



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lam Wai Chun

(Chairman and Managing Director)

Mr. Saito Misao *(Deputy Chairman)*

Ms. Tang Fung Kwan

Mr. Law Hoo Shan

(Appointed on 19th December 2002)

Mr. Chiu Chan, Charles

(Appointed on 19th December 2002)

Mr. Huang Kong

(Appointed on 19th December 2002)

Mr. Ho Kwok Keung

(Appointed on 20th December 2002)

Mr. Lam Wing Kin, Sunny

(Retired on 26th September 2002)

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

PricewaterhouseCoopers

Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co

Richards Butler

Appleby Spurling & Kempe

PRINCIPAL BANKERS

China Construction Bank

CITIC Ka Wah Bank Limited

Dah Sing Bank Limited

Dao Heng Bank Limited

Hang Seng 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

Units 3507-09, Level 35

Tower I, Millennium City 1

388 Kwun Tong Road

Kowloon

Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor

Services Limited

Rooms 1901-5, 19th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

Web: <http://www.ceccoils.com>

<http://www.0759.com>

<http://www.irasia.com/listco/hk/cecint>

E-mail: info@ceccoils.com

Listed on The Stock Exchange of

Hong Kong Limited

Stock Code: 0759 (shares)

0337 (warrants)



2002/2003 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 2002 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st October		Six months ended 31st October	
		2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Turnover	2	132,595	104,483	247,959	184,253
Cost of sales		(98,800)	(76,411)	(193,368)	(130,152)
Gross profit		33,795	28,072	54,591	54,101
Distribution and selling expenses		(4,862)	(3,081)	(7,935)	(5,439)
General and administrative expenses		(22,153)	(13,575)	(31,092)	(24,338)
Profit from operations	2	6,780	11,416	15,564	24,324
Interest income		110	321	235	759
Interest expense		(4,477)	(6,154)	(9,430)	(12,923)
Share of profits less losses of jointly controlled entities		(17)	16	(35)	16
Profit before taxation	3	2,396	5,599	6,334	12,176
Taxation	4	(301)	(833)	(1,040)	(1,598)
Profit after taxation but before minority interests		2,095	4,766	5,294	10,578
Minority interests		–	(36)	–	(101)
Profit attributable to shareholders		2,095	4,730	5,294	10,477
Earnings per share	6				
– Basic		0.30 cent	0.74 cent	0.77 cent	1.64 cents
– Diluted		0.30 cent	0.72 cent	0.77 cent	1.60 cents



• CONSOLIDATED BALANCE SHEET •

	Notes	As at 31st October 2002 HK\$'000 (Unaudited)	As at 30th April 2002 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	470,500	489,012
Intangible asset		1,244	1,778
Investment in an associate		8,320	–
Investment in jointly controlled entities		589	872
Total non-current assets		480,653	491,662
CURRENT ASSETS			
Inventories		82,837	70,321
Trade receivables	8	74,389	42,000
Prepayments, deposits and other current assets		14,398	10,227
Investment		7,370	7,370
Pledged bank deposits		36,061	35,847
Cash and other bank deposits		12,472	9,587
Total current assets		227,527	175,352
CURRENT LIABILITIES			
Short-term bank borrowings		(117,862)	(89,030)
Long-term bank loans, current portion		(47,272)	(44,798)
Finance lease obligations, current portion		(16,631)	(14,552)
Trade payables	9	(40,736)	(41,596)
Bills payable		(3,814)	(2,390)
Accruals and other payables		(23,693)	(13,874)
Taxation payable		(810)	(122)
Total current liabilities		(250,818)	(206,362)
Net current liabilities		(23,291)	(31,010)
Total assets less current liabilities		457,362	460,652
NON-CURRENT LIABILITIES			
Long-term bank loans, non-current portion		(116,614)	(134,649)
Finance lease obligations, non-current portion		(16,612)	(17,060)
Deferred taxation		(14,937)	(14,937)
Total non-current liabilities		(148,163)	(166,646)
Net assets		309,199	294,006
CAPITAL AND RESERVES			
Share capital	10	69,303	66,103
Reserves	13	239,896	227,903
Shareholders' equity		309,199	294,006



• CONSOLIDATED CASH FLOW STATEMENT •

	Six months ended 31st October	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Cash flows from operating activities		
Profit before taxation	6,334	12,176
Interest income	(235)	(759)
Interest expense	9,430	12,923
Depreciation of property, plant and equipment	32,432	22,565
Amortisation of intangible asset	534	533
Net loss on disposal of property, plant and equipment	173	-
Share of profits less losses of jointly controlled entities	35	(16)
Increase in inventories	(12,486)	(15,952)
Increase in trade receivables	(32,389)	(10,270)
Increase in prepayments, deposits and other current assets	(4,171)	(4,638)
(Decrease) Increase in trade payables	(860)	13,051
Increase (Decrease) in bills payable	1,424	(5,751)
Increase in accruals and other payables	9,819	2,752
Hong Kong profits tax paid	(23)	-
Hong Kong profits tax refunded	68	5
Mainland China enterprise income tax paid	(400)	(250)
	9,685	26,369
Cash flows from investing activities		
Additions to property, plant and equipment	(5,663)	(43,523)
Proceeds from disposal of property, plant and equipment	162	-
Acquisition of additional interest in a subsidiary	-	(5)
Acquisition of a subsidiary	220	-
Increase in pledged bank deposits	(214)	(3,033)
Interest received	235	759
	(5,260)	(45,802)
Cash flows from financing activities		
Dividends paid to shareholders	-	(1,534)
Interest paid	(9,430)	(12,923)
Proceeds from issue of shares	-	14,620
Share issue expense	(3)	(168)
New long-term bank loans	7,000	30,789
Repayment of long-term bank loans	(22,561)	(12,180)
Repayment of capital element of finance lease obligations	(7,821)	(19,675)
	(32,815)	(1,071)
Translation adjustments	2,443	39
Decrease in cash and cash equivalents	(25,947)	(20,465)
Cash and cash equivalents, beginning of period	(79,443)	(80,476)
Cash and cash equivalents, end of period	(105,390)	(100,941)



• CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY •

	Six months ended 31st October	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Shareholders' equity, beginning of period	294,006	271,507
Translation adjustments	1,582	95
Net gains not recognised in the consolidated income statement	1,582	95
Profit attributable to shareholders	5,294	10,477
Dividends paid	–	(1,534)
Reclassification of proposed final dividends to current liabilities	–	(7)
Issue of new shares	8,320	14,620
Share issue expense	(3)	(168)
Shareholders' equity, end of period	309,199	294,990



Notes:

1. Principal accounting policies

The same principal accounting policies and methods of computation are followed in the interim financial statements for the three months and six months ended 31st October 2002 as compared with the most recent published annual financial statements for the year ended 30th April 2002. The interim financial statements comply with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

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 had no material effect on the Group's financial statements, except in accordance with the revised SSAP 1 "Presentation of financial statements", a consolidated statement of changes in shareholders' equity is presented instead of a consolidated statement of recognised gains and losses, and in accordance with the revised SSAP 15 "Cash flow statements", the presentation of the consolidated cash flow statement has been amended.

2. Turnover and segment 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 business segment is as follows:

	Turnover			
	Three months ended		Six months ended	
	31st October		31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	108,379	83,090	203,438	148,196
Capacitors manufacturing	13,610	11,230	22,413	15,984
Power supply devices manufacturing	1,700	1,925	3,398	1,925
Electronic components trading	8,906	8,238	18,710	18,148
	132,595	104,483	247,959	184,253

	Profit (loss) from operations			
	Three months ended		Six months ended	
	31st October		31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	7,298	10,474	15,896	21,699
Capacitors manufacturing	456	1,111	1,005	2,397
Power supply devices manufacturing	(274)	11	(270)	11
Electronic components trading	(700)	(180)	(1,067)	217
	6,780	11,416	15,564	24,324



Analysis of turnover and profit (loss) from operations by geographical segment is as follows:

	Turnover			
	Three months ended 31st October		Six months ended 31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	82,830	70,981	164,371	130,183
Mainland China	11,837	5,646	20,264	10,249
Taiwan	20,027	13,209	33,956	18,975
Europe	7,827	4,858	12,486	8,170
Singapore	7,071	4,996	12,111	9,737
Others	3,003	4,793	4,771	6,939
	132,595	104,483	247,959	184,253

	Profit (loss) from operations			
	Three months ended 31st October		Six months ended 31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	4,181	9,241	8,416	20,690
Mainland China	542	1,186	3,418	1,630
Taiwan	603	775	1,502	1,812
Europe	427	800	763	1,654
Singapore	1,619	(101)	2,609	19
Others	(592)	(485)	(1,144)	(1,481)
	6,780	11,416	15,564	24,324



3. Profit before taxation

Profit before taxation in the consolidated income statement is stated after crediting and charging the following:

	Three months ended 31st October		Six months ended 31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting –				
Interest income from bank deposits	110	321	235	759
Charging –				
Depreciation of property, plant and equipment	17,940	11,966	32,432	22,565
Amortisation of intangible asset	267	266	534	533
Employment costs (including directors' emoluments)	22,155	25,269	46,530	48,830
Interest expense on				
– bank overdrafts and loans wholly repayable within five years	3,365	3,873	7,143	7,694
– factoring of trade receivables	670	688	1,396	1,350
– finance leases	442	1,593	891	3,879

4. Taxation

Taxation consisted:

	Three months ended 31st October		Six months ended 31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company and subsidiaries				
Current taxation –				
– Hong Kong profits tax	66	762	508	1,348
– Mainland China enterprise income tax	235	71	532	250
Deferred taxation – Hong Kong profits tax	–	–	–	–
	301	833	1,040	1,598
Associate and jointly controlled entities				
Current taxation – Hong Kong profits tax	–	–	–	–
	301	833	1,040	1,598



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.

Zhongshan Tonichi Ferrite Products Co., Ltd., Zhongshan Coils Metalwork Co., Ltd. and Zhongshan Coils Electronic Co., Ltd., wholly foreign owned enterprises established in Zhongshan, the open coastal area of Mainland China, are subject to Mainland China enterprise income tax at a rate of 24%, while Xiamen Coils Electronic Co., Ltd., a wholly foreign owned enterprise established in Xiamen, a special economic zone in Mainland China, is subject to Mainland China enterprise income tax at a rate of 15%.

For all other companies within the Group, profits tax was provided at tax rates in the respective jurisdictions in which they operate.

5. Dividends

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

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st October 2002 is based on the profit attributable to shareholders of approximately HK\$2,095,000 (2001: HK\$4,730,000) and on the weighted average number of 693,028,811 (2001: 640,861,292) shares in issue during the period.

The calculation of basic earnings per share for the six months ended 31st October 2002 is based on the profit attributable to shareholders of approximately HK\$5,294,000 (2001: HK\$10,477,000) and on the weighted average number of 687,115,768 (2001: 637,246,911) shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 31st October 2002 is based on the profit attributable to shareholders of approximately HK\$2,095,000 (2001: HK\$4,730,000) and on the weighted average number of 693,028,811 (2001: 658,002,000) 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 six months ended 31st October 2002 is based on the profit attributable to shareholders of approximately HK\$5,294,000 (2001: HK\$10,477,000) and on the weighted average number of 687,115,768 (2001: 654,683,317) shares, adjusted to reflect the effect 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 2002 to that used in the calculation of diluted earnings per share is as follows:

	Three months ended 31st October		Six months ended 31st October	
	2002	2001	2002	2001
Weighted average number of shares used in the calculation of basic earnings per share	693,028,811	640,861,292	687,115,768	637,246,911
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	-	17,140,708	-	17,436,406
Weighted average number of shares used in the calculation of diluted earnings per share	693,028,811	658,002,000	687,115,768	654,683,317

The outstanding share options and warrants during the three months and six months ended 31st October 2002 were anti-dilutive. The outstanding share options during the three months and six months ended 31st October 2001 were anti-dilutive.

7. Property, plant and equipment

During the six months ended 31st October 2002, the additions to property, plant and equipment were approximately HK\$15,114,000 (six months ended 31st October 2001: HK\$55,445,000).

8. Trade receivables

Aging analysis of trade receivables is:

	As at 31st October 2002 HK\$'000	As at 30th April 2002 HK\$'000
Current	55,910	27,527
Overdue by 0 - 1 month	8,037	9,937
Overdue by 1 - 2 months	9,122	3,284
Overdue by 2 - 3 months	2,128	842
Overdue by more than 3 months	1,742	2,218
	76,939	43,808
Less: Provision for bad and doubtful debts	(2,550)	(1,808)
	74,389	42,000

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. Trade payables

Aging analysis of trade payables is:

	As at 31st October 2002 HK\$'000	As at 30th April 2002 HK\$'000
Current	21,712	25,386
Overdue by 0 - 1 month	6,714	7,525
Overdue by 1 - 2 months	4,976	3,112
Overdue by 2 - 3 months	3,148	2,344
Overdue by more than 3 months	4,186	3,229
	40,736	41,596

10. Share capital

Movements in share capital were:

	Six months ended 31st October 2002		Year ended 30th April 2002	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised shares of HK\$0.10 each				
Beginning and end of period/year	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid shares of HK\$0.10 each				
Beginning of period/year	661,028,811	66,103	528,027,108	52,803
Issue of shares upon exercise of warrants	-	-	1,050,000	105
Bonus issue	-	-	105,815,421	10,581
Issue of shares pursuant to scrip dividend scheme	-	-	5,548,047	555
Issue of new shares	32,000,000	3,200	20,588,235	2,059
End of period/year	693,028,811	69,303	661,028,811	66,103



11. Share options

Under the share option scheme adopted by the Company on 26th October 1999 (the "Old Scheme"), the Directors may grant options to any employees or executives of the Company or any of its subsidiaries, including executive directors (but excluding independent non-executive directors of the Company) of the Company or any of its subsidiaries, to subscribe for shares in the Company. On 26th September 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted by the Company. No further share 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 the share options of the Old Scheme may still exercise such outstanding share options pursuant to their respective expiry dates under the Old Scheme.

The purpose of the New Scheme is to provide full-time employees, 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 them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Movements in share options granted under the Old Scheme during the six months ended 31st October 2002 were as follows:

Name	Subscription price per share	Beginning of period	Number of shares under options		End of period
			Exercised during the period	Lapsed during the period	
(i) Directors					
Mr. Lam Wai Chun	HK\$1.02*	3,527,194	-	-	3,527,194
Mr. Saito Misao	HK\$1.02*	3,527,194	-	-	3,527,194
Ms. Tang Fung Kwan	HK\$1.02*	3,527,194	-	-	3,527,194
(ii) Employees					
	HK\$1.02*	3,527,194	-	-	3,527,194
	HK\$0.75**	34,740,000	-	(540,000)	34,200,000
		48,848,776	-	(540,000)	48,308,776

* 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.

** 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; and (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.

During the six months ended 31st October 2002, no share option has been granted under the New Scheme.



12. Warrants

As at 31st October 2002, the Company had outstanding warrants of 300,800,000 units (as at 30th April 2002: 300,800,000 units), exercisable at any time from 3rd July 2000 to 30th September 2003, both dates inclusive. These warrants entitled the warrant holders to subscribe for 90,546,938 shares in the Company at HK\$0.49 per share (subject to adjustment).

13. Reserves and proposed final dividends

Movements were:

	Share premium HK\$'000	Capital reserve HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained profits HK\$'000	Total HK\$'000	Proposed final dividends HK\$'000
As at 1st May 2001	24,490	13,934	17,454	17,476	(234)	140,304	213,424	5,280
Bonus issue	(10,581)	-	-	-	-	-	(10,581)	-
Premium arising from issue of shares pursuant to the scrip dividend scheme	3,196	-	-	-	-	-	3,196	-
Proceeds from exercise of warrants	514	-	-	-	-	-	514	-
Premium arising from issue of shares on exercise of warrants	240	-	(240)	-	-	-	-	-
Premium arising from issue of new shares	11,941	-	-	-	-	-	11,941	-
Share issue expense	(239)	-	-	-	-	-	(239)	-
Surplus on revaluation of properties	-	-	-	3,590	-	-	3,590	-
Profit attributable to shareholders	-	-	-	-	-	5,973	5,973	-
Dividends paid	-	-	-	-	-	-	-	(3,751)
- scrip dividends	-	-	-	-	-	-	-	(3,751)
- cash dividends	-	-	-	-	-	(11)	(11)	(1,529)
Translation adjustments	-	-	-	-	96	-	96	-
As at 30th April 2002	29,561	13,934	17,214	21,066	(138)	146,266	227,903	-
Premium arising from issue of new shares	5,120	-	-	-	-	-	5,120	-
Share issue expense	(3)	-	-	-	-	-	(3)	-
Profit attributable to shareholders	-	-	-	-	-	5,294	5,294	-
Translation adjustments	-	-	-	-	1,582	-	1,582	-
As at 31st October 2002	34,678	13,934	17,214	21,066	1,444	151,560	239,896	-



14. Contingent liabilities

Contingent liabilities not provided for in the financial statements are:

	As at 31st October 2002 HK\$'000	As at 30th April 2002 HK\$'000
Discounted bills with recourse	–	205
Factoring of trade receivables with recourse	38,636	36,618
	38,636	36,823

BUSINESS REVIEW

During the period under review, according to the “APEC Economic Outlook 2002” presented by the Asia-Pacific Economic Cooperation (“APEC”), the Group believed that the poor economy appeared to bottom out and start making its way back to stability. Although the market was only just stabilising, leveraging its solid foundations and successful marketing strategies, the Group recorded turnover of HK\$247,959,000 (2001: HK\$184,253,000) for the six months ended 31st October 2002, growing at 34.6% over the corresponding period last year. The growth in turnover for nearly all markets of the Group during the current period has confirmed that the Group was steering for the correct direction by investment in expansion and upgrade of production facilities in recent years. The resulting top quality of the Group’s products, which met the stringent requirements of its customers well, was the key to strong acceptance by the markets.



Product prices were still pressurised under the difficult market atmosphere during the period under review, leading to a drop in the Group’s gross profit margin from 29.4% for the six months ended 31st October 2001 to 22.0% for the same period this year. The repercussion on the Group’s half-yearly results was also further, but believed to be temporarily, amplified by the 43.7% jump in depreciation of property, plant and equipment due to the heavy capital expenditures on production facilities during the past years. The profit attributable to shareholders for the six months ended 31st October 2002 was HK\$5,294,000 (2001: HK\$10,477,000), down 49.5% year-on-year. Despite this, the Group believes that the investments will payoff eventually, for the new and sophisticated production facilities will enhance the Group’s competitiveness in the long term. The Group is also actively fine-tuning its cost control policies such as procuring quality raw materials from the Mainland China at more competitive prices and giving up unrewarding operations among the Group’s various business streams, which were reviewed in the following.

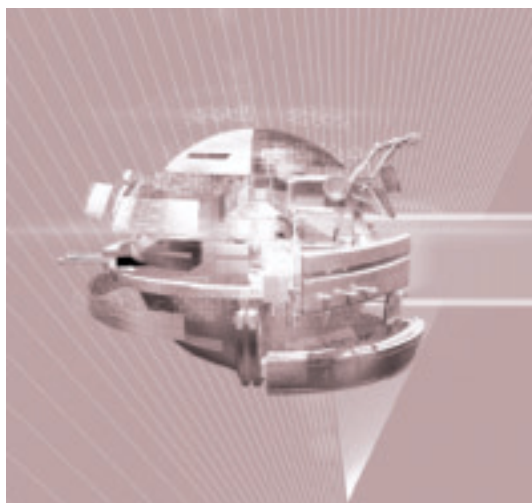


Coils Manufacturing Segment

During the period under review, coils manufacturing continued to represent the Group's principal business segment, generating 82.1% (2001: 80.4%) of the Group's turnover. For the six months ended 31st October 2002, the segment's turnover recorded an encouraging growth rate of 37.3% to reach HK\$203,438,000 (2001: HK\$148,196,000). Last year, the Group actively expanded and installed new, automatic and precision machinery and equipment to produce quality products to meet the demands of the increasingly demanding customers. These new facilities, however, have led to an increase in the segment's depreciation by 40.6%, rising from HK\$22,300,000 for the six months ended 31st October 2001 to HK\$31,350,000 for the current period. On the other hand, market prices for coils remained under substantial pressure resulting from poor market sentiment and keen competition during the period under review. Profit from operations, therefore, dropped from HK\$21,699,000 to HK\$15,896,000 for the current period, with a gross profit margin of 24.4% (2001: 32.4%). Nevertheless, the positive sign stemming from the expanded production facilities is that this will effectively enhance the vertical integration of the segment's production processes and reduce production costs in the future. This is why the Group could get over the competitive and harsh market environment in the past years with ease and successfully re-achieve double-digit turnover growth rate in this major business segment during the period under review.

The Group's manganese-zinc series ferrite core products have been receiving warm response since its launch to the market. Raising product quality further, the Group has invested HK\$5,597,000 more on the project during the second quarter to acquire advanced facilities to enhance the production capability for the manganese-zinc series ferrite core products. The new facilities are expected to boost returns to the Group when they begin operations in the third quarter of the financial year.

Reaping the benefits of the coils manufacturing segment's expansion into the market in Mainland China, the Group enjoyed a considerable growth in its semi-annual turnover in Mainland China by 97.7%, accounting for 8.2% (2001: 5.6%) of the Group's turnover. Such ready success reflects the tremendous room for further expansion available in Mainland China. New wholly owned subsidiaries were established in major developed cities in Mainland China such as Chongqing and Kunshan during the six months ended 31st October 2002, enabling the Group to foster closer relationships with the customers in Mainland China and further understand their product needs.



With the Group's continual effort to explore the European market during recent years, the Group harvested by deriving 52.8% higher turnover from European customers for the current period, which accounted for 5.0% (2001: 4.4%) of the Group's turnover. One of the most noteworthy achievements in this sector of the market was the growing popularity of a major component in mobile phone chargers supplied by the Group to major European mobile phone manufacturers. The Group believes that this is largely attributable to its product quality, which well catered for the needs of those demanding electronics manufacturers.



Capacitors Manufacturing Segment

For the six months ended 31st October 2002, the turnover generated from the capacitors manufacturing segment amounted to HK\$22,413,000, representing an increase of 40.2% against the HK\$15,984,000 recorded during the previous year's corresponding period. This segment accounted for 9.0% (2001: 8.7%) of the Group's turnover. Similar to the first quarter, due to the climbing production costs, distribution and selling expenses as well as general and administrative expenses, the gross profit margin dropped to 10.1% (2001: 19.0%), whereas the profit from operations recorded a decrease of 58.1% to HK\$1,005,000 (2001: HK\$2,397,000). The expanded turnover from the capacitors manufacturing segment reflects the Group's success in tapping the capacitors market. The Group will, on the other hand, endeavour to tighten the segment's operational cost controls while continuing to develop quality products in order to bring in ongoing and more desirable returns to the Group.



Power Supply Devices Manufacturing Segment

For the six months ended 31st October 2002, the turnover of the power supply devices manufacturing segment rose to HK\$3,398,000 (2001: HK\$1,925,000), accounting for 1.4% (2001: 1.1%) of the Group's turnover. The gross profit margin reached 31.7% (2001: 14.9%), but with a loss from operations of HK\$270,000 (2001: profit from operations of HK\$11,000) as a result of the increase in general and administrative expenses during the current period. Building on the wide variety of the segment's products, which are extensively employed in telecommunications and information technology equipment, office automation equipment, home electrical appliances, toys, audio and visual products, etc, and its growing customer base, the segment is expected to maintain steady turnover growth in the future. To enhance overall operational efficiency and with the similarity of the segment's products with those of the coils manufacturing segment, the Group is also considering to integrate the power supply devices manufacturing segment into that of coils manufacturing in the near future.

Electronic Components Trading Segment

For the six months ended 31st October 2002, competition in the electronic components trading market remained fierce. The electronic components trading segment reported a turnover of HK\$18,710,000 (2001: HK\$18,148,000) for the six months ended 31st October 2002, up slightly by 3.1% from the corresponding period last year. The segment accounted for 7.5% (2001: 9.8%) of the Group's turnover. Owing to the increasingly keen competition facing the electronic components trading segment, the segment's gross profit margin shrank from 15.1% for the six months ended 31st October 2001 to 8.2% for the six months ended 31st October 2002. The segment also incurred a loss from operations of HK\$1,067,000 in the current period, compared to a profit from operations of HK\$217,000 in the corresponding period of the previous year. Looking ahead, with the deterioration in operating results and poor prospects of the electronic components trading segment, the Group will concentrate more on developing its core business instead. Starting from October 2002, the Group has ceased its trading of semiconductors and kit set of consumer electronic products. The segment will, therefore, keep its trading of Samsung passive components only in the future.



Information Technology Development

CEC-Technology Limited (“CEC-Technology”), one of the Group’s subsidiaries, is the Group’s information technology and communication management center. The center’s main responsibility is to manage the Group’s website “www.0759.com”, e-mail system, and to develop the internet version of the enterprise resource planning system. Recently, many enterprises in Mainland China have started to automate their internal management systems. The Group believes that CEC-Technology’s software development can also be beneficial to those rapidly developing enterprises in Mainland China, by helping them to streamline their financial and general operations management efficiency.

Recognising the development of CEC-Technology, on 14th May 2002, the Company entered into an agreement with an independent third party for the acquisition of the entire issued share capital of, and the benefit of a loan advanced to, Good Signal Holdings Limited (“Good Signal”) by the Company or through its nominated wholly-owned subsidiary for an aggregate consideration of HK\$8,320,000. The consideration for the acquisition, which was completed on 4th June 2002, was satisfied by the issue of 32,000,000 new shares in the Company. Upon completion of the acquisition, the Group indirectly holds 12.5% of the registered capital of 上海圖王科技有限公司 (Shanghai Signking Science & Technology Co., Ltd. (for identification purpose)) (“Shanghai Signking”). Shanghai Signking is principally engaged in software development, sale of software products and system integration. The customers of Shanghai Signking mainly include local government entities and local private enterprises. The Group believes that the acquisition will be conducive to CEC-Technology’s further development in the computer software business by taking advantage of the synergy between CEC-Technology and Shanghai Signking, and the possible commercialisation of the software products developed by CEC-Technology.

Changes in Financial Resources and Gearing

As at 31st October 2002, the Group’s total borrowings, which were mainly denominated in Hong Kong dollars and partly in United States dollars, Japanese yen and euro, amounted to HK\$314,991,000 (as at 30th April 2002: HK\$300,089,000), of which HK\$133,226,000 (as at 30th April 2002: HK\$151,709,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. Interest expense was levied on Hong Kong dollar prime or Hong Kong Interbank Offered Rate (“HIBOR”) basis with competitive margins. Owing to the decreasing trend in interest rates over the previous financial year, the Group encountered a 69.0% fall in interest income, which amounted to HK\$235,000 in the six months ended 31st October 2002 (2001: HK\$759,000). On the other hand, interest expense declined by 27.0% to HK\$9,430,000 (2001: HK\$12,923,000). Total cash and bank deposits and investment, denominated mainly in Hong Kong dollars, United States dollars, Renminbi, Japanese yen, Singapore dollars and New Taiwan dollars, were HK\$55,903,000 (as at 30th April 2002: HK\$52,804,000). The net gearing ratio (total borrowings less total cash and bank deposits and investment over net tangible assets less proposed final dividends) was 0.84:1 (as at 30th April 2002: 0.85:1). Besides, the net gearing ratio calculated in accordance with the 3-year transferable term loan and revolving credit facility agreement entered into between the Company and a group of banks on 31st January 2002 was 0.99:1 (as at 30th April 2002: 0.99:1), which also complied with the relevant financial covenants.



As at 31st October 2002, the current ratio was 0.91:1 (as at 30th April 2002: 0.85:1). Contingent liabilities were HK\$38,636,000 (as at 30th April 2002: HK\$36,823,000), represented mainly by factoring of trade receivables with recourse of HK\$38,636,000 (as at 30th April 2002: HK\$36,618,000). The Group's authorised and contracted capital commitments for acquisition of machinery and equipment were HK\$404,000 (as at 30th April 2002: HK\$270,000).

As at 31st October 2002, the Group's aggregate banking facilities expanded to HK\$430,686,000 (as at 30th April 2002: HK\$391,747,000), of which HK\$98,438,000 (as at 30th April 2002: HK\$68,786,000) remained unutilised. The banking facilities were secured by mortgages over certain of the Group's land and buildings, pledges of bank deposits, investment, inventories and machinery, as well as corporate guarantees provided by the Company and certain of its subsidiaries. The Group is required to comply with certain restrictive financial covenants imposed by the banks. The financial covenants include, among other things, the maintenance of the following specific financial ratios: (1) the net gearing ratio, defined by the relevant bank as total borrowings plus contingent liabilities less total cash and bank deposits and investment over net tangible assets less proposed final dividends, shall not exceed 0.85:1; and (2) the amount of capital expenditures, as defined by the relevant banks, for the year ended 30th April 2002 shall not exceed HK\$70,000,000. The Group did not fulfill these two financial covenants as at 30th April 2002, but obtained waivers from the relevant banks in respect of such non-compliance in August 2002. The continuing financial support the Group has been enjoying from its principal banks speaks volume of the Group's prospects.

FUTURE PLANS AND PROSPECTS

Looking forward, as the global economy continues to stabilise, the market appears to show fresh signs of recovery. Building on its strengths and capitalising on the market recovery trend, the Group is always ready to consolidate its core business in order to further expand its market presence in the electronics arena. This would not be possible without the Group adhering to its proactive and prudent operating philosophy, both during the past, at present and in the future.

Through the strengthening of its production bases in Zhongshan, Xiamen and Dongguan, and the setup of new subsidiaries in Chongqing and Kunshan in Mainland China during the first half financial year, the Group has established a firm stepping stone for capturing a larger slice of the electronics market in the world's fastest growing economy. This successful strategy has been reflected in the Group's nearly doubled turnover to Mainland China during the current semi-annual period. To meet increasing orders, the Group is planning the establishment of new production facilities in Kunshan. The new production facilities should be able to commence operation and play its part to contribute to the Group's operating results in the early half of the next financial year. The new production facilities will principally manufacture coils and the requisite ferrite cores and ferrite materials. With this strengthened vertical integration in the production processes, the new production facilities can also relieve pressures on the production capacity in Zhongshan, and this will also be translated into shortened delivery lead-time and heightened efficiency in serving our customers better. With the Group's widespread market presence over the various cities in Mainland China, the Group is prepared at any time to catch the latest market intelligence and capture the maximum opportunities to cater for our customers' requirements.



While the Group's policy is to actively pursue the most dynamic markets, the European market is another significant battlefield that the Group will not overlook. It will insist on its strategic development in this continent, by actively seeking new customers and consolidating its existing customer networks to fuel the Group's business in the European market well into the long run.

In addition to the marketing front, the Group believes that improvement in operating results would not be achieved without consistently paying attention to cost controls. Looking to the future, further efforts will be made to source quality but cost-competitive raw materials in Mainland China. Sourcing raw materials in Mainland China will not only allow the Group to obtain the raw materials at a comparatively lower cost level, but also enable it to shorten delivery lead-time, with the final benefit to the Group in terms of higher operating efficiency and returns.

As the Group moves forward, leveraging its effective operational and marketing strategies, the Group will further devote its attention to strengthening its existing business and magnifying the effectiveness of its vertical integration so as to orientate itself in an even more competitive position among the markets, with the expected goal of sharing our resultant success with shareholders in the years to come.

• 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 2002.

• DIRECTORS' INTERESTS IN SECURITIES •

As at 31st October 2002, the Directors of the Company had the following beneficial 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 or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

(a) The Company

	Number of shares of HK\$0.10 each		Number of warrants
	Family interests	Personal interests	Personal interests
Mr. Lam Wai Chun (Note 1)	404,008,996	3,832,000	—
Mr. Saito Misao	—	750,493	—
Ms. Tang Fung Kwan	—	3,502,611	—
Mr. Au Son Yiu	—	1,000,000	1,000,000



Notes:

- As at 31st October 2002, Ka Yan China Development (Holding) Company Limited held 404,008,996 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.

(b) Associated corporation

Coils Electronic Co., Limited

	Number of non-voting deferred shares of HK\$1.00 each (Note 4)		Total
	Personal interests	Family interests	
Mr. Lam Wai Chun (Notes 2 and 3)	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 2002, 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 2002, the Directors of the Company 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 shares under options outstanding
Mr. Lam Wai Chun	21st September 2000	22nd September 2002 to 21st January 2005	HK\$1.02	3,527,194
Mr. Saito Misao	21st September 2000	22nd September 2002 to 21st January 2005	HK\$1.02	3,527,194
Ms. Tang Fung Kwan	21st September 2000	22nd September 2002 to 21st January 2005	HK\$1.02	3,527,194

Save as disclosed above, at no time during the six months ended 31st October 2002 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 debt securities (including debentures) of, the Company or any other body corporate.



SUBSTANTIAL SHAREHOLDERS

As at 31st October 2002, 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)	404,008,996	58.296%
Ka Yan China Investments Limited (Note 2)	404,008,996	58.296%
HSBC Holdings plc (Note 3)	404,008,996	58.296%
HSBC Bank plc (Note 3)	404,008,996	58.296%
Midcorp Limited (Note 3)	404,008,996	58.296%
Griffin International Limited (Note 3)	404,008,996	58.296%
HSBC Europe BV (Note 3)	404,008,996	58.296%
HSBC Europe (Netherlands) BV (Note 3)	404,008,996	58.296%
HSBC International Trustee Limited (Note 3)	404,008,996	58.296%

Notes:

1. The 404,008,996 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 404,008,996 shares duplicated with each other.
3. The interests of HSBC Holdings plc, HSBC Bank plc, Midcorp Limited, Griffin International Limited, HSBC Europe BV, HSBC Europe (Netherlands) BV and HSBC International Trustee Limited in respect of 404,008,996 shares in the Company duplicated with each other. The 404,008,996 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 2002.



• PRACTICE NOTE 19 TO THE LISTING RULES •

In accordance with the disclosure requirements of Practice Note 19 to the Listing Rules, the Company makes the following disclosures in relation to the details of the Agreement (as defined below), which includes conditions relating to specific performance of the controlling shareholder of the Company.

On 31st January 2002, the Company entered into a 3-year transferable term loan and revolving credit facility agreement (the "Agreement") for an aggregate amount of HK\$100,000,000 (the "Facility") with a group of banks. The Facility consists of a term loan for an aggregate amount of HK\$60,000,000 and a revolving credit facility for an aggregate amount of HK\$40,000,000.

Under the provisions of the 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 and Managing Director 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 Facility shall immediately be cancelled; (ii) all amounts accrued and outstanding or owing under the Facility shall immediately become due and payable; and/or (iii) the Facility shall immediately become payable on demand.

In addition, the Group is required to comply with certain restrictive financial covenants imposed by the banks. The financial covenants include, among other things, the maintenance of the following specific financial ratios: (1) the net gearing ratio, defined by the relevant bank as total borrowings plus contingent liabilities less total cash and bank deposits and investment over net tangible assets less proposed final dividends, shall not exceed 0.85:1; and (2) the amount of capital expenditures, as defined by the relevant banks, for the year ended 30th April 2002 shall not exceed HK\$70,000,000. The Group did not fulfill these two financial covenants as at 30th April 2002, but obtained waivers from the relevant banks in respect of such non-compliance in August 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 six months ended 31st October 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive director and independent non-executive directors have not been appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

• APPOINTMENT OF DIRECTORS •

Mr. Law Hoo Shan, Mr. Chiu Chan, Charles, and Mr. Huang Kong have been appointed as Executive Directors of the Company with effect from 19th December 2002.

In addition, Mr. Ho Kwok Keung has been appointed as an Executive Director of the Company with effect from 20th December 2002.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 19th December 2002