

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Nine months ended 31st January	
	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
Shareholders' equity, beginning of period	294,006	271,507
Translation adjustments	1,692	75
Net gains not recognised in the consolidated income statement	1,692	75
Profit attributable to shareholders	5,310	12,797
Dividends paid	–	(1,540)
Issue of new shares	8,320	14,620
Share issue expense	(3)	(240)
Shareholders' equity, end of period	309,325	297,219

*Notes:***1. Principal accounting policies**

The same principal accounting policies and methods of computation are followed in the quarterly financial statements for the three months and nine months ended 31st January 2003 as compared with the most recent published annual financial statements for the year ended 30th April 2002. The quarterly 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 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 31st January		Nine months ended 31st January	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Coils manufacturing	80,091	76,059	286,927	226,180
Capacitors manufacturing	8,212	8,219	30,625	24,203
Electronic components trading	4,922	7,710	23,632	25,858
	93,225	91,988	341,184	276,241

	Profit (loss) from operations			
	Three months ended 31st January		Nine months ended 31st January	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Coils manufacturing	4,593	8,874	20,219	30,584
Capacitors manufacturing	366	(263)	1,371	2,134
Electronic components trading	(234)	(809)	(1,301)	(592)
	4,725	7,802	20,289	32,126

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

	Turnover			
	Three months ended 31st January		Nine months ended 31st January	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	54,611	64,985	218,982	195,168
Mainland China	10,301	6,652	30,565	16,901
Taiwan	13,502	14,830	47,458	33,805
Europe	5,866	3,360	18,352	11,530
Others	8,945	2,161	25,827	18,837
	93,225	91,988	341,184	276,241

	Profit (loss) from operations			
	Three months ended		Nine months ended	
	31st January		31st January	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	4,070	7,314	12,486	28,004
Mainland China	705	1,038	4,123	2,668
Taiwan	224	82	1,726	1,894
Europe	208	540	971	2,194
Others	(482)	(1,172)	983	(2,634)
	4,725	7,802	20,289	32,126

### 3. Profit before taxation

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

	Three months ended		Nine months ended	
	31st January		31st January	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting –				
Interest income from bank deposits	61	152	296	911
Charging –				
Depreciation of property, plant and equipment	11,437	14,480	43,869	37,045
Amortisation of intangible asset	266	267	800	800
Employment costs (including directors' emoluments)	18,269	20,830	64,799	69,660
Interest expense on				
– bank overdrafts and loans wholly repayable within five years	3,613	3,065	10,756	10,759
– factoring of trade receivables	554	548	1,950	1,898
– finance leases	585	1,215	1,476	5,094

#### 4. Taxation

Taxation consisted:

	Three months ended		Nine months ended	
	31st January		31st January	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company and subsidiaries				
Current taxation –				
Hong Kong profits tax	248	736	756	2,084
Mainland China enterprise income tax	(55)	59	477	309
Deferred taxation – Hong Kong profits tax	–	–	–	–
	193	795	1,233	2,393
Associates and jointly controlled entities				
Current taxation – Hong Kong profits tax	–	–	–	–
	193	795	1,233	2,393

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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 nine months ended 31st January 2003 (2002: Nil).

#### 6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st January 2003 is based on the profit attributable to shareholders of approximately HK\$16,000 (2002: HK\$2,320,000) and on the weighted average number of 693,028,811 (2002: 661,028,811) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January 2003 is based on the profit attributable to shareholders of approximately HK\$5,310,000 (2002: HK\$12,797,000) and on the weighted average number of 689,086,782 (2002: 645,174,211) shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 31st January 2003 is based on the profit attributable to shareholders of approximately HK\$16,000 (2002: HK\$2,320,000) and on the weighted average number of 693,028,811 (2002: 661,028,811) shares, adjusted to reflect the effect of all dilutive potential shares in issue during the period.

The calculation of diluted earnings per share for the nine months ended 31st January 2003 is based on the profit attributable to shareholders of approximately HK\$5,310,000 (2002: HK\$12,797,000) and on the weighted average number of 689,086,782 (2002: 649,576,633) 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 nine months ended 31st January 2003 to that used in the calculation of diluted earnings per share is as follows:

	Three months ended 31st January		Nine months ended 31st January	
	2003	2002	2003	2002
Weighted average number of shares used in the calculation of basic earnings per share	693,028,811	661,028,811	689,086,782	645,174,211
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	-	-	-	4,402,422
Weighted average number of shares used in the calculation of diluted earnings per share	693,028,811	661,028,811	689,086,782	649,576,633

The outstanding share options and warrants during the three months and nine months ended 31st January 2003 were anti-dilutive. The outstanding share options during the three months and nine months ended 31st January 2002 were anti-dilutive. The outstanding warrants during the three months ended 31st January 2002 were anti-dilutive.

#### 7. Property, plant and equipment

During the nine months ended 31st January 2003, the additions to property, plant and equipment were approximately HK\$15,883,000 (nine months ended 31st January 2002: HK\$67,067,000).

**8. Trade receivables**

Aging analysis of trade receivables is:

	As at 31st January 2003 HK\$'000	As at 30th April 2002 HK\$'000
Current	40,387	27,527
Overdue by 0 – 1 month	11,132	9,937
Overdue by 1 – 2 months	7,407	3,284
Overdue by 2 – 3 months	5,562	842
Overdue by more than 3 months	5,997	2,218
	70,485	43,808
Less: Provision for bad and doubtful debts	(1,994)	(1,808)
	68,491	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 January 2003 HK\$'000	As at 30th April 2002 HK\$'000
Current	31,653	25,386
Overdue by 0 – 1 month	2,779	7,525
Overdue by 1 – 2 months	1,440	3,112
Overdue by 2 – 3 months	1,663	2,344
Overdue by more than 3 months	3,955	3,229
	41,490	41,596

**10. Share capital**

Movements in share capital were:

	Nine months ended 31st January 2003		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 nine months ended 31st January 2003 were as follows:

Name	Subscription price per share	Number of shares under options			End of period
		Beginning of period	Exercised during the period	Lapsed during the period	
(i) Directors					
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
Mr. Law Hoo Shan	HK\$0.75**	1,680,000	–	–	1,680,000
Mr. Ho Kwok Keung	HK\$0.75**	780,000	–	–	780,000
(ii) Employees					
	HK\$1.02*	3,527,194	–	–	3,527,194
	HK\$0.75**	32,280,000	–	(1,080,000)	31,200,000
		48,848,776	–	(1,080,000)	47,768,776

\* 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 nine months ended 31st January 2003, no share option has been granted under the New Scheme.

## 12. Warrants

As at 31st January 2003, 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	-	-	-	-	-	5,310	5,310	-
Translation adjustments	-	-	-	-	1,692	-	1,692	-
As at 31st January 2003	34,678	13,934	17,214	21,066	1,554	151,576	240,022	-

**14. Contingent liabilities**

Contingent liabilities not provided for in the financial statements are:

	As at 31st January 2003 HK\$'000	As at 30th April 2002 HK\$'000
Discounted bills with recourse	1,013	205
Factoring of trade receivables with recourse	24,182	36,618
	<b>25,195</b>	<b>36,823</b>

**15. Comparative figures**

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

The above was prepared by:

**Cheung Man Ho**  
Financial Controller

**BUSINESS REVIEW**

The Board of Directors hereby announces that for the nine months ended 31st January 2003, the Group recorded a turnover of HK\$341,184,000 (2002: HK\$276,241,000), representing an increase of 23.5% as compared to the same period in the previous year, and a gross profit margin of 22.6% (2002: 27.6%), representing a decrease of 5.0% as compared to the same period in the previous year. The profit attributable to shareholders recorded in the period was HK\$5,310,000 (2002: HK\$12,797,000). The drop in profit attributable to shareholders was mainly due to the substantial depreciation in property, plant and equipment, which amounted to HK\$43,869,000 (2002: HK\$37,045,000), up 18.4% from the corresponding period in the previous year.



In the face of the economic downturn and intense competition in market, the Group adopted a price-cutting strategy to consolidate its market position. During the period, the Group recorded a satisfactory growth in turnover. The fall in product prices resulted in a fall of the gross profit margin of products. However, the Group switched to a stable pricing policy in the second half of the financial year. As such, the gross profit margin for the third quarter was roughly the same as that in the interim. During the period, the Group proactively developed new series of products and strengthened its market penetration, and focused on the development of power supply devices and the markets in Europe and the United States.

The above was written by:

**Tang Fung Kwan**  
Executive Director