

CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

2000/2001 THIRD 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 and nine months ended 31st January, 2001 together with comparative figures for the corresponding periods in 2000, and the unaudited consolidated balance sheet of the Group as at 31st January, 2001 together with audited comparative figures as at 30th April, 2000, are as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st January,		Nine months ended 31st January,	
		2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
Turnover	2	81,718	63,660	269,393	196,942
Cost of sales		(55,702)	(42,009)	(181,996)	(128,990)
Gross profit		26,016	21,651	87,397	67,952
Distribution and selling expenses		(2,989)	(2,589)	(8,010)	(6,763)
General and administrative expenses		(10,859)	(8,174)	(30,128)	(19,549)
Profit from operations		12,168	10,888	49,259	41,640
Interest income		650	596	1,945	1,341
Interest expense		(5,532)	(2,594)	(13,924)	(7,590)
Profit before taxation	3	7,286	8,890	37,280	35,391
Taxation	4	(757)	(858)	(3,240)	(3,557)
Profit after taxation but before minority interests		6,529	8,032	34,040	31,834
Minority interests		-	-	-	76
Profit attributable to shareholders		6,529	8,032	34,040	31,910
Earnings per share					
- Basic	5	1.26 cents	1.65 cents	6.70 cents	7.74 cents
- Diluted	5	1.18 cents	N/A	6.25 cents	N/A

CONSOLIDATED BALANCE SHEET

	Notes	As at	
		31st January, 2001 HK\$'000 (Unaudited)	30th April, 2000 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	6	373,643	244,064
CURRENT ASSETS			
Inventories		62,911	42,888
Trade receivables	7	21,554	26,201
Prepayments, deposits and other current assets		17,585	5,312
Pledged bank deposits		46,920	43,201
Cash and other bank deposits		8,453	6,442
Total current assets		157,423	124,044
CURRENT LIABILITIES			
Short-term bank borrowings		(64,050)	(35,446)
Long-term bank loans, current portion		(19,484)	(3,623)
Finance lease obligations, current portion		(30,326)	(20,487)
Trade payables	8	(22,714)	(39,615)
Bills payable		(4,183)	-
Accruals and other payables		(10,107)	(14,559)
Proposed final dividend		-	(10,000)
Taxation payable		(3,132)	(552)
Total current liabilities		(153,996)	(124,282)
Net current assets (liabilities)		3,427	(238)
Total assets less current liabilities		377,070	243,826
NON-CURRENT LIABILITIES			
Long-term bank loans		(40,177)	(4,824)
Finance lease obligations		(52,434)	(32,854)
Deferred taxation		(9,637)	(9,637)
Total non-current liabilities		(102,248)	(47,315)
Net assets		274,822	196,511
CAPITAL AND RESERVES			
Share capital	9	52,803	20,000
Reserves	12	73,258	61,790
Retained profit		148,761	114,721
Shareholders' equity		274,822	196,511

Notes:

1. Principal accounting policies

The same principal accounting policies and methods of computation are followed in these quarterly financial statements for the three months and nine months ended 31st January, 2001 as compared with the most recent published annual financial statements for the year ended 30th April, 2000.

2. 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 ferrite materials, coils, line filters and transformers. 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 31st January,		Nine months ended 31st January,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	64,526	51,487	213,042	164,119
Mainland China	4,839	5,345	16,450	15,818
Europe	3,962	2,762	15,610	8,907
Others	8,391	4,066	24,291	8,098
	81,718	63,660	269,393	196,942

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.

3. Profit before taxation

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

	Three months ended 31st January,		Nine months ended 31st January,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
After charging -				
Depreciation of property, plant and equipment	8,404	5,841	23,624	15,899
Interest expense on -				
bank overdrafts and loans wholly repayable within five years	2,480	741	5,617	3,301
- factoring of trade receivables	648	765	2,721	2,052
- finance leases	2,404	1,088	5,586	2,237
After crediting -				
Interest income from bank deposits	650	596	1,945	1,341

4. Taxation

	Three months ended 31st January,		Nine months ended 31st January,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Current taxation				
- Hong Kong profits tax	700	856	3,030	3,539
- Mainland China enterprise income tax	57	2	210	178
Write-back of deferred taxation	-	-	-	(160)
	757	858	3,240	3,557

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax was provided at the rate of 16% (2000: 16%) on the estimated assessable profit arising in or derived from Hong Kong 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, Mainland China.

5. Earnings per share

The calculation of basic earnings per share for the three months ended 31st January, 2001 was based on the profit attributable to shareholders of approximately HK\$6,529,000 (2000: HK\$8,032,000) and on the weighted average number of 519,882,543 (2000: 486,413,043) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January, 2001 was based on the profit attributable to shareholders of approximately HK\$34,040,000 (2000: HK\$31,910,000) and on the weighted average number of 508,185,970 (2000: 412,137,681) shares in issue during the period.

The comparative weighted average number of shares in issue and basic earnings per share for the three months and nine months ended 31st January, 2000 have been adjusted to reflect the bonus issue of shares on the basis of three bonus shares for every two shares held by shareholders on 17th August, 2000.

The calculation of diluted earnings per share for the three months ended 31st January, 2001 was based on the profit attributable to shareholders of approximately HK\$6,529,000 and on the weighted average number of 552,412,995 shares, adjusted to reflect the effects of all dilutive potential shares in issue during the period.

The calculation of diluted earnings per share for the nine months ended 31st January, 2001 was based on the profit attributable to shareholders of approximately HK\$34,040,000 and on the weighted average number of 544,988,545 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 and nine months ended 31st January, 2001 to that used in the calculation of diluted earnings per share is as follows:

	Three months ended 31st January, 2001	Nine months ended 31st January, 2001
Weighted average number of shares used in the calculation of basic earnings per share	519,882,543	508,185,970
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	31,128,847	36,335,373
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period	1,401,605	467,202
Weighted average number of shares used in the calculation of diluted earnings per share	552,412,995	544,988,545

Diluted earnings per share for the three months and nine months ended 31st January, 2000 was not presented because there was no dilutive potential shares in existence during those periods.

6. Property, plant and equipment

During the nine months ended 31st January, 2001, the additions to property, plant and equipment were approximately HK\$153,490,000 (nine months ended 31st January, 2000: HK\$66,668,000).

7. 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.

As at 31st January, 2001, an ageing analysis of trade receivables is as follows:

	As at 31st January, 2001 HK\$'000	As at 30th April, 2000 HK\$'000
Current - 1 month	14,987	23,734
2 - 3 months	6,865	2,516
Over 3 months	1,684	1,857
	23,536	28,107
Less: Provision for bad and doubtful debts	(1,982)	(1,906)
	21,554	26,201

8. Trade payables

As at 31st January, 2001, an ageing analysis of trade payables is as follows:

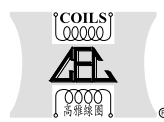
	As at 31st January, 2001 HK\$'000	As at 30th April, 2000 HK\$'000
Current - 1 month	20,121	35,068
2 - 3 months	1,927	2,425
Over 3 months	666	2,122
	22,714	39,615

9. Share capital

	Nine months ended 31st January, 2001		Year ended 30th April, 2000	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised shares of HK\$0.10 each				
Beginning of period/year	1,000,000,000	100,000	-	-
Upon incorporation	-	-	1,000,000	100
Addition	-	-	999,000,000	99,900
End of period/year	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid shares of HK\$0.10 each				
Beginning of period/year	200,000,000	20,000	-	-
Issued upon incorporation	-	-	1,000,000	100
Issue of shares arising from reorganisation	-	-	1,000,000	100
Issue of shares through public offering and private placement	-	-	50,000,000	5,000
Capitalisation of share premium	-	-	148,000,000	14,800
Bonus issue of shares	300,000,000	30,000	-	-
Issue of new shares pursuant to scrip dividend scheme	4,277,108	428	-	-
Issued upon exercise of warrants	23,750,000	2,375	-	-
End of period/year	528,027,108	52,803	200,000,000	20,000

10. Warrants

In July 2000, the Company issued 400,000,000 units of warrants at HK\$0.0625 per unit of warrant through a private placement. Such warrants carry the subscription rights entitling the holders thereof to subscribe in cash for new shares in the Company up to a maximum aggregate amount of HK\$59,000,000 at a subscription price of HK\$0.59 per new share (subject to adjustment). The warrants are exercisable at any time from 3rd July, 2000 to 30th September, 2003, both dates inclusive. During the nine months ended 31st January, 2001, warrants with an aggregate subscription value of approximately HK\$14,012,000 were exercised for 23,750,000 new shares.



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11. Share options

Under the terms of the Company's share option scheme approved by the shareholders on 26th October, 1999, the Directors of the Company 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, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued upon exercise of options granted pursuant to the share option scheme. The subscription price will be determined by the Directors, and will not be less than (i) 80% of the average closing price of the shares of the Company quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the options or (ii) the nominal value of the shares, whichever is the higher.

As at 31st January, 2001, the outstanding share options were as follows:

Date of grant	Exercisable period	Subscription price per share	Number of shares under options outstanding
21/09/2000	22/09/2002 – 21/01/2005	HK\$1.22	11,795,864
01/11/2000	01/11/2002 – 28/02/2005	HK\$0.90	37,650,000

12. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Cumulative translation adjustments HK\$'000	Total HK\$'000
Balance as at 1st May, 1999	5,932	14,000	-	-	17,242	(28)	37,146
Attributable to reorganisation	(5,932)	6	5,810	-	-	-	(116)
Premium arising from issue of shares	50,000	-	-	-	-	-	50,000
Share issuance expenses	(10,593)	-	-	-	-	-	(10,593)
Capitalisation of share premium	(14,800)	-	-	-	-	-	(14,800)
Elimination of goodwill arising from acquisition of additional interest in a subsidiary	-	(72)	-	-	-	-	(72)
Surplus on revaluation of properties	-	-	-	-	234	-	234
Translation adjustments	-	-	-	-	-	(9)	(9)
Balance as at 30th April, 2000	24,607	13,934	5,810	-	17,476	(37)	61,790
Proceeds from issue of warrants	-	-	-	25,000	-	-	25,000
Warrant issuance expenses	-	-	-	(2,109)	-	-	(2,109)
Bonus issue of shares	(24,190)	-	(5,810)	-	-	-	(30,000)
Share issuance expenses	(178)	-	-	-	-	-	(178)
Premium arising from issue of shares pursuant to scrip dividend scheme	7,177	-	-	-	-	-	7,177
Premium arising from exercise of warrants	17,575	-	-	(5,938)	-	-	11,637
Translation adjustments	-	-	-	-	-	(59)	(59)
Balance as at 31st January, 2001	24,991	13,934	-	16,953	17,476	(96)	73,258

13. Contingent liabilities

Contingent liabilities not provided for in the financial statements were:

	As at 31st January, 2001 HK\$'000	As at 30th April, 2000 HK\$'000
Factoring of trade receivables with recourse	33,770	31,803
Shipping guarantees	1,071	315
	34,841	32,118

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current periods' 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, 2000.

DIVIDEND

The Directors resolved not to declare any interim dividend in respect of the nine months ended 31st January, 2001 (2000: HK\$1,088,000 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 of Hong Kong Limited).

BUSINESS REVIEW

The Directors are pleased to announce that the Group has managed to sustain its trend of double-digit growth in turnover during the period. The turnover for the three months and nine months ended 31st January, 2001 was approximately HK\$81,718,000 and HK\$269,393,000 respectively, representing a robust growth of approximately 28% and 37% respectively from the corresponding periods in 2000. The growth, when compared to the same periods last year, reflects the Group's success in upholding its position in the electronics market coupled with its timely expansion of production capacity in line with the demand of its customers.

Although the third quarter was a season marked with the normal pattern of industrial slowing and extended holidays around Christmas and Lunar New Year, the Group was engaged during the third quarter in accelerating the reinforcement of its business foundation, which the Group believes is a critical investment in its own future. This embraced efforts in strengthening the Group's international marketing network and a substantial investment in the enrichment of its production facilities in Zhongshan, Guangdong Province, which was financed mainly with new long-term bank loans and finance leases of approximately HK\$30,000,000 and HK\$23,801,000

respectively during the third quarter. As a result, interest expense was up 113% from approximately HK\$2,594,000 for the three months ended 31st January, 2000 to approximately HK\$5,532,000 for the third quarter of the current financial year. Combined with the adverse impact on production cost resulting from the significant rise in petroleum price on a global basis, a temporary problem that the Group shared with the industry as a whole, the Group experienced a mild slowdown in the growth in profit performance during the third quarter. The profit attributable to shareholders for the three months ended 31st January, 2001 was approximately HK\$6,529,000, down 19% from the comparable quarter last year. On a year-to-date basis, the Group achieved a moderate 7% growth in profit attributable to shareholders for the nine months ended 31st January, 2001 to approximately HK\$34,040,000 as compared to the same period last year. Had the price of petroleum remained stable over both periods, the profit attributable to shareholders for the three quarters in the current financial year would have grown 21% year-over-year, to about HK\$38,663,000. Apart from the factor of petroleum price, the 49% increase in depreciation from approximately HK\$15,899,000 to HK\$23,624,000 during the nine months ended 31st January, 2001 resulting from the Group's dedicated investment in property, plant and equipment in a bid to power the further growth in future profitability also accounted for part of the temporary slight drop in gross profit margin from 34.5% to 32.4% for the nine months ended 31st January, 2001. On the other hand, in order to reinforce all levels of management, the Group has devoted a lot to the investment on human resources. For the nine months ended 31st January, 2001, human resources cost surged by approximately 75% and reached approximately HK\$22,659,000. The net profit margin was correspondingly slightly down from 16.2% for the comparable period last year to 12.6% for the same period in the current year.

While the outcome is largely anticipated, the Group's fundamental outlook, however, remains bright and encouraging in the remaining quarter of the financial year and beyond. This is mainly attributable to the Group's long-established commitment to persistent improvement, which positions the Group well on its way to generate promising returns to its shareholders in the future. This is evidenced when we take a more in-depth review of the Group's operations during the third quarter as follows:

Capturing the Market Opportunities

Thanks to the flourishing information technology era as the world entered into the new millennium, it remains clear that the dynamic growth in global demand for high-quality and miniaturised electronic components will be sustaining well into the future. With a vast amount of network deployment and upgrading throughout the world still ahead, the Group was implementing a number of expansion strategies in the current period to take full advantage of the strong demand cycle in the data networking, telecommunications and power conversion markets. The Group's commitment to, as well as ability in, capturing the emerging business opportunities are evidenced by the substantial capital investment of more than HK\$153,000,000 in the aggregate over the nine months ended 31st January, 2001. During the same period, the Group has been undertaking a large-scale investment in expanding its production infrastructure in Zhongshan. The construction of the new phase of factory blocks there was already completed during the third quarter of the financial year. Installation of new and fully automated production facilities for manganese-zinc series ferrite cores, line filters and electromagnetic interference ("EMI") filters was underway as at 31st January, 2001. With this upgraded production environment, the Group will soon be fully prepared to elevate to a higher level of business endeavours.

Managing the Production Cost Structure

The Group believes that consistently strong earnings performance is attributable to continuous attention to production cost management. This strategy continued to be the Group's game plan in the current period, as evidenced by the commencement of self-production of tubular ceramic capacitors, which are one of the key components of the Group's products, near the end of the third quarter of the financial year, as well as the installation of a new power conversion station for its factory in Zhongshan, which will save the costs of raw materials and power generation respectively to a considerable extent and mitigate the adverse impact from the fluctuating petroleum market.

Broadening the Sales Network

During the third quarter, the Group equipped itself with an experienced sales and marketing arm for the trading of a wide range of electronic components. Capitalising on the strengthened marketing capabilities, the Group diversified the categories of non-mainstream products offered, built up stronger customer relationships and successfully gained the distribution right for various types of Samsung passive components such as chip capacitors, chip resistors, electrolytic capacitors and ceramic capacitors. Ongoing were the Group's efforts in diversifying further its business in the marketing of multiple categories of innovative electronic devices, including audio noise reduction systems and integrated circuits, etc, which are expected to play an appreciable role in contributing to the Group's turnover growth.

FUTURE PLANS AND PROSPECTS

Meeting the Future Challenges

With the impending accession of China to the World Trade Organization ("WTO"), economic globalisation will be an irresistible trend in the future. The development of a knowledge-based global economy as well as information and communication infrastructure to support demand for international trade and commerce applications will be gathering momentum at an amazing speed. The Group is not going to be insulated from both the opportunities and challenges rapidly emerging in the electronics industry arising from this trend. The Group will maintain its proactive approach to operations that will allow it to leverage the capabilities to achieve an even stronger market presence. As appreciable business volume for such miniaturised components as chip inductors, ceramic capacitors, toroidal transformers, line filters and EMI filters, etc., is expected to result from the dynamic information technology and telecommunications sectors, the Group's dedication to strengthening its production infrastructure in Zhongshan for the manufacture of those components will eventually pay dividend in the near future to come.

Expanding the Product Line

The Group expects continued strength in the electronics market. In the coming financial year, the Group will pursue attractive opportunities to enrich its product line and better serve the strong electronics market by launching the production of miniature multi-layer chip inductors, which complement the existing series of wire-wound chip inductors by catering for the different self-resonant frequencies required in such electronic products as MP3 players, mobile phones, cable modems, broadband network equipment and computers, etc.

Focusing on Research and Development

With the continual high-tech advances in electronic applications throughout the world, the evolution of ferrite materials, being the core components of such electronic devices as inductors, line filters and EMI filters, etc, continues to play an indispensable role in sustaining those advances. The requirements for permeability and operating frequency of ferrite materials are becoming more and more demanding. The Group owed its dynamic growth in the past to its dedication in the research and development of ferrite powders and ferrite cores. In order to extend its technological and market strengths even further, the Group intends to intensify its efforts in the research and development of ferrite materials in the coming year. Capital expenditures amounting to approximately HK\$25,000,000 will be devoted to the set-up of advanced research and development facilities. The investment is expected to enable the Group to keep pursuing its strategy of constant innovation, which will remain one of most important pillars of the Group's success in the future.

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 nine months ended 31st January, 2001.

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 nine months ended 31st January, 2001, 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 March, 2001