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
	25,195	36,823

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

Manufacturing Segment

Manufacturing continued to be the Group's core business, accounting for 93.1% (2002: 90.6%) of the Group's turnover. The turnover of coils manufacturing for the nine months ended 31st January 2003 was 26.9% higher than that for the same period last year. The turnover in the Mainland China market accounted for 9.0% (2002: 6.1%) of the Group's turnover for the nine months ended 31st January 2003, up 2.9% from the same period last year.

Although the international markets have not yet fully recovered, with the accession of Mainland China to the World Trade Organisation, many international manufacturers have been induced to invest in setting up production facilities in Mainland China. The domestic manufacturers in Mainland China keep upgrading themselves in order to meet the global challenges. Their required suppliers must be sizable and able to provide them with cost competitive but quality products. The Group has long been well qualified in these respects. As such, the Group's sales team can be more confident in promoting its products and extending its sales network. Meanwhile, the Group exercises tight control on customers' credit management, thus substantially reducing the risk of bad debts.

The Group's products are widely applicable in audio-visual equipment, home electrical appliances, toys, computers and office automation equipment, car accessories and power supply devices, etc. Therefore, the Group is not susceptible to influences from any single industry segment.

In January 2003, the Group invested NT$9,000,000 to subscribe for 40% of the equity of 連磁科技股份有限公司 (Rentz Technologies Co., Ltd., (for identification purpose)). Rentz Technologies Co., Ltd. is a company incorporated in Taiwan. It is principally engaged in the design, manufacture and sale of ferrite production equipment. The Group believes that the above investment will benefit the Group in its present and future development in ferrite materials.

The above was written by:
Ho Kwok Keung
Chiu Chan, Charles
Law Hoo Shan
Executive Directors

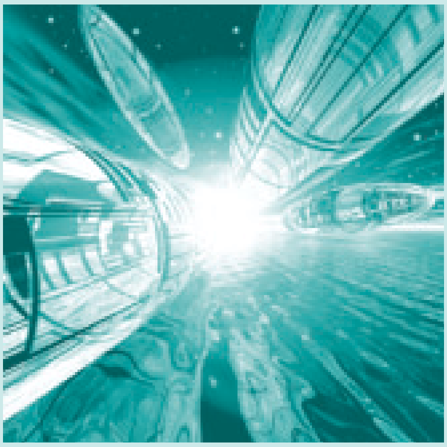
Trading Segment

For the nine months ended 31st January 2003, the market competition of electronic components continued to be keen. During the period, the turnover of electronic components trading segment reduced by 8.6% to HK$23,632,000 (2002: HK$25,858,000) as compared to the same period last year, representing 6.9% (2002: 9.4%) of the Group's turnover.

The gross profit margin of electronic components trading segment dwindled from 13.2% for the nine months ended 31st January 2002 to 8.0% for the nine months ended 31st January 2003. During the period, an operating loss of HK$1,301,000 was recorded as compared to HK$592,000 for the same period last year.

Against a backdrop of fierce market competition and in order to maintain their competitive edges, electronic components traders have tightened up their inventory control in addition to promotion sales through price reduction. This is because the import price differences make it more difficult for the traders to project their gross profits. Besides, many manufacturers are trying to bypass the intermediate traders by selling to the end-users direct, thus making the role of intermediate traders diminishing in importance.

The above was written by:
Lam Wing Kin, Sunny
Executive Director



Information Technology Business

Following Mainland China's policy to promote industrialisation through information technology enhancement and to reform conventional industries through technology reform, the manufacturing industry in general attaches significant importance to information technology and makes preparatory work for a technology enhancement, which has formed a strong impetus for the recent continual growth of information technology in Mainland China.

Following its investment in 上海圖王科技有限公司 (Shanghai Signking Science & Technology Co., Ltd. (for identification purpose)) in 2002, the Group's wholly-owned subsidiary, CEC-Technology Limited ("CEC-Technology"), which is principally engaged in information technology business, entered into a share subscription agreement with Sun-iOMS Technology Holdings Limited ("Sun-iOMS") and Grandmass ERP Limited ("ERP"), the original sole shareholder of Sun-iOMS, on 1st March 2003 to subscribe for 51% of the entire enlarged issued share capital of Sun-iOMS (the "Subscription"). ERP is a wholly-owned subsidiary of Grandmass Enterprise Solution Limited, which is a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The Subscription was completed on 5th March 2003.

Capitalising on the Group's comprehensive knowledge of the manufacturing industry, its extensive sales network, and its rich experience in management system application, together with the advanced software technology and product development experience of Grandmass Enterprise Solution Limited, Sun-iOMS plans to develop new software products and solutions with all its capabilities, and to use the Hong Kong market as a foot hold to win patronage from Hong Kong funded enterprises in the Pearl River Delta of the Guangdong Province. As at 15th March 2003, the balance of the contract-on-hand of Sun-iOMS amounted to HK$2,588,000.

The Group will continue to deploy CEC-Technology as the flagship in its development of information technology to proactively strengthen the Group's internal resources planning system, intranet system and communication platform. The principal objectives are to increase the efficiency of the Group's operating system and the pooling of knowledge resources. Currently, the Group does not have any plan to commercialise this portion of its operation.

The above was written by:
Huang Kong
Executive Director

Changes in Financial Resources

The operating cash flows of the Group during the period recorded a fall as compared to the corresponding period last year. This was mainly attributable to an increase of turnover, which resulted in an increase of trade receivables and inventories for the period. However, as the Group has all along been making efforts on the collection of trade receivables and its production management, the number of days in the trade receivables collection period and inventory turnover period remained to be stable. The Group believes that its operating cash flows will gradually increase in the future. On the other hand, cash inflow of investment businesses was mainly attributable to the Group's infrastructure business which was near completion. Except certain ancillary production equipment, the Group's capital investment is expected to remain at a low level.

	Nine months ended 31st January	
	2003 HK$'000	2002 HK$'000
Cash inflow from operating activities	12,536	35,094
Cash inflow (outflow) from investing activities	3,915	(50,851)
Decrease in cash and cash equivalents	41,895	30,060
Capital expenditure	15,883	67,067
Trade receivables turnover (before factoring)/days	67	61
Inventories turnover/days	85	88

Total cash and bank deposits and investment of the Group were denominated mainly in Hong Kong dollars, United States dollars, Renminbi, Japanese yen, Singapore dollars and New Taiwan dollars. Borrowings include both short-term (bank overdrafts, trade finances and revolving loans) and long-term (finance lease obligations and long-term bank loans), which were denominated mainly in Hong Kong dollars and partly in United States dollars, Japanese yen and euro. Besides, factoring of trade receivables with recourse was HK$24,182,000 (as at 30th April 2002: HK$36,618,000).

	As at 31st January 2003 HK$'000	As at 30th April 2002 HK$'000
Cash and other bank deposits	12,956	9,587
Pledged bank deposits	24,946	35,847
Investment	7,800	7,370
Total cash and bank deposits and investment	45,702	52,804

	As at 31st January 2003 HK$'000	As at 30th April 2002 HK$'000
Short-term bank borrowings	134,294	89,030
Long-term bank loans, current portion	42,996	44,798
Finance lease obligations, current portion	16,711	14,552
Long-term bank loans, non-current portion	103,611	134,649
Finance lease obligations, non-current portion	10,731	17,060
Total borrowings	308,343	300,089

	As at 31st January 2003 HK$'000	As at 30th April 2002 HK$'000
Banking facilities	364,408	391,747
Utilised banking facilities	(319,038)	(322,961)
Unutilised banking facilities	45,370	68,786

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.

Interest expense on the Group's borrowings 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 in Hong Kong, the Group enjoyed considerable savings in interest expense during the nine months ended 31st January 2003.

	Nine months ended 31st January		
	2003 HK$'000	2002 HK$'000	Decrease
Interest income	296	911	67.5%
Interest expense	(14,182)	(17,751)	20.1%
Net interest expense	(13,886)	(16,840)	17.5%

The Group has all along made efforts to control its liquidity level. As at 31st January 2003, its liquidity was similar to that as at 30th April 2002.

	As at 31st January 2003	As at 30th April 2002
Current ratio	0.87	0.85
Quick ratio	0.50	0.51
Net gearing ratio*	0.97	0.99

* (Total borrowings plus contingent liabilities and bills payable less total cash and bank deposits and investment) over (net tangible assets less proposed final dividends and revaluation surplus arising after 31st January 2002)

	Nine months ended 31st January	
	2003	2002
Interest cover#	4.68	4.16

\# (Profit from operations plus depreciation and amortisation) over (interest expense less interest income)

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 above was written by:
Cheung Ming Yat
Manager, Capital Management Department