January, 2002 HK\$'000	As at 30th April, 2001 HK\$'000
Discounted bills with recourse	–	1,402
Factoring of trade receivables with recourse	29,288	30,415
Shipping guarantees	195	–
	<u>29,483</u>	<u>31,817</u>

15. Comparative figures

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

BUSINESS REVIEW

In the financial year 2001/2002, the global economy was rather slackened. The unending flow of negative news flooded the markets. As a result of the 11th September attack in the United States, the global business environment has worsened even further. Price bargaining among electronics manufacturers intensified, exerting considerable negative impact on the price of electronic products. Among all, the price of traditional electronic components dropped the most significantly. This has led to widespread falls in the profits of electronic components suppliers.

Nevertheless, with the Group's implementation of effective and efficient cost control measures, overheads have been greatly cut whereas turnover was boosted. Meanwhile, its strong research and development capabilities enabled the Group to relieve the pressure arising from the substantial price drops in its products and raise its turnover. Thanks to these favourable factors, the Group was able to maintain its gross profit margin at a level of approximately 27.6%.

For the three months and nine months ended 31st January, 2002, the Group recorded a turnover of approximately HK\$91,988,000 and HK\$276,241,000, respectively, up slightly by approximately 12.6% and 2.5% as compared to the same period in the previous year. Profit attributable to shareholders was approximately HK\$2,320,000 and HK\$12,797,000 for the three-month period and nine-month period respectively. The results were considered satisfactory given the harsh operating environment.

Despite the poor market sentiment, the Group's turnover showed signs of pick-up in January 2002 with a remarkable rebound. The Group, therefore, believes that the electronics industry is on its step to an economic recovery cycle, and business will improve steadily.

Effective Cost Control

Apart from the external economic influences, the Group's internal cost control was also a crucial factor contributing to its results, particularly during such a difficult economic time. During the period under review, the Group has taken prompt actions to reduce costs and generate profit. Furthermore, the Group's earlier investments in plant expansion as well as its commitment to research and development have started to bear fruit, broadening the variety of products offered and increasing the turnover. The negative impact brought by the fall in prices of electronic components was effectively alleviated.

Since certain of the Group's raw materials, plant and machinery were imported from Japan, the depreciation of Japanese yen during the third quarter has correspondingly lowered the costs of raw materials, plant and machinery to the Group. This has contributed to further savings in the Group's overheads.

Financial Position

The Group is committed to strengthening its financial position. The Group's prospects and its confidence in the future business were reflected in the continuing financial support of the Group's principal banks. On 31st January, 2002, the Company successfully entered into a 3-year transferable term loan and revolving credit facility agreement for an aggregate amount of HK\$100,000,000 with a group of banks. The facility consists of a term loan for an aggregate amount of HK\$60,000,000 to repay existing bank loans and other indebtedness of the Group, and a revolving credit facility for an aggregate amount of HK\$40,000,000 as general working capital of the Group. The facility was subsequently fully drawn down in February 2002. This agreement benefited the Group with an improved debt profile and enriched operating capital, which will contribute to a healthier financial position for its future development.

According to the Group's agreement with its major bank reached in the second quarter, the limit of consolidated net gearing ratio (total borrowings less total cash and bank deposits over net tangible assets) has been relaxed to 0.85:1. As at 31st January, 2002, the Group's total borrowings amounted to approximately HK\$288,779,000 (as at 30th April, 2001: HK\$255,558,000) whereas total cash and bank deposits were approximately HK\$52,410,000 (as at 30th April, 2001: HK\$55,714,000). The consolidated net gearing ratio was approximately 0.80:1 (as at 30th April, 2001: 0.76:1), complying with the financial covenants as agreed between the Group and the major bank.

As at 31st January, 2002, the Group's aggregate banking facilities expanded to approximately HK\$412,173,000 (as at 30th April, 2001: HK\$302,624,000), of which approximately HK\$148,534,000 (as at 30th April, 2001: HK\$65,727,000) remained unutilised.

FUTURE PLANS AND PROSPECTS

Proactive Market Exploration in Mainland China

China's accession to the World Trade Organisation ("WTO") was successfully completed in late 2001. It is widely believed that the membership in WTO will create a new outlook for China, especially with respect to business development. Given that the restrictions imposed on foreign investors will be relaxed gradually together with improvements in the mainland's legal systems and infrastructure, foreign investments will mushroom in the coming future. With economic development being heavily based on technological advancement, the Group strongly believes that the demand for quality hi-tech electronic components from both national and foreign enterprises will climb up sharply, fostering the Group's business prospects.

Currently, the market in Mainland China accounts for approximately 6% of the Group's turnover. In view of the huge market potential in the mainland, the Group will take a more proactive approach in exploring this market to raise the proportion of its turnover generated from the mainland. To materialise this goal, the Group has been preparing actively for the establishment of more representative offices in developed and coastal cities in the mainland such as Qingdao, Hefei and Changzhou. The Group already established a representative office in Chongqing in November 2001, which reflected the Group's strong determination to develop the market in Mainland China.

Right Product at the Right Time – Stepping Stone for Market Development in Europe

Hi-tech audio-visual ("AV") and telecommunication products have been experiencing rapid development in Europe in recent years. The design and quality of these products have attracted abundant demand from around the globe. In view of the competitiveness of the market, European manufacturers are particularly demanding for quality and functionality in electronic components. The Group's products, such as toroidal transformers, line filters and anti-electromagnetic interference filters are well equipped with electromagnetic compatibility ("EMC"), which effectively reduces interference in the transmission of signals in AV products and telecommunication products. The quality, value and competitiveness of products will thus be substantially enhanced. With the functions and designs of miniaturised EMC components manufactured by the Group, the needs of different electronics manufacturers will be well catered for. The Group is also committed to continuously upgrading its existing product line with innovative and new products. This will help the Group to further penetrate the European market with higher market share, paving the way for further development in Europe.

Conclusion

Despite the unfavourable factors in the environment, which has dragged the overall economy down, the Group will face future challenges with confidence by strengthening its own foundations, internal management and financial position to broaden revenue sources and minimise costs at the same time, in a bid to reward our shareholders with higher returns.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31st January, 2002.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the nine months ended 31st January, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the independent non-executive directors have not been appointed for a specific term, and the non-executive director, whose service agreement expired on 30th September, 2001, no longer has a specific term of appointment, 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.

RESIGNATION OF DIRECTOR

Ms. Hu Yan Huan resigned as an Executive Director of the Company with effect from 18th March, 2002. The Directors take this opportunity to thank Ms. Hu Yan Huan for her contribution to the Company during her tenure of service.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 18th March, 2002