

## 1999/2000 THIRD QUARTER RESULTS

In order to provide the public with more timely information, the Board of Directors (the "Directors") of CEC International Holdings Limited (the "Company") decided to announce the results of the Company and its subsidiaries (collectively referred to as the "Group") every quarter.

The Directors are pleased to announce that the unaudited consolidated results of the Group for the three months and nine months ended 31st January 2000 together with comparative figures for the corresponding periods in 1999 are as follows:

	Notes	Three months ended 31st January		Nine months ended 31st January	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover		63,660	40,150	196,942	154,084
Cost of sales		(42,009)	(29,761)	(128,990)	(108,703)
Gross profit		21,651	10,389	67,952	45,381
Distribution and selling costs		(2,589)	(2,392)	(6,763)	(4,716)
Administrative expenses		(6,877)	(2,656)	(16,744)	(11,095)
Profit from operations		12,185	5,341	44,445	29,570
Finance cost, net		(3,294)	(2,396)	(9,054)	(7,429)
Profit before taxation		8,891	2,945	35,391	22,141
Taxation	2	(859)	(339)	(3,557)	(1,986)
Profit after taxation		8,032	2,606	31,834	20,155
Minority interests		—	—	76	—
Profit attributable to shareholders		<u>8,032</u>	<u>2,606</u>	<u>31,910</u>	<u>20,155</u>
Earnings per share					
— Basic	3	<u>4.13 cents</u>	<u>1.74 cents</u>	<u>19.36 cents</u>	<u>13.44 cents</u>

Notes:

### 1. Basis of preparation

The Company was incorporated in Bermuda on 10th September 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. In preparation for a listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a share exchange took place on 28th October 1999 whereby the Company became the holding company of the Group. The Company's shares were listed on the Stock Exchange on 15th November 1999.

The above results have been prepared as if the current structure of the Group had been in existence throughout the reporting periods or since the Company's subsidiaries' respective dates of incorporation where this is a shorter period and excluded the results of property rental business of a subsidiary of the Company as more fully described in the Company's prospectus dated 3rd November 1999 (the "Prospectus").

## 2. Taxation

	Three months ended		Nine months ended	
	31st January		31st January	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current taxation				
— Hong Kong profits tax	857	339	3,539	1,986
— Mainland China enterprise income tax	2	—	178	—
Write-back of deferred taxation	—	—	(160)	—
	<u>859</u>	<u>339</u>	<u>3,557</u>	<u>1,986</u>

Hong Kong profits tax was provided at the rate of 16% (1999: 16%) on the estimated assessable profits for the periods. Mainland China enterprise income tax was provided at the applicable rate relating to the profit of a subsidiary of the Company established in Zhongshan, the People's Republic of China.

## 3. Earnings per share

The calculation of basic earnings per share for the three months ended 31st January 2000 is based on the profit attributable to shareholders for the period of approximately HK\$8,032,000 and the weighted average of 194,565,217 shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January 2000 is based on the profit attributable to shareholders for the period of approximately HK\$31,910,000 and the weighted average of 164,855,072 shares in issue during the period.

The calculation of basic earnings per share for the corresponding three-month period and nine-month period in 1999 are based on the profits attributable to shareholders for these periods of approximately HK\$2,606,000 and HK\$20,155,000 respectively, and the assumption that 150,000,000 shares had been in issue during these periods. These 150,000,000 shares comprised the 2,000,000 shares in issue as at 3rd November 1999 and the 148,000,000 shares issued in November 1999 pursuant to the Capitalisation Issue as described in the Prospectus.

There is no diluted earnings per share as the Company has no dilutive potential shares.

## DIVIDEND

In October 1999, an interim dividend of HK\$1,088,000 was paid by a subsidiary of the Company to its then shareholders prior to the Group's reorganisation and the listing of the Company's shares on the Stock Exchange.

The Directors do not recommend the payment of any further dividend in respect of the nine months ended 31st January 2000 (1999: Nil).

## BUSINESS REVIEW

### Third Quarter

For the three months ended 31st January 2000, the Group's unaudited turnover and profit attributable to shareholders were approximately HK\$63,660,000 and HK\$8,032,000 respectively, representing a substantial increase of 58.6% and 208.2% respectively as compared to the corresponding period in 1999. The gross profit margin and net profit margin were approximately 34.0% (1999: 25.9%) and 12.6% (1999: 6.5%) respectively.

The following highlights the Group's major accomplishments during the three months ended 31st January 2000:

- The Company was successfully listed on the Stock Exchange on 15th November 1999, with net proceeds of approximately HK\$45,000,000 raised from the issue of new shares. Such accomplishment positions the Group to a new financial frontier that widens the horizon for growth and expansion.
- To cater for the vibrant growth of the telecommunication and IT industries, the Group has purchased two more production lines for manufacturing various models of chip inductors in Singapore. The facilities are scheduled to be operational in March 2000 and expected to raise the production capacity of our Singapore factory by two folds. The whole manufacturing facilities in Singapore are to be relocated to accommodate the expansion.
- In January 2000, the Group acquired a land lot of approximately 16 acres, with a cost of approximately HK\$2,800,000, in the vicinity of its Zhongshan facilities for the manufacture of ferrite cores-manganese zinc series.

- The recovery from Asian Financial Crisis marked the good harvest in the period. New production facilities have been installed to cater for further expansion. The Group's new production facilities for radio frequency coils, intermediate frequency coils, toroidal transformers and high quality fixed inductors in Zhongshan commenced pilot run production. The total cost of investment of the above machinery was approximately HK\$21,000,000.
- The production facilities for ceramic saggars, which are used for manufacturing ferrite cores, were in pilot run, and are expected to be operational in March 2000.

All the above marked the Group's commitment to persistent improvement which lays the foundation for further business development.

### **First Three Quarters**

For the nine months ended 31st January 2000, the Group's unaudited turnover and profit attributable to shareholders were approximately HK\$196,942,000 and HK\$31,910,000 respectively, representing an increase of 27.8% and 58.3% respectively as compared to the corresponding period in 1999. The gross profit margin and net profit margin were approximately 34.5% (1999: 29.5%) and 16.2% (1999: 13.1%) respectively.

The nine months ended 31st January 2000 represented a period of good harvest marked with aggressive growth in business and higher profitability due to the Group's continual dedication to strategic business development. The Group was able not only to further reduce its overall production cost as a result of improvement in production technology, but also to market its products more effectively and efficiently during the period.

In view of the rapid convergence of the telecommunication sector and the Group's strategic promotion in the field, over 100% growth in turnover to the telecommunication sector has been achieved during the nine months ended 31st January 2000 as compared to the corresponding period in 1999. Following the great business opportunities emerging in the telecommunication industry, further rooms for expansion are expected in the near future.

Looking forward to the coming year, the Group will adhere to its principles and strive to materialise its existing plans.

### **Research and Development**

Focusing on the world's rapidly growing technologies: Local Area Networking (LAN), wireless broadband communications, and interactive voice, data and video applications, the Group's research and development centre in Tokyo, Japan, planned to work more closely with its customers to capture opportunities arising from the fields and develop "design-in" components of information technology products such as LAN hubs, routers and switches, high-speed personal computer data interfaces, cable modems and power converters.

### **New Products Development**

The new millenium is expected to be an age of explosive growth in information technology. In order to meet the new challenges and simultaneously capture the new sphere for development, the Group has planned to invest into new production facilities for the manufacture of ferrite cores-manganese zinc series to manufacture line filters, EMI filters and switching mode power supply (SMPS), which are indispensable components in computers, telecommunication equipment and household electrical appliances.

### **E-commerce**

Entering into the Internet Era, the Group is developing e-commerce functionality for its "on-line sales" system and product specification simulation system. System testing is underway and positive responses from sample customers have been received. Upon its completion, customers will be able to place orders, request for samples, and set their product specification through Internet, which enables the Group to provide more tailor-made and value-added services to its customers. The Group further planned to extend the system to provide platforms for its over 6,000 business partners, customers and suppliers for business to business solutions in the electronic component field.

### **Further Vertical Integration**

The Group is cooperating with the local authority in Shaoguan, Guangdong Province, to develop the technology in refining ferrite powder. The project is now at the stage of development

and experiment, the result of which is expected to come out in the coming three months. An abundant supply of high-quality and low-cost ferrite powder to the Group is expected for the manufacture of ferrite cores, which will save considerable production cost and further improve the quality of the Group's products.

### **Overseas Markets**

To better serve the Group's prestigious multinational customers who envisioned the booming industries of India and set up production facilities in the country, a new representative office in Bangalore, India, was set up in January 2000. Besides, the Group is also actively considering the feasibility of setting up new representative offices and manufacturing facilities around the world, in a bid to exploit the unique competitive edges, such as technology and human resources in different countries. Meanwhile, the Group will continue to explore more overseas markets and establish a much wider customer base.

### **YEAR 2000 COMPLIANCE**

The Year 2000 compliance project was completed according to schedule. For details, please refer to the Company's interim report dated 14th December 1999.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31st January 2000.

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

Hong Kong, 14th March 2000