

INTERIM RESULTS

The Board of Directors (the "Directors") of CEC International Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st October 1999 together with comparative figures for the corresponding period in 1998 are as follows:

	<i>Notes</i>	Six months ended	
		31st October	
		1999	1998
		HK\$'000	HK\$'000
Turnover		133,282	113,934
Cost of sales		(86,981)	(78,942)
Gross profit		46,301	34,992
Distribution and selling costs		(4,174)	(2,324)
Administrative expenses		(9,866)	(8,439)
Profit from operations		32,261	24,229
Finance cost, net		(5,760)	(5,033)
Profit before taxation		26,501	19,196
Taxation	2	(2,699)	(1,647)
Profit after taxation		23,802	17,549
Minority interests		76	—
Profit attributable to shareholders		23,878	17,549
Earnings per share - Basic	3	15.92 cents	11.70 cents

Notes:

1. Basis of preparation

The Company was incorporated as an exempted company in Bermuda on 10th September 1999. 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

	Six months ended 31st October	
	1999 HK\$'000	1998 HK\$'000
Current taxation		
— Hong Kong profits tax	2,683	1,647
— Mainland China enterprise income tax	176	—
Write-back of deferred taxation	(160)	—
	<u>2,699</u>	<u>1,647</u>

Hong Kong profits tax was provided at the rate of 16% (1998:16%) on the estimated assessable profits for the period. 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 (the "PRC").

3. Earnings per share

The calculation of the basic earnings per share for the six months ended 31st October 1999 is based on the profit attributable to shareholders for the period of approximately HK\$23,878,000 (1998: HK\$17,549,000), and on the assumption that 150,000,000 shares had been in issue during the period and the previous period. These 150,000,000 shares comprised 2,000,000 shares in issue as at 31st October 1999 and 148,000,000 shares issued in November 1999 pursuant to the Capitalisation Issue as described in the Prospectus.

As there was no dilutive potential share as at 31st October 1999, diluted earnings per share is not applicable.

INTERIM 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 interim dividend for the six months ended 31st October 1999 (1998: Nil).

BUSINESS REVIEW

For the six months ended 31st October 1999, the Group's unaudited turnover and profit attributable to shareholders were approximately HK\$133,282,000 and approximately HK\$23,878,000 respectively, representing an increase of 17.0% and 36.1% over the same period of the previous year respectively.

For the six months ended 31st October 1999, the performance of the Group's business improved steadily. This is mainly attributable to (i) the economic recovery of the Asian countries after the Asian financial turmoil; and (ii) the widening of the Group's customer base.

The gross profit margin and net profit margin for the six months ended 31st October 1999 were approximately 34.7% (1998: 30.7 %) and approximately 17.9% (1998: 15.4%) respectively. The increases in these profit margins were mainly attributable to (i) the reduction of overall production cost which arose from further improvement in production technology and utilization of the Group's facilities to produce its own coils components, in particular, ferrite cores, plastic and metal parts, for the manufacture of the Group's products; and (ii) cost savings derived from economies of scale following the increase in turnover by approximately 17.0% in the six months ended 31st October 1999 as compared with those in the corresponding period in 1998.

FUTURE PLANS AND PROSPECTS

The Group's crux of success in the past lies in its persistence in improvement, adamant pursuit for perfection and devotion to the development of the industry. In the coming year, the Group will continue to expand its operations aggressively so as to uphold these principles and position itself for a higher status in the global coil market.

Expansion of Production

The Group will continue to explore more markets and expand its product range by manufacturing products, such as line filters and switching power transformers, which are extensively used in the manufacture of computers, telecommunication equipment and household electrical appliances. In addition, the Group will continue to implement its vertical integration strategy to develop the required material, ferrite cores-manganese zinc series, for achieving economic effectiveness. With these strategies, the Group hopes to raise its profitability by reaping the fruit of its efforts spent over the past eight years in developing the production technology as well as the concoction formulae during the manufacture of ferrite cores. The Group has planned to acquire a lot of land of approximately 18 acres, with an estimated cost of approximately HK\$3,000,000, in the vicinity of the Zhongshan facilities for the construction of new manufacturing facilities.

The Market Derived from Advanced Technology

There has been a drastic increase in demand for electronic products of high technology and precision. In light of this, the Group is planning to expand the automated production facilities in Singapore for the production of different variety of chip inductors. The facilities are scheduled to be operational commencing from the first quarter of 2000 and the estimated cost of investment is approximately HK\$10,000,000. The manufacture of miniaturized surface mount type of electronic parts with high quality electrical properties, reliability and stability can help meeting the market demand derived from advanced technology. Moreover, it is in line with the market trend towards precision and miniaturization in electronic products.

Production Automation

The Group is gradually moving away from the traditional mode of coil production and increasingly adopting production automation, in a bid to downsize the required labour and shorten the necessary production time.

The Group's automated production facilities for the radio frequency coils and intermediate frequency coils are scheduled to be operational by the end of December this year. The estimated cost of such investment is approximately HK\$9,000,000. The Group also planned to invest in the automated production facilities for toroidal coils and choke coils, which are scheduled to be operational in mid 2000. The estimated cost of such investment is approximately HK\$7,000,000. Another automated production facilities for the manufacture of high quality radial type choke coils are scheduled to be operational in mid 2000, in order to meet the demands of the Group's customers who manufacture electrical appliances and audio-visual equipment. The estimated cost of such investment is approximately HK\$9,000,000. The production automation will substantially improve management control and production efficiency of the Group.

The Group has completed internal network and also set up electronic mail boxes for each of its staff. In addition, the Group is developing e-commerce functionality for its on-line sales system. More resources will be input to develop a better management information system for the Group. Since the Sino-US negotiations with regard to the accession of the PRC to the World Trade Organisation ("WTO") have finally come to a successful end, the PRC is expected to become a member of WTO soon. The demand for telecommunication products and household electrical appliances in the PRC is expected to rise.

Accordingly, the demand for coils in the global market is also expected to increase, which proves that the Group's business strategies are in the right direction. Meanwhile, the Group is looking forward to a bright future with proactive optimism. The Group strives to continue following the principle of prudence in financial and investment management so that the Group can yield the optimal benefits from any business opportunities emerged.

YEAR 2000 COMPLIANCE

The Directors are well aware of the fact that non-compliance with Year 2000 problem would give rise to risks and uncertainties in different areas of the Group's operations. The Group has formed a committee, comprising computer engineers and senior management representatives, to tackle this Year 2000 compliance issue.

Details of the committee's action are included in the Prospectus. In addition, the Group has formulated a contingency plan to address any unexpected Year 2000 problems and to handle any non-compliant third parties, such as its suppliers and customers. The computer systems of the Group are now Year 2000 compliant.

The total cost involved in relation to the Year 2000 compliance issue of approximately HK\$330,000 has been incurred mainly for the replacement of computer hardware and accounted for in the financial year ended 30th April 1999. Most of the costs have been capitalised as fixed assets in the accounts. No further major expenditure related to Year 2000 compliance is expected. The Directors believe that the Year 2000 compliance issue will not have a material adverse effect on the Group's operations.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st October 1999, the disclosure of the interests of the Directors in the securities of the Company and its associated corporations pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") was not applicable to the Company as the Company's shares were not yet listed on the Stock Exchange.

In addition, the Company did not grant any right to subscribe for equity or debt securities of the Company to any director or chief executive of the Company or to the spouse or children under 18 years of age of any such director or chief executive as at 31st October 1999.

SUBSTANTIAL SHAREHOLDERS

As at 31st October 1999, the disclosure of the interests of any person, other than the directors of the Company, in 10 per cent. or more of the nominal value of the issued share capital of the Company pursuant to section 16(1) of the SDI Ordinance was not applicable to the Company as the Company's shares were not yet listed on the Stock Exchange.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference on 30th September 1999. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control of the Group. The Audit Committee presently comprises two independent non-executive directors of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As the Company's shares were not yet listed on the Stock Exchange as at 31st October 1999, 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 1999.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 31st October 1999, except that the 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 provisions of the Company's Bye-laws.

ANNOUNCEMENT OF QUARTERLY RESULTS

In order to provide the public with more timely information of the Group, the Directors decided to announce the Group's quarterly results in the future.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 14th December 1999