



CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

SUBSCRIPTION FOR NEW SHARES

The Board announces that the Company entered into a conditional Agreement with the Subscriber on 11th September, 2001 for the subscription of 20,588,235 Subscription Shares at the Subscription Price of HK\$0.68 per Subscription Share by the Subscriber, which is currently beneficially interested in 25,281,214 Shares, representing approximately 4.78 per cent. of the entire issued share capital of the Company. The Subscriber is an independent third party not connected with the chief executive or any director or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

The Subscription Shares represent approximately 3.89 per cent. of the entire issued share capital of the Company of 529,077,108 Shares as at the date of this announcement, approximately 3.24 per cent. of the entire issued share capital of the Company of 634,892,529 Shares as enlarged by the Bonus Share Issue and approximately 3.14 per cent. of the entire issued share capital of the Company of 655,480,764 Shares as enlarged by the Subscription, which will take place after the Bonus Share Issue.

The net proceeds from the Subscription will be approximately HK\$13,800,000, which is intended to be used as general working capital of the Group.

Trading in the Shares was suspended with effect from 2:30 p.m. on 11th September, 2001 at the request of the Company pending the publication of this announcement. The Company has submitted an application to the Stock Exchange for the resumption of trading in the Shares at 10:00 a.m. on 12th September, 2001.

1. AGREEMENT

Agreement dated 11th September, 2001

Issuer:

The Company

Number of Shares to be allotted and issued:

20,588,235 new Shares. The Subscription Shares represent approximately 3.89 per cent. of the entire issued share capital of the Company of 529,077,108 Shares as at the date of this announcement, approximately 3.24 per cent. of the entire issued share capital of the Company of 634,892,529 Shares as enlarged by the Bonus Share Issue and approximately 3.14 per cent. of the entire issued share capital of the Company of 655,480,764 Shares as enlarged by the Subscription, which will take place after the Bonus Share Issue.

Subscriber:

The Subscriber is currently beneficially interested in 25,281,214 Shares, representing approximately 4.78 per cent. of the entire issued share capital of the Company. After the Subscription, the Subscriber will be beneficially interested in approximately 7.77 per cent. of the issued share capital of the Company as enlarged by the Bonus Share Issue and the Subscription (assuming that there will be no further issue of Shares (whether or not upon the exercise of warrants of the Company) or repurchase by the Company pursuant to any mandate given during the period between the date of this announcement and the date of completion of the Subscription). The Subscriber is an independent third party not connected with the chief executive or any director or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). The Subscriber is a comprehensive manufacturer of coil winding machines and peripheral systems and its shares are registered as over-the-counter stocks with the Japan Securities Dealers Association in Japan.

Subscription Price:

HK\$0.68 per Subscription Share.

The Subscription Price represents:

- a discount of approximately 11.69 per cent. to the closing price of HK\$0.770 per Share as quoted on the Stock Exchange on 10th September, 2001; and
- a discount of approximately 12.17 per cent. to the average closing price of HK\$0.7742 per Share as quoted on the Stock Exchange on the 10 trading days ended on 10th September, 2001.

The Subscription Price was arrived at after arm's length negotiations and the Board (including the independent non-executive directors) considers that the terms of the Agreement are fair and reasonable.

2. GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

Subject to the fulfillment of all the conditions set out under paragraph 3 below, the Subscription Shares will be allotted and issued under the general mandate (as more particularly set out in sub-paragraph 3(i) below) to be granted to the directors of the Company at the annual general meeting of the Company to be held on 14th September, 2001.

3. CONDITIONS OF THE SUBSCRIPTION

Completion of the Subscription is conditional upon:

- the shareholders of the Company passing the ordinary resolution for the grant of a general mandate to the directors of the Company to allot, issue and otherwise deal with new securities up to an aggregate of 20% of the nominal amount of the Company's issued share capital as at the date of the passing of such ordinary resolution to be passed at the annual general meeting of the Company to be held on 14th September, 2001; and
- the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares.

If the above conditions are not satisfied on or before 8th October, 2001 (or such later date as the Company and the Subscriber may mutually agree in writing), the Company and the Subscriber shall be released from all obligations under the Agreement but without prejudice to any claim which either party to the Agreement may have against the other party for any antecedent breach of the Agreement.

4. COMPLETION OF THE SUBSCRIPTION

Completion of the Subscription is expected to take place on the third Business Day after the Company has informed the Subscriber in writing of the fulfillment of all the conditions set out under paragraph 3 above (or such later date as the Company and the Subscriber may mutually agree in writing).

5. RANKING AND RIGHTS OF THE SUBSCRIPTION SHARES

The Subscription Shares, when fully paid and issued, will rank pari passu in all respects with the existing issued Shares and will receive all dividends and distributions declared, paid or made thereafter, save in respect of the entitlements to the final dividend for the year ended 30th April, 2001 and the Bonus Share Issue.

6. RESTRICTION ON DISPOSAL OF THE SUBSCRIPTION SHARES

The Subscriber has irrevocably undertaken to, and covenants with, the Company that it will not, within the period of six (6) months commencing on the date of Completion, either directly or indirectly, sell, transfer, charge or otherwise dispose of or enter into any agreement, whether in writing or not, for the sale, transfer, charge or disposal of, any of the Subscription Shares or any interest therein or create any rights or interests in respect of any of the Subscription Shares.

7. EFFECTS ON THE SHAREHOLDING STRUCTURE

The effects of the Subscription on the shareholding structure of the Company are as follows:

| | Shareholding as at the date of this announcement | | Immediately after Bonus Share Issue but before the completion of the Subscription (Note 2) | | Immediately after both Bonus Share Issue and the completion of the Subscription (Note 2) | |
|--|--|------------|--|------------|--|------------|
| | No. of Shares | Percentage | No. of Shares | Percentage | No. of Shares | Percentage |
| Ka Yan China Development (Holding) Company Limited and Mr. Lam Wai Chun (Note 1) | 334,574,381 | 63.24 | 401,489,257 | 63.24 | 401,489,257 | 61.25 |
| The Subscriber | 25,281,214 | 4.78 | 30,337,456 | 4.78 | 50,925,691 | 7.77 |
| Others | 169,221,513 | 31.98 | 203,065,816 | 31.98 | 203,065,816 | 30.98 |
| | <u>529,077,108</u> | <u>100</u> | <u>634,892,529</u> | <u>100</u> | <u>655,480,764</u> | <u>100</u> |

Notes:

- As at the date of this announcement, 332,574,381 Shares are held by Ka Yan China Development (Holding) Company Limited and 2,000,000 Shares are beneficially owned by Mr. Lam Wai Chun. The entire issued share capital of Ka Yan China Development (Holding) Company Limited is ultimately beneficially owned by Ka Yan China Family Trust, the family trust of Mr. Lam Wai Chun. The beneficiaries under the family trust are Mr. Lam Wai Chun's spouse, Ms. Law Ching Yee, and his children who are under the age of 18 years, and accordingly Mr. Lam Wai Chun is deemed under the Securities (Disclosure of Interests) Ordinance to be interested in the 332,574,381 Shares held by Ka Yan China Development (Holding) Company Limited.

- Assuming that there will be no further issue of Shares (whether or not upon the exercise of warrants of the Company) and no repurchase of Shares during the period between the date of this announcement and the date of completion of the Subscription.

8. REASONS FOR THE SUBSCRIPTION

The Subscription will broaden the capital base of the Company and will strengthen the financial position of the Company. The Board considers the Subscription to be in the best interests of the Company and shareholders of the Company as a whole.

9. APPLICATION FOR LISTING

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

10. USE OF PROCEEDS

The net proceeds from the Subscription will be approximately HK\$13,800,000, which is intended to be used as general working capital of the Group. All costs and expenses to be incurred by the Company in relation to the Subscription is estimated to be approximately HK\$200,000. The Company and the Subscriber will bear their own costs, charges and expenses (including legal costs) to be incurred in connection with the Subscription.

11. WARRANTS

The subscription price of the outstanding warrants of the Company may need to be adjusted as a result of the completion of the Subscription. A further announcement will be made by the Company as to the adjustment (if any) to the subscription price of the outstanding warrants.

12. RESUMPTION OF TRADING

Trading in the Shares was suspended with effect from 2:30 p.m. on 11th September, 2001 at the request of the Company pending the publication of this announcement. The Company has submitted an application to the Stock Exchange for the resumption of trading in the Shares at 10:00 a.m. on 12th September, 2001.

DEFINITIONS

In this announcement, the expressions below have the meanings assigned:

| | |
|-----------------------|---|
| "Agreement" | the conditional agreement relating to the subscription of 20,588,235 new Shares entered into between the Company and the Subscriber on 11th September, 2001 |
| "Board" | the board of directors of the Company |
| "Bonus Share Issue" | the proposed bonus issue of Shares to the shareholders of the Company on the basis of one bonus Share for every five existing Shares held on 14th September, 2001 in such manners as set out in the circular of the Company dated 20th August, 2001 |
| "Business Day" | any day (excluding Saturdays) on which banks are open for general banking business in Hong Kong |
| "Company" | CEC INTERNATIONAL HOLDINGS LIMITED, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange |
| "Completion" | completion of the Subscription on the third Business Day after the Company has informed the Subscriber in writing of the fulfillment of all the conditions set out under paragraph 3 above pursuant to Clause 4 of the Agreement |
| "Group" | the Company and its subsidiaries |
| "HK\$" | Hong Kong dollars, the lawful currency of Hong Kong for the time being |
| "Hong Kong" | the Hong Kong Special Administrative Region of the People's Republic of China |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Share(s)" | share(s) of HK\$0.10 each in the capital of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Subscriber" | Nittoku Engineering Co., Ltd., a corporation established under the laws of Japan, the shares of which are registered as over-the-counter stocks with the Japan Securities Dealers Association in Japan |
| "Subscription" | the subscription by the Subscriber of the Subscription Shares upon and subject to the terms and conditions of the Agreement |
| "Subscription Price" | HK\$0.68 per Subscription Share |
| "Subscription Shares" | the 20,588,235 new Shares to be allotted and issued pursuant to the Subscription under the Agreement and "Subscription Share" shall be construed accordingly |

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 11th September, 2001

Please also refer to the published version of this announcement in Hong Kong iMail and Hong Kong Economic Times.