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## CORPORATE INFORMATION

### DIRECTORS

#### *Executive Directors*

Mr. Lam Wai Chun (*Chairman*)  
 Ms. Tang Fung Kwan  
 (*Deputy Chairman and Managing Director*)  
 Mr. Huang Kong  
 (*Deputy Managing Director*)  
 Mr. Law Hoo Shan

#### *Independent Non-executive Directors*

Mr. Au Son Yiu  
 Mr. Lee Wing Kwan, Denis  
 Mr. Tang Tin Sek

### AUDIT COMMITTEE

Mr. Tang Tin Sek (*Chairman*)  
 Mr. Au Son Yiu  
 Mr. Lee Wing Kwan, Denis

### COMPANY SECRETARY

Ms. Li Lai Sheung *ACIS*

### AUDITORS

PricewaterhouseCoopers  
*Certified Public Accountants*

### LEGAL ADVISERS

F. Zimmern & Co  
 Richards Butler  
 Appleby Spurling Hunter

### PRINCIPAL BANKERS

China Construction Bank  
 CITIC Ka Wah Bank Limited  
 Dah Sing Bank Limited  
 DBS Bank (Hong Kong) Limited  
 Hang Seng Bank Limited  
 Standard Chartered Bank (Hong Kong) Limited  
 The Hongkong and Shanghai Banking  
 Corporation Limited

### REGISTERED OFFICE

Canon's Court  
 22 Victoria Street  
 Hamilton HM 12  
 Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor, Hing Win Factory Building  
 110 How Ming Street  
 Kwun Tong, Kowloon  
 Hong Kong

### SHARE REGISTRARS AND TRANSFER OFFICES

*Bermuda Principal Share Registrar*  
 Butterfield Fund Services (Bermuda) Limited  
 Rosebank Centre  
 11 Bermudiana Road  
 Pembroke  
 Bermuda

#### *Hong Kong Branch Share Registrar*

Computershare Hong Kong Investor  
 Services Limited  
 46th Floor  
 Hopewell Centre  
 183 Queen's Road East  
 Hong Kong

Website: <http://www.ceccoils.com>  
<http://www.0759.com>  
<http://www.irasia.com/listco/hk/cecint>

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Listed on The Stock Exchange of  
 Hong Kong Limited  
 Stock Code: 0759

## 2004/2005 FIRST QUARTER RESULTS

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

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st July	
		2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Turnover	2	143,171	110,293
Cost of sales		(111,483)	(81,056)
Gross profit		31,688	29,237
Selling and distribution expenses		(3,162)	(2,837)
General and administrative expenses		(17,190)	(16,693)
Other operating expenses		(331)	(331)
Operating profit	2,3	11,005	9,376
Interest income		25	52
Interest expense		(3,612)	(4,548)
Share of profits less losses of associates		–	8
Profit before taxation		7,418	4,888
Taxation	4	(1,602)	(289)
Profit after taxation but before minority interests		5,816	4,599
Minority interests		–	(4)
Profit attributable to shareholders		5,816	4,595
Earnings per share			
– Basic	6	0.84 cent	0.66 cent
– Diluted	6	N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 31st July 2004 HK\$'000 (Unaudited)	As at 30th April 2004 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	457,600	457,213
Investment in associates		33	33
Deposit for acquisition of land		4,612	4,764
<b>Total non-current assets</b>		<b>462,245</b>	<b>462,010</b>
<b>CURRENT ASSETS</b>			
Inventories		69,990	83,973
Trade receivables	8	105,661	92,258
Bills receivable		–	2,181
Prepayments, deposits and other current assets		7,339	8,402
Investment		8,580	8,580
Tax recoverable		39	471
Pledged bank deposits		24,743	25,058
Bank balances and cash		46,707	24,506
<b>Total current assets</b>		<b>263,059</b>	<b>245,429</b>
<b>CURRENT LIABILITIES</b>			
Short-term bank borrowings	9	(231,775)	(198,359)
Trade payables	10	(49,616)	(59,288)
Bills payable		(2,072)	(2,890)
Accruals and other payables		(25,481)	(25,730)
Finance lease obligations, current portion		(4,361)	(6,017)
Taxation payable		(3,822)	(2,420)
Dividend payable		(3,465)	–
<b>Total current liabilities</b>		<b>(320,592)</b>	<b>(294,704)</b>
<b>Net current liabilities</b>		<b>(57,533)</b>	<b>(49,275)</b>
<b>Total assets less current liabilities</b>		<b>404,712</b>	<b>412,735</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term bank loans, non-current portion	9	(64,694)	(72,926)
Finance lease obligations, non-current portion		(2,150)	(2,971)
Deferred tax		(22,364)	(23,076)
<b>Total non-current liabilities</b>		<b>(89,208)</b>	<b>(98,973)</b>
<b>Net assets</b>		<b>315,504</b>	<b>313,762</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	69,303	69,303
Reserves			
Proposed final dividend	13	–	3,465
Others	13	246,201	240,994
<b>Shareholders' equity</b>		<b>315,504</b>	<b>313,762</b>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Three months ended 31st July	
	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Net cash inflow from operating activities	19,010	18,511
Net cash outflow from investing activities	(15,412)	(14,661)
Net cash inflow from financing activities	17,541	26,211
Translation adjustments	(491)	340
Increase in cash and cash equivalents	20,648	30,401
Cash and cash equivalents, beginning of period	9,097	(9,271)
Cash and cash equivalents, end of period	29,745	21,130
Analysis of cash and cash equivalents:		
Bank balances and cash	46,707	22,745
Bank overdrafts	(16,962)	(1,615)
	29,745	21,130

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Three months ended 31st July	
	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Total equity, beginning of period	313,762	297,251
Exchange differences arising on translation of the accounts of foreign subsidiaries and associates not recognised in the condensed consolidated income statement	(609)	131
Profit attributable to shareholders	5,816	4,595
2003/2004 final dividend	(3,465)	–
Total equity, end of period	315,504	301,977

## NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

### 1. Principal accounting policies

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

### 2. Segment information

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) the design, development, manufacture and sale of a wide range of coils, capacitors and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products; (ii) sales and manufacture of ferrite powder; and (iii) the provision of information technology services.

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

	Turnover		Operating profit/(loss)	
	Three months ended		Three months ended	
	31st July		31st July	
	2004	2003	2004	2003
	HK\$'000	HK\$000	HK\$'000	HK\$'000
Coils manufacturing	130,340	97,191	10,215	10,269
Ferrite powder manufacturing	7,203	–	613	–
Capacitors manufacturing	2,856	2,659	376	(888)
Electronic components trading	2,146	8,600	49	386
Information technology services	549	1,843	(321)	(391)
Others	77	–	73	–
	143,171	110,293	11,005	9,376

### 3. Operating profit

Operating profit is stated after crediting and charging the following:

	Three months ended	
	31st July	
	2004	2003
	HK\$'000	HK\$'000
<b>Crediting</b>		
Gain on disposal of investment properties	50	–
Unrealised gain on investment	–	149
<b>Charging</b>		
Depreciation of fixed assets	15,874	12,087
Cost of inventories sold	110,926	80,339
Staff costs (including directors' emoluments)	30,627	26,470

## NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

### 4. Taxation

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Other overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

The amount of taxation charged to the condensed consolidated income statement represents:

	Three months ended 31st July	
	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax		
– current tax	1,228	–
– over-provision in prior periods	–	(18)
Overseas taxation		
– current tax	1,083	62
Deferred taxation	(709)	245
	<hr/>	<hr/>
	1,602	289

### 5. Dividend

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

### 6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st July 2004 is based on the profit attributable to shareholders of approximately HK\$5,816,000 (2003: HK\$4,595,000) and the weighted average number of 693,028,811 (2003: 693,028,811) shares in issue during the period.

No information in respect of diluted earnings per share is presented as the exercise of the outstanding options and warrants during the three months ended 31st July 2003 and 31st July 2004 respectively would have no dilutive effect.

### 7. Fixed assets

During the three months ended 31st July 2004, the additions to fixed assets were approximately HK\$16,864,000 (2003: HK\$8,107,000); the total net book value of disposals and write-offs of fixed assets were approximately HK\$483,000 (2003: HK\$32,000).



## NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

### 8. Trade receivables

The aging analysis of trade receivables is as follows:

	As at 31st July 2004 HK\$'000	As at 30th April 2004 HK\$'000
Current	84,389	78,954
Overdue by 0 – 1 month	7,296	7,048
Overdue by 1 – 2 months	7,865	2,648
Overdue by 2 – 3 months	5,623	2,961
Overdue by more than 3 months	3,978	3,686
	<u>109,151</u>	<u>95,297</u>
Less: Provision for bad and doubtful debts	(3,490)	(3,039)
	<u>105,661</u>	<u>92,258</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 to three months to its trade customers who have good payment records and well-established relationships with the Group.

### 9. Bank loans

#### (a) Short-term bank borrowings

	As at 31st July 2004 HK\$'000	As at 30th April 2004 HK\$'000
Long-term bank loan, current portion	83,670	74,936
Others	148,105	123,423
	<u>231,775</u>	<u>198,359</u>

#### (b) Long-term bank loans

During the period, the Group obtained a long-term bank loan in the amount of HK\$20,000,000 and the long-term bank loans amounting to approximately HK\$19,499,000 were repaid.

## NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

### 10. Trade payables

The aging analysis of trade payables is as follows:

	As at 31st July 2004 HK\$'000	As at 30th April 2004 HK\$'000
Current	35,320	41,701
Overdue by 0 – 1 month	6,389	7,322
Overdue by 1 – 2 months	1,870	3,811
Overdue by 2 – 3 months	941	1,311
Overdue by more than 3 months	5,096	5,143
	49,616	59,288

### 11. Share capital

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

### 12. Share options

Under the share option scheme adopted by the Company on 26th October 1999 (the "Old Scheme"), the Directors may grant options to any employees or executives of the Company or any of its subsidiaries, including executive directors (but excluding independent non-executive directors of the Company) of the Company or any of its subsidiaries, to subscribe for shares in the Company. On 26th September 2002, a new share option scheme (the "New Scheme") was adopted by the Company and the Old Scheme was terminated. No further options can be offered under the Old Scheme. However, all other respects of the provisions of the Old Scheme shall remain in full force and holders of all options granted under the Old Scheme prior to such termination shall be entitled to exercise the outstanding options pursuant to the terms of the Old Scheme until the expiry of the said options.

The purpose of the New Scheme is to provide any full-time employees of the Company or any of its subsidiaries (including executive directors) and non-executive directors of the Company or any of its subsidiaries (including independent non-executive directors of the Company) with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

## NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

### 12. Share options (Continued)

Movements in options granted under the Old Scheme during the three months ended 31st July 2004 are as follows:

Date of grant	Vesting period	Exercisable period	Subscription price per share	Number of shares under options			End of period
				Beginning of period	Exercised during the period	Lapsed during the period	
<b>(i) Directors</b>							
<i>Mr. Lam Wai Chun</i>							
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	(1,322,698)	-
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				2,645,396	-	(1,322,698)	1,322,698
<i>Ms. Tang Fung Kwan</i>							
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	(1,322,698)	-
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				2,645,396	-	(1,322,698)	1,322,698
<i>Mr. Law Hoo Shan</i>							
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	630,000	-	-	630,000
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	630,000	-	-	630,000
				1,260,000	-	-	1,260,000
<b>(ii) Employees</b>							
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	(1,322,698)	-
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				2,645,396	-	(1,322,698)	1,322,698
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	9,112,500	-	(742,500)	8,370,000
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	9,112,500	-	(742,500)	8,370,000
				18,225,000	-	(1,485,000)	16,740,000
				27,421,188	-	(5,453,094)	21,968,094

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

## NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

### 13. Reserves

Movements in reserves are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Mainland China statutory reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1st May 2003	36,118	13,934	17,214	17,447	137	1,305	141,793	227,948
Transfer from subscription right reserve to retained profits	-	-	(17,214)	-	-	-	17,214	-
Transfer from retained profits to Mainland China statutory reserve	-	-	-	-	953	-	(953)	-
Profit attributable to shareholders	-	-	-	-	-	-	15,857	15,857
Translation adjustments	-	-	-	-	-	654	-	654
As at 30th April 2004	36,118	13,934	-	17,447	1,090	1,959	173,911	244,459
2003/2004 final dividend	-	-	-	-	-	-	(3,465)	(3,465)
Transfer from retained profits to Mainland China statutory reserve	-	-	-	-	183	-	(183)	-
Profit attributable to shareholders	-	-	-	-	-	-	5,816	5,816
Translation adjustments	-	-	-	-	-	(609)	-	(609)
As at 31st July 2004	36,118	13,934	-	17,447	1,273	1,350	176,079	246,201

### 14. Contingent liabilities

Contingent liabilities not provided for in the accounts are:

	As at 31st July 2004 HK\$'000	As at 30th April 2004 HK\$'000
Discounted bills with recourse	368	2,484
Factoring of trade receivables with recourse	33,972	35,568
	34,340	38,052

## MANAGEMENT DISCUSSION AND ANALYSIS

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### BUSINESS REVIEW

#### *Overview*

The Group's turnover for the three months ended 31st July 2004 was HK\$143,171,000 (2003: HK\$110,293,000), up 29.8% as compared with the corresponding period last year. During the period, coils manufacturing segment recorded a 34.1% increase in turnover. As for the electronic components trading segment and information technology segment, the turnover of these segments decreased by 75.0% and 70.2% respectively as compared with the same period last year. These reflected that the Group has been strictly implementing the step-by-step restructuring policy for its business.

During the period under review, the Group's overall gross profit was HK\$31,688,000 (2003: HK\$29,237,000), with an increase of 8.4% as compared with the corresponding period last year, while gross profit margin was 22.1% (2003: 26.5%). The drop in gross profit margin was a combined effect of the sustaining high raw materials prices, as well as the increase in energy charges and wages incurred by the plant in Mainland China. However, with the increasing utilisation rate in assets, it is expected that downward pressure on gross profit margin can be eased in future. During the period, operating profit and profit attributable to shareholders were HK\$11,005,000 (2003: HK\$9,376,000) and HK\$5,816,000 (2003: HK\$4,595,000), up 17.4% and 26.6%, respectively as compared with the same period last year. Earnings before interest, tax, depreciation and amortisation ("EBITDA") was HK\$26,879,000 (2003: HK\$21,463,000) for the period.

#### *Manufacturing Segment*

The turnover of the coils manufacturing segment, the Group's core business, recorded a rise of 34.1% to HK\$130,340,000 (2003: HK\$97,191,000) for the three months ended 31st July 2004.

During the period under review, the Group has been adopting a persistent pragmatic approach in operation to meet its customers' requirements with the utmost effort of its whole crew, as the direction in sales and marketing. Meanwhile, the partnership established with its suppliers has been reinforced. The effectiveness of these can be evidenced by the achievement of a steady progress in business during the period.

Under the maturing business environment and system in Mainland China, the Group will grasp such opportunity for business development. For the three months ended 31st July 2004, the turnover in Mainland China reached HK\$44,675,000 (2003: HK\$13,202,000), with a growth of more than two-fold as compared with the same period last year, and accounted for 31.2% (2003: 12.0%) of the Group's overall turnover.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### *Funds Surplus and Liabilities*

As at 31st July 2004, cash and bank deposits (denominated mainly in Hong Kong dollar, United States dollar, Renminbi, Japanese yen, Singapore dollar and New Taiwan dollar) was HK\$71,450,000 (as at 30th April 2004: HK\$49,564,000). The banking facilities were secured by mortgages on the Group's certain land and buildings, pledges of the Group's bank deposits, investment and machinery, and corporate guarantees provided by the Company and its certain subsidiaries. In addition, the Group is required to meet certain restrictive financial covenants with the major banks. As at 31st July 2004, the Group could comply with such financial ratios, which indicates that the Group's financial position was satisfactory.

As at 31st July 2004, the Group's total borrowings granted from banks and financial institutions was HK\$302,980,000 (as at 30th April 2004: HK\$280,273,000), of which HK\$236,136,000 (as at 30th April 2004: HK\$204,376,000) was current and HK\$66,844,000 (as at 30th April 2004: HK\$75,897,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. Furthermore, contingent liabilities as at the same date amounted to HK\$34,340,000 (as at 30th April 2004: HK\$38,052,000), of which HK\$33,972,000 (as at 30th April 2004: HK\$35,568,000) was factoring of trade receivables with recourse.

#### *Financial Resources and Capital Structure*

The Group's net cash inflow for the three months ended 31st July 2004 amounted to HK\$20,648,000 (2003: HK\$30,401,000). Net cash inflow from operating activities was HK\$19,010,000 (2003: HK\$18,511,000). Net cash inflow from financing activities was HK\$17,541,000 (2003: HK\$26,211,000). During the period, the Group obtained banking facilities, some of which were used for the acquisition of new equipment and the payment of operating expenses. Taking into account the corporate development and the market condition, the Group will gradually improve its capital structure. During the period under review, the Group continued to repay certain balances of bank loans for reducing the Group's net gearing ratio\*. As at 31st July 2004, the Group's net gearing ratio was 0.85 (as at 30th April 2004: 0.88).

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

Net cash outflow from investing activities for the three months ended 31st July 2004 was HK\$15,412,000 (2003: HK\$14,661,000), the capital expenditure of which was mainly used in purchasing equipment and expanding manufacturing plant, thereby increasing the production capacity.

Cash Flow Summary	Three months ended 31st July	
	2004 HK\$'000	2003 HK\$'000
Net cash inflow from operating activities	19,010	18,511
Net cash outflow from investing activities	(15,412)	(14,661)
Net cash inflow from financing activities	17,541	26,211
Exchange adjustment	(491)	340
Increase in cash and cash equivalents	20,648	30,401

## MANAGEMENT DISCUSSION AND ANALYSIS

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### Charges on Assets

As at 31st July 2004, certain assets of the Group with an aggregate carrying value of HK\$66,936,000 (as at 30th April 2004: HK\$69,671,000) were pledged to secure banking facilities and finance lease.

### Exchange Risks

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

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

### FUTURE PLAN AND PROSPECTS

The Group will continue to focus on its coils business and actively develop tailor-made products recognised by its customers. To keep up with the new trend, the Group will strive to obtain accreditation on various environmental protection standards. Simultaneously, the Group will actively formulate and strictly implement operating strategies which can effectively reduce its debt. During the period under review, the Group has been enhancing logistics management to reduce inventory level. Inventory, therefore, decreased to HK\$69,990,000 (as at 30th April 2004: HK\$83,973,000). In the coming three quarters, the Group will continue to further refine its logistics management to increase the efficiency in using working capital. It is expected that these strategies can be beneficial to the improvement of the Group's debt level.

### EMPLOYEES AND REMUNERATION POLICY

The Group had approximately 6,500 employees as at 31st July 2004. The remuneration of the employees is determined by reference to market benchmark, individual performance and work experience, subject to review, while bonus entitlement depends on the Group's results and employees' individual performance.

## OTHER INFORMATION

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES

As at 31st July 2004, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

#### (a) Shares of the Company

Name of director	Number of shares of HK\$0.10 each				Total interests	Percentage of issued share capital
	Family interests	Personal interests (Note 2)	Corporate interests	Trusts and similar interests		
Mr. Lam Wai Chun	404,008,996 (Note 3)	7,332,000	404,008,996 (Note 3)	404,008,996 (Note 3)	411,340,996 (Note 3)	59.35%
Ms. Tang Fung Kwan	-	3,502,611	-	-	3,502,611	0.51%
Mr. Law Hoo Shan	-	546,751	-	-	546,751	0.08%
Mr. Au Son Yiu	-	3,400,000	-	-	3,400,000	0.49%
Mr. Tang Tin Sek	-	876,000	-	-	876,000	0.13%

#### Notes:

- All the above interests in the shares of the Company were long positions. These interests need to be aggregated with those set out in sub-paragraph (b) below (if applicable) to give the total interests of the relevant directors of the Company.
- Personal interests were interests held by the relevant directors as beneficial owners.
- The 404,008,996 shares were held by and registered in the name of Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust, namely Ka Yan China Family Trust (the “Trust”). The beneficiaries under the Trust were Mr. Lam Wai Chun’s spouse, Ms. Law Ching Yee, and his children who were under the age of 18 years. By virtue of his being a founder of the Trust, Mr. Lam Wai Chun was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The 404,008,996 shares in the family interests, corporate interests and trusts and similar interests related to the same block of shares in the Company and duplicated each other. Accordingly, the figure of 411,340,996 shares in the total interests column for Mr. Lam Wai Chun was arrived at after eliminating the duplications.



## OTHER INFORMATION

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES (Continued)

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

As at 31st July 2004, the following directors of the Company had beneficial interests in the outstanding share options granted under the Old Scheme entitling them to subscribe for shares of the Company, the interests of which were long positions:

Date of grant	Vesting period	Exercisable period	Subscription price per share	Number of shares under options			End of period
				Beginning of period	Exercised during the period	Lapsed during the period	
<i>Mr. Lam Wai Chun</i>							
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	(1,322,698)	-
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				2,645,396	-	(1,322,698)	1,322,698
<i>Ms. Tang Fung Kwan</i>							
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	(1,322,698)	-
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				2,645,396	-	(1,322,698)	1,322,698
<i>Mr. Law Hoo Shan</i>							
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	630,000	-	-	630,000
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	630,000	-	-	630,000
				1,260,000	-	-	1,260,000

## OTHER INFORMATION

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES (Continued)

## (c) Shares of associated corporation(s) of the Company

*Coils Electronic Co., Limited*

Name of director	Number of non-voting deferred shares of HK\$1.00 each				Percentage of issued non-voting deferred shares
	Personal interests	Corporate interests	Family interests	Total interests	
Mr. Lam Wai Chun (Notes 4 and 5)	7,500,000	6,000,000	500,000	14,000,000	100%

## Notes:

- Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK\$1.00 each, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of HK\$1.00 each issued by Coils Electronic Co., Limited, in which Coils International Holdings Limited, a direct wholly-owned subsidiary of the Company, held 100% of the issued ordinary share capital.
- 6,000,000 non-voting deferred shares of HK\$1.00 each were held by Ka Yan China Development (Holding) Company Limited and 500,000 non-voting deferred shares of HK\$1.00 each were held by Ms. Law Ching Yee respectively in Coils Electronic Co., Limited, representing approximately 42.86% and approximately 3.57% respectively of the 14,000,000 non-voting deferred shares of HK\$1.00 each in the share capital of Coils Electronic Co., Limited. Mr. Lam Wai Chun was deemed to be interested in all these shares under the SFO by virtue of, in the case of shares held by Ka Yan China Development (Holding) Company Limited, the reasons set out in Note 3 to sub-paragraph (a) above and, in the case of Ms. Law Ching Yee, the fact that Ms. Law Ching Yee is the spouse of Mr. Lam Wai Chun.
- All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held by Mr. Lam Wai Chun were long positions.
- Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

Save as disclosed above, as at 31st July 2004, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## OTHER INFORMATION

### INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st July 2004, according to the register required to be kept by the Company under section 336 of the SFO, the following persons, other than the directors or chief executives of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

#### (a) Shares of the Company

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

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Ms. Law Ching Yee	411,340,996 (Note 2)	–	–	–	59.35%
Ka Yan China Development (Holding) Company Limited	–	–	–	404,008,996 (Notes 2 and 3)	58.30%
Ka Yan China Investments Limited	–	404,008,996 (Notes 2 and 3)	–	–	58.30%
HSBC International Trustee Limited	–	–	404,008,996 (Notes 3 and 4)	–	58.30%

*Other persons as recorded in the register kept by the Company pursuant to section 336 of the SFO*

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Nittoku Engineering Co., Ltd.	–	–	–	51,093,983	7.37%
Toko, Inc.	–	–	–	36,785,402	5.31%

*Notes:*

- All the above interests in the shares of the Company were long positions.
- The 404,008,996 shares were held by and registered in the name of Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust. The beneficiaries under the Trust were Mr. Lam Wai Chun's spouse, Ms. Law Ching Yee, and his children who were under the age of 18 years. By virtue of Mr Lam Wai Chun being a founder of the Trust, Ms Law Ching Yee was deemed to be interested in all the shares and equity derivatives held by her spouse for the purpose of the SFO. These interests need to be aggregated with those set out in sub-paragraph (b) below to give the total interests of Ms. Law Ching Yee.

## OTHER INFORMATION

### INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (*Continued*)

#### (a) Shares of the Company (*Continued*)

3. The interests of Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, the ultimate holding company of the Company, were in respect of the same 404,008,996 shares and duplicated each other.
4. The 404,008,996 shares in which HSBC International Trustee Limited was interested were the shares referred to in Notes 2 and 3 above.

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

##### *Substantial shareholder (as defined in the Listing Rules)*

Name	Number of shares pursuant to option granted Family interests
Ms. Law Ching Yee	1,322,698 ( <i>Note 5</i> )

##### *Note:*

5. Ms. Law Ching Yee was deemed to be interested in 1,322,698 shares in respect of the outstanding share option granted to her spouse, Mr. Lam Wai Chun, under the Old Scheme, the interests of which were long positions. The details of the outstanding share option are set out under the subparagraph headed "Underlying shares pursuant to equity derivatives of the Company" in the section headed "Interests of directors and chief executives in securities".

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interests (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 31st July 2004.

## OTHER INFORMATION

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### DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

- (a) On 30th April 2003, the Company entered into a 3-year transferable term loan facility agreement (the “2003 Agreement”) for an aggregate amount of HK\$165,000,000 (the “2003 Facility”) with Coils Electronic Co., Limited (“Coils”), a wholly-owned subsidiary of the Company, as original guarantor, and a group of banks.

Under the provisions of the 2003 Agreement, it would be an event of default, inter alia, if any of the following events occurs:

1. Mr. Lam Wai Chun (“Mr. Lam”), the Chairman of the Company, and Ka Yan China Development (Holding) Company Limited (“Ka Yan”), the controlling shareholder of the Company, cease to be the beneficial owners, together, of more issued share capital of the Company than any other person (including persons acting in concert); or
2. Mr. Lam and Ka Yan cease to be the beneficial owners, together, of at least 35% of the issued share capital of the Company; or
3. Mr. Lam ceases to be the Chairman of the Company or ceases to be involved actively in the management and business of the Group; or
4. Mr. Lam or Ka Yan sells, transfers, assigns, encumbers or disposes of all or part of their respective beneficial ownership of shares in the Company; or
5. Ka Yan ceases to be wholly and beneficially owned by Ka Yan China Family Trust (the “Trust”), the family trust of Mr. Lam; or
6. Mr. Lam’s immediate family members cease to be the only beneficiaries under the Trust.

If any such event of default occurs, upon a notice served to the Company, (i) the 2003 Facility shall immediately be cancelled; (ii) all amounts accrued and outstanding or owing under the 2003 Facility shall immediately become due and payable; and/or (iii) the 2003 Facility shall immediately become payable on demand.

## OTHER INFORMATION

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

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

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

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares during the three months ended 31st July 2004.

### AUDIT COMMITTEE

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

The Audit Committee has reviewed the First Quarterly Report for the three months ended 31st July 2004.

### CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the three months ended 31st July 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors have not been appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company’s Bye-laws.

## OTHER INFORMATION

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### CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions for the three-month period to 31st July 2004. Following specific enquiry by the Company, all of the Directors confirmed compliance with the required standard set out in the Model Code throughout the three months ended 31st July 2004.

By Order of the Board  
**Lam Wai Chun**  
*Chairman*

Hong Kong, 27th September 2004

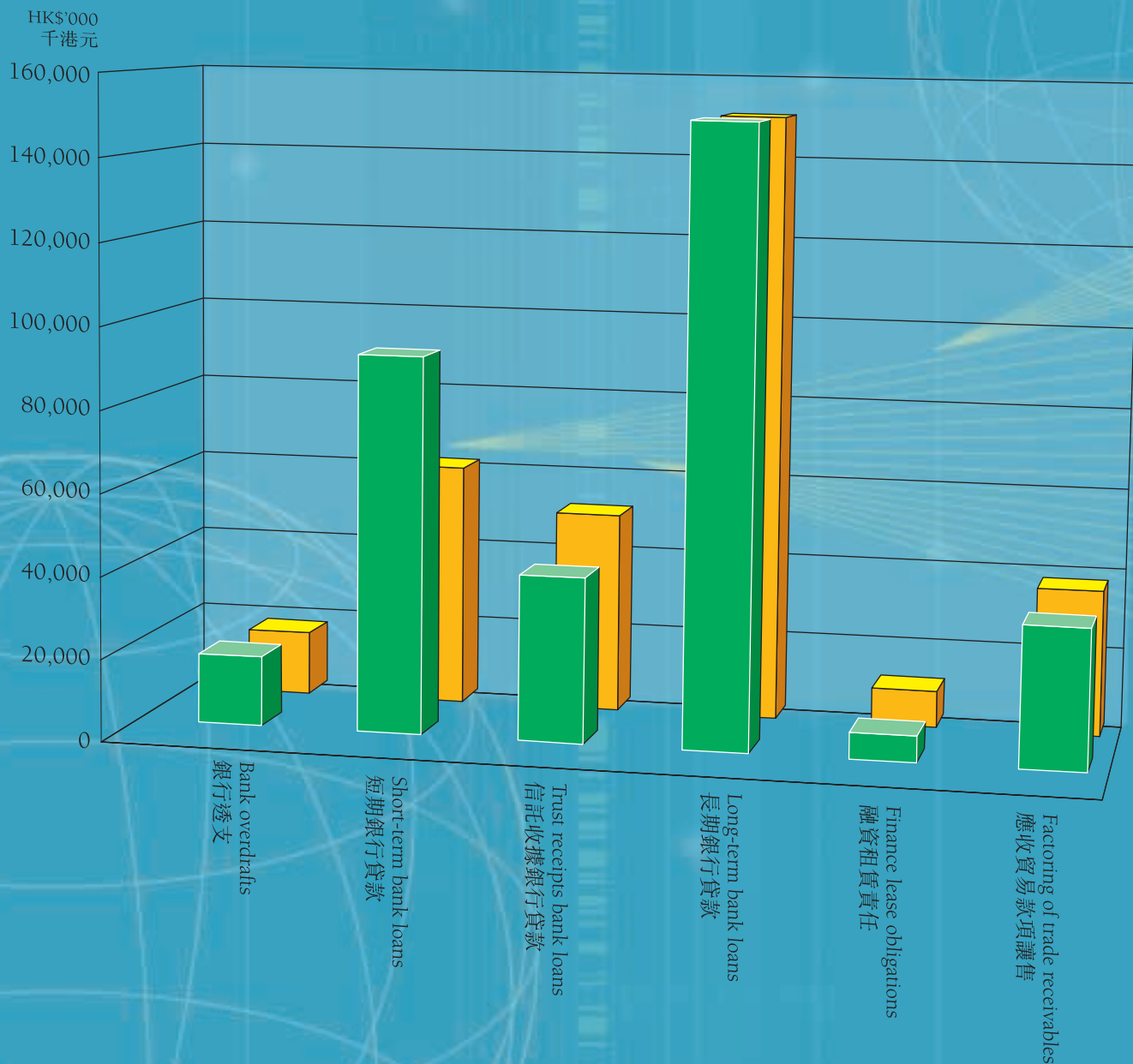
# Summary

## of credit facilities utilisation

### 融資 信貸動用摘要

As at 31st July 2004

於二零零四年七月三十一日



31/7/2004

30/4/2004





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