



# CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## 2000/2001 FIRST QUARTER RESULTS ANNOUNCEMENT

The Board of Directors (the "Directors") of CEC International Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated income statement of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31st July, 2000 together with comparative figures for the corresponding period in 1999, and the unaudited consolidated balance sheet of the Group as at 31st July, 2000 together with audited comparative figures as at 30th April, 2000, are as follows:

### CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended	
		2000 31st July, HK\$'000	1999 30th April, HK\$'000
Turnover	2	90,617	60,570
Cost of sales		(59,379)	(39,596)
Gross profit		31,238	20,974
Other revenue		665	314
Distribution and selling expenses		(2,268)	(1,853)
General and administrative expenses		(9,758)	(4,457)
Profit from operations		19,877	14,978
Finance cost		(3,800)	(2,409)
Profit before taxation	3	16,077	12,569
Taxation	4	(1,408)	(1,341)
Profit after taxation but before minority interests		14,669	11,228
Minority interests		(81)	76
Profit attributable to shareholders		14,588	11,304
Earnings per share			
- Basic	5	7.29 cents	7.54 cents
- Diluted	5	7.05 cents	N/A

### CONSOLIDATED BALANCE SHEET

	Notes	As at	As at
		31st July, 2000 HK\$'000 (unaudited)	30th April, 2000 HK\$'000 (audited)
PROPERTY, PLANT AND EQUIPMENT		260,262	244,064
CURRENT ASSETS		57,597	42,888
Inventories		49,808	26,201
Trade receivables	6	14,723	5,312
Prepayments, deposits and other current assets		43,840	43,201
Pledged bank deposits		5,513	6,442
Cash and other bank deposits		171,481	124,044
Total current assets		171,481	124,044
CURRENT LIABILITIES		(45,923)	(35,446)
Short-term bank borrowings		(6,542)	(3,623)
Long-term bank loans, current portion		(22,296)	(20,487)
Finance lease obligations, current portion		(38,780)	(39,615)
Trade payables	7	(842)	-
Bills payable		(16,039)	(14,559)
Accruals and other payables		(10,000)	(10,000)
Proposed final dividend		(1,852)	(552)
Taxation payable		(142,274)	(124,282)
Total current liabilities		(45,923)	(35,446)
Net current assets (liabilities)		29,207	(238)
Total assets less current liabilities		289,469	243,826
NON-CURRENT LIABILITIES		(10,008)	(4,824)
Long-term bank loans		(35,678)	(32,854)
Finance lease obligations		(9,637)	(9,637)
Deferred taxation		(81)	-
Minority interests		(55,404)	(47,315)
Total non-current liabilities		(55,404)	(47,315)
Net assets		234,065	196,511
CAPITAL AND RESERVES		20,000	20,000
Share capital		84,756	61,790
Reserves		129,309	114,721
Retained profit		234,065	196,511
Shareholders' equity		234,065	196,511

#### Notes:

- Principal accounting policies**  
The same principal accounting policies are followed in these quarterly financial statements for the three months ended 31st July, 2000 as compared with the most recent published annual financial statements for the year ended 30th April, 2000.
- Principal activities and turnover**  
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. The Group's products are generally used in the manufacture of various kinds of electronic and electrical products.  
An analysis of the Group's turnover by geographical location where merchandise is delivered is as follows:

	Three months ended	
	2000 31st July, HK\$'000	1999 30th April, HK\$'000
Hong Kong	69,249	52,595
Mainland China	5,901	3,407
Europe	6,148	3,930
Others	9,319	638
	90,617	60,570

No analysis of profit attributable to shareholders by geographical location is presented as they were generally in line with the distribution of turnover as set out above.

- Profit before taxation**  
Profit before taxation in the consolidated income statement was determined after charging or crediting the following items:

	Three months ended	
	2000 31st July, HK\$'000	1999 30th April, HK\$'000
After charging -		
Cost of inventories	59,379	39,596
Depreciation of property, plant and equipment	7,506	4,740
Interest expense on		
- bank overdrafts and loans	1,267	1,389
- wholly repayable within five years	1,014	512
- factoring of trade receivables	1,519	508
- finance leases		
Net loss on disposals of property, plant and equipment	30	-
After crediting -		
Interest income from bank deposits	665	314

- Taxation**  
The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax was provided at the rate of 16% (1999: 16%) on the estimated assessable profit arising in or derived from Hong Kong 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, Mainland China.  
Current taxation  
- Hong Kong profits tax  
- Mainland China enterprise income tax  
Write-back of deferred taxation

	Three months ended	
	2000 31st July, HK\$'000	1999 30th April, HK\$'000
- Hong Kong profits tax	1,300	1,385
- Mainland China enterprise income tax	108	116
Write-back of deferred taxation	-	(160)
	1,408	1,341

The calculation of diluted earnings per share for the three months ended 31st July, 2000 was based on the profit attributable to shareholders of approximately HK\$14,588,000 (1999: HK\$11,304,000) and on the weighted average number of 200,000,000 (1999: 150,000,000) shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 31st July, 2000 was based on the profit attributable to shareholders of approximately HK\$14,588,000 and on the weighted average number of 207,018,727 shares, adjusted to reflect the effects 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 ended 31st July, 2000 to that used in the calculation of diluted earnings per share is as follows:

Weighted average number of shares used in the calculation of basic earnings per share	200,000,000
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	7,018,727
Weighted average number of shares used in the calculation of diluted earnings per share	207,018,727

Diluted earnings per share for the three months ended 31st July, 1999 was not presented because there was no dilutive potential shares in existence during that period.

- Trade receivables**  
The Group usually grants a credit period of approximately 30 days to 90 days to its customers who have good payment records and well-established relationship with the Group.

An ageing analysis of trade receivables as at 31st July, 2000 is as follows:

	As at 31st July, 2000 HK\$'000	As at 30th April, 2000 HK\$'000
0 - 1 month	42,925	23,734
2 - 3 months	6,741	2,516
Over 3 months	2,145	1,857
	51,811	28,107
Less: Provision for bad and doubtful debts	(2,003)	(1,906)
	49,808	26,201

- Trade payables**  
An ageing analysis of trade payables as at 31st July, 2000 is as follows:

	As at 31st July, 2000 HK\$'000	As at 30th April, 2000 HK\$'000
0 - 1 month	37,436	35,068
2 - 3 months	1,344	2,425
Over 3 months	-	2,122
	38,780	39,615

- Comparative figures**  
Certain comparative figures have been reclassified to conform to the current period's presentation. In particular, the comparative figures have been adjusted or expanded to take into account Statement of Standard Accounting Practice 1 "Presentation of Financial Statements" issued by the Hong Kong Society of Accountants which became effective during the year ended 30th April, 1999.

**DIVIDEND**  
The Directors resolved not to declare first interim dividend in respect of the three months ended 31st July, 2000 (1999: Nil).

**BUSINESS REVIEW**  
The Group has once again successfully achieved outstanding earnings performance during the three months ended 31st July, 2000. Both turnover and profit attributable to shareholders continued to record considerable growth over the corresponding period in 1999. A summary of the financial results of the Group for the three months ended 31st July, 2000 is as follows:

- Turnover was approximately HK\$90,617,000, representing a substantial growth of 50% over the corresponding quarter in 1999;
- Profit attributable to shareholders was approximately HK\$14,588,000, up 29% over the same quarter last year.

The three months ended 31st July, 2000 was another outstanding quarter for the Group, marked with strong and yet sustainable growth in business and profitability. The Directors attributed the success of the Group to its effective strategies in capturing the opportunities arising from the trend and development in the global electronics industry by actively introducing new and tailor-made products to our customers and expanding the manufacturing facilities for products which suit the markets' needs most.

The following summarises the Group's major accomplishments during the quarter under review which contributed to the growth in results:

**Private Placement of Warrants**  
On 3rd July, 2000, the Company issued 400,000,000 units of warrants at HK\$0.0625 per unit of warrant through a private placement, resulting in

net proceeds of approximately HK\$22,900,000, after deduction of related issuance expenses of approximately HK\$2,100,000. The issue of warrants has strengthened the Group's financial frontier that further reinforced its horizon for business development. Based on this enriched solid ground, the Group will seek for more business opportunities for maximising our shareholders' value in the near future.

**Expansion and Upgrade of Production Facilities**  
The new millennium saw the convergence of the telecommunication and information technology industries as well as the digital revolution in the audio-visual (AV) sector. These markets have been marked with dynamic growth in the demand for modern handheld electronic communication products and AV products such as personal digital assistants (PDA), digital cameras, DVD and MD players. In turn, this trend also has given rise to the amazing growth rate in demand for high-quality and miniaturised electronic components on a global basis. To cater for the vibrant growth in these markets and also to capitalise on the emerging opportunities in these sectors, the Group established a new branch factory in Zhuhai, Guangdong Province, in June 2000 in a bid to expand its production capacity for such components as toroidal transformers, common mode chokes and electromagnetic interference (EMI) filters. More than HK\$10,000,000 has been invested during the first quarter for the expansion and upgrade of the Group's production facilities.

To further position itself well for both the future challenges and opportunities in the electronic data communication and transmission sectors, the Group further acquired a land lot of approximately 7 acres in Zhongshan, with a cost of approximately HK\$1,300,000, in May 2000 to accommodate the expansion of production facilities. The new phase of the Group's factory blocks in Zhongshan was also under construction during the quarter under review. The new phase, which is expected to be completed in the third quarter of the current financial year, is scheduled to house the production facilities for manganese-zinc series ferrite cores, which are the key components of line filters and compact but high power converters such as switching mode power supply (SMPS).

**Production Cost**  
The Group strongly believes that one of its strengths in the industry is its powerful capabilities and experience in developing the production technology and concoction formulae of ferrite powders and ferrite cores, which are the key components of coils. Over the past several years, the Group has successfully reduced its production cost and raised its profitability continually. During the first quarter of the current financial year, there has been a considerable surge in the price of petroleum products on a global basis, which in turn has led to the extra cost of power generation in the Group's factory in Zhongshan of approximately HK\$1,700,000. Despite the adverse impact resulting from this factor, the Group has still managed to keep its overall production cost under control and achieved a 48.9% growth in gross profit from approximately HK\$20,974,000 (gross margin: 34.6%) for the first quarter last year to approximately HK\$31,238,000 (gross margin: 34.5%) for the same quarter in the current financial year.

**FUTURE PLANS AND PROSPECTS**  
Looking forward to the new era, the Group will adhere to its principles of proactive business development as and when opportunities arise. The mission of the Group's management is to grow the business in a manner to ensure delivery of superior value to all our shareholders.

**Development of Complementary Products and Expansion of Production**  
Further to our successful introduction of the manufacture of electrolytic capacitors, a kind of electronic components complementary to coils, the Group plans to devote more resources to the research and development of electrolytes and forming of aluminium foils, which are one of the major materials in manufacturing electrolytic capacitors. The Group is in the process of developing and experimenting a number of new formulae for electrolytes during the first quarter, which will be scheduled for trial production in the second quarter. This accomplishment is expected to further elevate the Group's competitive edge in the industry and transform the Group from a capacitor assembler to a manufacturer of higher profit margin with powerful research and development capabilities.

The Group plans to commence pilot-run of the production facilities of ceramic capacitors in Zhongshan in the second quarter of the current financial year. The investment is expected to bring in higher return starting from the third quarter. On the other hand, the Group will also implement the first phase of the expansion of production facilities for chip inductors in Zhongshan in the third quarter. The first phase of such expansion, which will consist of five production lines, is scheduled to be operational in the fourth quarter and to contribute to the growth in the Group's profitability. In order to reinforce the Group's prospects, the Group also plans to invest in the manufacture of machinery and equipment for the production of ceramic capacitors which is scheduled to be fully operational in the fourth quarter.

**Management Information System**  
The Group has positioned one of its subsidiaries, CEC-Technology Limited, as the information technology and communication management center of the Group during the first quarter. The center is mainly responsible for the management of the Group's website "www.0759.com", e-mail system, on-line sales system, e-banking and development of the internet version of the enterprise resource planning system, which is expected to be completed in the second quarter, tested in the third quarter and implemented in stages in the fourth quarter. The enterprise resource planning system will comprise production management, financial management, sales and customer service management, purchasing and logistics management as well as product development, etc. The investment is expected to benefit the Group by streamlining its various business and management processes, improving its operational efficiency and substantially reducing its administrative expenses.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**  
Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31st July, 2000.

**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, 2000, 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 of Hong Kong Limited, 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.

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

Hong Kong, 14th September, 2000