



CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

2003/2004 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 2003 together with unaudited comparative figures for the corresponding period in 2002, and the unaudited consolidated balance sheet of the Group as at 31st July 2003 together with audited comparative figures as at 30th April 2003, are as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st July	
		2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
Turnover	2	110,293	115,364
Cost of sales		(81,056)	(88,632)
Gross profit		29,237	26,732
Selling and distribution expenses		(2,837)	(3,603)
General and administrative expenses		(16,693)	(13,782)
Other operating expenses		(331)	(563)
Operating profit	2,3	9,376	8,784
Interest income		52	125
Interest expense		(4,548)	(4,953)
Share of profits less losses of associates		8	–
Share of profits less losses of jointly controlled entities		–	(18)
Profit before taxation		4,888	3,938
Taxation	4	(289)	(739)
Profit after taxation but before minority interests		4,599	3,199
Minority interests		(4)	–
Profit attributable to shareholders		4,595	3,199
Basic earnings per share	6	0.66 cent	0.47 cent

CONSOLIDATED BALANCE SHEET

		As at 31st July 2003 <i>HK\$'000</i> (Unaudited)	As at 30th April 2003 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets	7	456,511	460,469
Investment properties		438	–
Investment in associates		4,248	4,193
Deposit with an associate		15,800	8,577
Deferred tax assets		411	413
Total non-current assets		477,408	473,652
CURRENT ASSETS			
Inventories		85,679	83,756
Trade receivables	8	72,257	77,680
Bills receivable		–	583
Prepayments, deposits and other current assets		9,998	9,713
Tax recoverable		432	436
Investment		8,088	7,939
Pledged bank deposits		25,293	24,983
Bank balances and cash		22,745	19,257
Total current assets		224,492	224,347
CURRENT LIABILITIES			
Short-term bank borrowings		(85,972)	(147,799)
Long-term bank loans, current portion		(77,996)	(42,996)
Finance lease obligations, current portion		(12,405)	(14,487)
Trade payables	9	(47,707)	(51,876)
Bills payable		(2,066)	(660)
Accruals and other payables		(18,111)	(21,788)
Tax payable		(119)	(140)
Total current liabilities		(244,376)	(279,746)
Net current liabilities		(19,884)	(55,399)
Total assets less current liabilities		457,524	418,253
NON-CURRENT LIABILITIES			
Long-term bank loans, non-current portion		(128,363)	(92,862)
Finance lease obligations, non-current portion		(6,712)	(8,226)
Deferred tax liabilities		(19,985)	(19,740)
Total non-current liabilities		(155,060)	(120,828)
MINORITY INTERESTS			
Net assets		302,398	297,364
CAPITAL AND RESERVES			
Share capital	10	69,303	69,303
Reserves		233,095	228,061
Shareholders' equity		302,398	297,364

Notes:

1. Principal accounting policies

The quarterly financial statements for the three months ended 31st July 2003 comply with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants, and the same principal accounting policies and methods of computation are followed as compared with the most recent published annual financial statements for the year ended 30th April 2003, except that the Group has adopted SSAP 12 (revised) “Income taxes” issued by the Hong Kong Society of Accountants for the first time in the current period.

In prior years, deferred tax was recognised in respect of the taxation effect arising from material timing differences to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future. Under SSAP 12 (revised), a balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. Provision for withholding tax that will arise on the remittance of retained profits is only made where there is a current intention to remit such profits. Deferred tax assets relating to unused tax losses are recognised to the extent that the future utilisation is probable. The new accounting policy has been adopted retrospectively. As a result, the property revaluation reserve as at 30th April 2003 is reduced by HK\$3,308,000 (2002: HK\$3,300,000) and the retained profits as at 30th April 2003 are increased by HK\$413,000 (2002: HK\$406,000). The loss attributable to shareholders for the year ended 30th April 2003 is reduced by HK\$7,000.

2. Segment information

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) the design, development, manufacture and sale of a wide range of coils, capacitors and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products; and (ii) the provision of information technology services.

Analysis of turnover and operating profit/(loss) by business segment is as follows:

	Turnover		Operating profit/(loss)	
	Three months ended 31st July		Three months ended 31st July	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	97,191	92,171	10,269	8,466
Capacitors manufacturing	2,659	8,803	(888)	549
Electronic components trading	8,600	14,390	386	(231)
Information technology services	1,843	–	(391)	–
	<u>110,293</u>	<u>115,364</u>	<u>9,376</u>	<u>8,784</u>

Analysis of turnover and operating profit/(loss) by geographical segment is as follows:

	Turnover		Operating profit/(loss)	
	Three months ended 31st July		Three months ended 31st July	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	70,770	81,541	5,745	4,235
Mainland China	13,202	8,427	2,412	2,876
Taiwan	9,515	13,929	(255)	899
Europe	6,345	4,659	553	336
Singapore	6,680	5,040	945	990
Others	3,781	1,768	(24)	(552)
	<u>110,293</u>	<u>115,364</u>	<u>9,376</u>	<u>8,784</u>

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Three months ended 31st July	
	2003	2002
	HK\$'000	HK\$'000
Crediting		
Unrealised gain on investment	<u>149</u>	<u>–</u>
Charging		
Depreciation of fixed assets	12,087	14,492
Amortisation of distribution right	–	267
Cost of inventories sold	80,339	88,632
Staff costs (including directors' emoluments)	<u>26,470</u>	<u>24,375</u>

4. Taxation

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 for the period. Subsidiaries of the Company in Mainland China are subject to Mainland China enterprise income tax ranging from 12% to 33% (2002: 15% to 33%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

The amount of taxation charged to the consolidated income statement represents:

	Three months ended 31st July	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current tax	–	442
– over-provision in prior years	(18)	–
Mainland China enterprise income tax		
– current tax	62	297
Deferred taxation	<u>245</u>	<u>–</u>
	289	739
Shares of taxation attributable to:		
– associates	–	–
– jointly controlled entities	–	–
	<u>289</u>	<u>739</u>

5. Dividends

The Directors resolved not to declare any interim dividend in respect of the three months ended 31st July 2003 (2002: Nil).

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st July 2003 is based on the profit attributable to shareholders of approximately HK\$4,595,000 (2002: HK\$3,199,000) and the weighted average number of 693,028,811 (2002: 681,202,724) shares in issue during the period.

Diluted earnings per share is not presented as the outstanding share options and warrants during the three months ended 31st July 2002 and 31st July 2003 were anti-dilutive.

7. Fixed assets

During the three months ended 31st July 2003, the additions to fixed assets were approximately HK\$8,107,000 (three months ended 31st July 2002: HK\$6,334,000).

8. Trade receivables

The aging analysis of trade receivables is as follows:

	As at 31st July 2003 HK\$'000	As at 30th April 2003 HK\$'000
Current	45,309	52,393
Overdue by 0 – 1 month	6,363	9,472
Overdue by 1 – 2 months	8,554	3,879
Overdue by 2 – 3 months	4,264	5,923
Overdue by more than 3 months	10,831	8,922
	<u>75,321</u>	<u>80,589</u>
Less: Provision for bad and doubtful debts	<u>(3,064)</u>	<u>(2,909)</u>
	<u><u>72,257</u></u>	<u><u>77,680</u></u>

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

The aging analysis of trade payables is as follows:

	As at 31st July 2003 HK\$'000	As at 30th April 2003 HK\$'000
Current	34,690	29,248
Overdue by 0 – 1 month	6,172	9,565
Overdue by 1 – 2 months	2,261	4,840
Overdue by 2 – 3 months	741	2,656
Overdue by more than 3 months	3,843	5,567
	<u>47,707</u>	<u>51,876</u>

10. Share capital

Movements in share capital are as follows:

	Three months ended 31st July 2003		Year ended 30th April 2003	
	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	<u>1,000,000,000</u>	<u>100,000</u>	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid shares of HK\$0.10 each				
Beginning of period/year	693,028,811	69,303	661,028,811	66,103
Issue of new shares	–	–	32,000,000	3,200
End of period/year	<u>693,028,811</u>	<u>69,303</u>	<u>693,028,811</u>	<u>69,303</u>

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, a new share option scheme (the “New Scheme”) was adopted by the Company and the Old Scheme was terminated. No further 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 all options granted under the Old Scheme prior to such termination shall be entitled to exercise the outstanding options pursuant to the terms of the Old Scheme until the expiry of the said options.

The purpose of the New Scheme is to provide any full-time employees of the Company or any of its subsidiaries (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 participants 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 options granted under the Old Scheme during the three months ended 31st July 2003 are as follows:

Name	Subscription price per share	Beginning of period	Number of shares under options		End 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 (resigned on 30th June 2003)	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 (resigned on 14th August 2003)	HK\$0.75**	780,000	–	–	780,000
(ii) Employees	HK\$1.02*	3,527,194	–	–	3,527,194
	HK\$0.75**	31,200,000	–	–	31,200,000
		<u>47,768,776</u>	<u>–</u>	<u>(3,527,194)</u>	<u>44,241,582</u>

* 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; and (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 automatically after they cease to be exercisable.

** 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 automatically after they cease to be exercisable.

During the three months ended 31st July 2003, no option has been granted under the New Scheme.

12. Warrants

As at 31st July 2003, the Company had outstanding warrants of 300,800,000 units (as at 30th April 2003: 300,800,000 units), exercisable at any time from 3rd July 2000 to 30th September 2003, both dates inclusive. These warrants carrying subscription rights of HK\$1.475 for every 10 units of warrants entitle the holders thereof to subscribe in cash for 90,546,938 new shares in the Company at an adjusted subscription price of HK\$0.49 per new share (subject to adjustment). During the three months ended 31st July 2003, no new share has been issued as a result of the exercise of the subscription rights attaching to the warrants.

13. Contingent liabilities

Contingent liabilities not provided for in the financial statements are:

	As at 31st July 2003 HK\$'000	As at 30th April 2003 HK\$'000
Factoring of trade receivables with recourse	<u>29,922</u>	<u>25,286</u>

14. Comparative figures

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

The business environment of electronic manufacturing industry reverted to its stable state in the first quarter of the financial year 2003/2004 under review. Although market competition was as fierce as it was, the demand for and prices of electronic components were comparatively stable. The Group's profit attributable to shareholders for the three months ended 31st July 2003 was HK\$4,595,000 (2002: HK\$3,199,000), representing an increase of 43.6% as compared with the corresponding period last year. Turnover for the period was HK\$110,293,000 (2002: HK\$115,364,000), representing a drop of 4.4% as compared with the corresponding period last year. The Group's overall gross profit and gross profit margin for the period both increased to HK\$29,237,000 and 26.5% (2002: HK\$26,732,000 and 23.2%), respectively.

The Group has adhered to the operating direction established in the last financial year. During the period, the Group has shrunk certain low-profit-margin trading business. Meanwhile, the Group strived to develop its core coils manufacturing business. The overall results have rebounded, demonstrating the Group's competitive edges in its core manufacturing business established during the past years and the fruit resulting from its concentration on principal business.

	Turnover Three months ended 31st July		Gross profit/(loss) Three months ended 31st July	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Coils manufacturing	97,191	92,171	28,065	24,488
Capacitors manufacturing	2,659	8,803	(739)	1,137
Electronic components trading	8,600	14,390	785	1,107
Information technology services	1,843	–	1,126	–
	<u>110,293</u>	<u>115,364</u>	<u>29,237</u>	<u>26,732</u>

The above was written by:

Tang Fung Kwan

Deputy Chairman and Managing Director

Huang Kong

Deputy Managing Director

Manufacturing Segment

The Group's core business, the manufacturing segment, recorded a growth in both gross profit and gross profit margin for the three months ended 31st July 2003, which amounted to HK\$27,326,000 and 27.4% (2002: HK\$25,625,000 and 25.4%), respectively. Turnover, however, was down 1.1% from the same period last year. During the period, the Group has been active in reshuffling certain capacitors customers with relatively long payment terms, resulting in the drop in turnover of capacitors. With the speeding up of the restructuring exercise, there will be gradual improvement in the capacitors business.

The Group has been actively investing in vertical integration and production automation over the years, all with a view to cultivating a long-term competitive advantage for the Group's manufacturing segment. During the period, the Group has been fully committed to the development of its core coils business. Turnover of coils for the three months ended 31st July 2003 reached HK\$97,191,000 (2002: HK\$92,171,000), with a gross profit and gross profit margin of HK\$28,065,000 and 28.9% (2002: HK\$24,488,000 and 26.6%), respectively. The rise in gross profit margin was mainly attributable to the improvement in production efficiency and the growth in sales volume of power supply coils. During the first quarter of the current year, turnover to customers who manufacture power supply products has climbed by 256.4% to HK\$13,023,000 (2002: HK\$3,654,000). Therefore, the Group's active investment in power supply coils and manganese-zinc ferrite in recent years can reap the fruit of enhancement in production efficiency through the expansion of production.

The Group's products are mainly sold to Hong Kong, Mainland China, Taiwan and Singapore, etc. With the establishment of more and more production bases and businesses in Mainland China by foreign electronic and electrical manufacturers, most of the foreign manufacturers have been looking for local purchases and delivery. Being a Mainland China based manufacturer for over 20 years, the Group is capitalising on this opportunity firmly. For the three months ended 31st July 2003, the Group's turnover in Mainland China reached HK\$13,202,000 (2002: HK\$8,427,000), growing substantially by 56.7%. The Group looks forward to a sustained high-speed growth in its business in Mainland China for the future. On the other hand, the Group's business in Europe, where the Group has long been devoted in its development, achieved a growth rate of 36.2% to reach HK\$6,345,000 (2002: HK\$4,659,000). The rise in turnover was mainly due to the increasingly stringent electromagnetic environmental standards in many European countries. The Group's actively developed anti-electromagnetic interference filters in recent years have become indispensable components in electrical products applied in Europe.

The above was written by:

Tang Fung Kwan

Deputy Chairman and Managing Director

Law Hoo Shan

Executive Director

Trading Segment

The Group continued the strategy mapped out last year, curtailing low-return trading operations step by step and putting resources in projects with higher return. For the three months ended 31st July 2003, turnover of the Group's electronic components trading segment amounted to HK\$8,600,000 (2002: HK\$14,390,000), down 40.2% from the corresponding period last year and accounting for 7.8% (2002: 12.5%) of the Group's turnover. The gross profit margin was 9.1% (2002: 7.7%). Turnover for the period decreased while gross profit margin increased slightly, reflecting the Group's efforts on restructuring the trading segment.

The above was written by:

Lam Wing Kin, Sunny

Executive Director

Information Technology Segment

The Group's information technology segment recorded a turnover of HK\$1,843,000 for the three months ended 31st July 2003, accounting for 1.7% of the Group's turnover and with a gross profit and operating loss of HK\$1,126,000 and HK\$391,000, respectively. The Group's 51% owned Sun-iOMS Technology Holdings Limited ("Sun-iOMS") recorded a consolidated operating profit of HK\$9,000, reflecting Sun-iOMS' achievement of a breakeven point.

The above was written by:

Huang Kong

Deputy Managing Director

Financial Review

As at 31st July 2003, the Group's aggregate banking facilities from banks and financial institutions amounted to HK\$443,122,000 (as at 30th April 2003: HK\$539,426,000), of which HK\$114,648,000 (as at 30th April 2003: HK\$222,320,000) remained unutilised. The Group had cash and bank deposits of HK\$48,038,000 (as at 30th April 2003: HK\$44,240,000), denominated mainly in Hong Kong dollars, United States dollars, Renminbi, Japanese yen, Singapore dollars and New Taiwan dollars. The Group is required to meet certain restrictive financial covenants with the major financing banks.

	Financial covenants with major banks	As at 31st July 2003	Compliance with financial covenants
Net tangible assets	Above HK\$290,000,000	HK\$302,398,000	Complied
Current ratio	Above 0.70	0.92	Complied
Interest coverage ratio	Above 3.50 times	4.77 times	Complied
Net gearing ratio (1)*	Below 1.05	0.98	Complied
Net gearing ratio (2)#	Below 0.85	0.85	Complied

* The ratio of (total borrowings plus bills payable and contingent liabilities less total cash and bank deposits) over (net tangible assets less proposed final dividends)

The ratio of (total borrowings plus bills payable less total cash and bank deposits and investment) over (net tangible assets less proposed final dividends)

The Group's net cash inflow for the three months ended 31st July 2003 was HK\$30,401,000 (three months ended 31st July 2002: HK\$654,000) with a net cash inflow from operating activities of HK\$18,511,000 (three months ended 31st July 2002: HK\$2,986,000) and a net cash inflow from financing activities of HK\$26,211,000 (three months ended 31st July 2002: net cash outflow of HK\$1,260,000). This was primarily attributable to the new long-term bank loans of HK\$165,000,000 (three months ended 31st July 2002: Nil) during the period, which helped improve the Group's debt structure and cash flow.

The above was written by:

Cheung Man Ho

Financial Controller

Future Plans and Prospects

The Group planned in January 2003 to set up a factory in Nanjing to supply ready-to-press ferrite powder to Nanjing Fei Jin Magnetic Products Co., Ltd., a subsidiary of LG.Philips Displays, for its production of "deflection yoke", which is a critical component in display tubes. The total investment for the project is HK\$23,000,000, and as at 31st July 2003, the Group has invested HK\$15,800,000 in the project for Nanjing.

The project is going on smoothly, and is expected to run a trial production in October 2003 and to go into operation by the end of the year. The project will extend the technological range of the Group's ferrite production, and will boost the sales of ferrite as well.

The above was written by:

Huang Kong

Deputy Managing Director

Lam Wing Kin, Sunny

Executive Director

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 2003.

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 2003, 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 non-executive director (Mr. Tang Tin Sek, who has been re-designated as an independent non-executive director with effect from 3rd June 2003) and 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, 24th September 2003