



CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH APRIL 2000

The Board of Directors ("the Directors") of CEC International Holdings Limited ("the Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 30th April 2000 together with comparative figures for the year ended 30th April 1999 are as follows:

	Notes	Year ended 30th April	
		2000 HK\$'000	1999 HK\$'000
Turnover		271,292	193,943
Cost of sales		(178,359)	(136,634)
Gross profit		92,933	57,309
Other revenue		1,864	1,517
Distribution and selling expenses		(9,253)	(6,368)
General and administrative expenses		(28,483)	(16,774)
Profit from operations		57,061	35,684
Finance cost		(10,367)	(9,708)
Profit before taxation		46,694	25,976
Taxation	2	(4,860)	(2,335)
Profit after taxation but before minority interests		41,834	23,641
Minority interests		76	—
Profit attributable to shareholders		41,910	23,641
Dividends	3		
— Company's subsidiary (Interim)		1,088	—
— Company (Final)		10,000	—
Basic earnings per share	4	24.12 cents	15.76 cents

Notes:

1. Basis of preparation

The Company was incorporated in Bermuda on 10th September 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). In preparation for the 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.

2. Taxation

	Year ended 30th April	
	2000 HK\$'000	1999 HK\$'000
Current taxation		
— Hong Kong profits tax	405	953
— Mainland China enterprise income tax	385	68
— Special rebate by the Government of the Hong Kong Special Administrative Region	—	(47)
Deferred taxation	4,070	1,361
	4,860	2,335

Hong Kong profits tax was provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in or derived from Hong Kong for the year. 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.

3. Dividends and distributions

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 have recommended the payment of a final dividend of 5 HK cents per share ("the Proposed Final Dividend") for the year ended 30th April 2000 to shareholders whose names appear on the Company's register of members on 17th August 2000 ("the Record Date"). Together with the interim dividend of HK\$1,088,000 already paid, the total dividends for the year ended 30th April 2000 will be HK\$11,088,000. The Proposed Final Dividend will be paid in cash with an option to receive new fully paid shares in lieu of cash in respect of part or all of such dividend ("the Scrip Dividend Scheme").

The Directors have also recommended a bonus issue of new shares of HK\$0.10 each in the capital of the Company to shareholders whose names appear on the Company's register of members on the Record Date ("the Proposed Bonus Share Issue"). The Proposed Bonus Share Issue will be made on the basis of three bonus shares ("the Bonus Shares") for every two existing shares held on the Record Date. The Bonus Shares will be credited as fully paid at par and will rank pari passu with the existing shares in all respects when issued.

The Company will not allot any fractions of shares pursuant to the Proposed Bonus Share Issue. Shares representing fractional entitlement will be aggregated and issued to a nominee to be nominated by the Directors. Such Bonus Shares (if any) will be sold and the net proceeds thereof (if any) will be retained by the Company for its own benefits. Subject to the conditions being satisfied, certificates for the Bonus Shares are expected to be despatched to the shareholders by ordinary post on or before 14th September 2000. Dealings in the Bonus Shares are expected to commence on 18th September 2000.

A circular containing details of, inter alia, the Scrip Dividend Scheme and the Proposed Bonus Share Issue, together with a form of election, will be sent to shareholders of the Company in due course. The issue of new shares under the Scrip Dividend Scheme and the Proposed Bonus Share Issue is subject to

the approval of the Listing Committee of the Stock Exchange to grant the listing of and permission to deal in such shares. The dividend warrants and the share certificates for the scrip dividend and Bonus Shares will be sent to shareholders on or about 14th September 2000.

The adjustment to the subscription price of the 2003 warrants of the Company as a result of the Proposed Bonus Share Issue will be announced in a separate announcement upon the Company obtaining the relevant confirmation from the auditors of the Company or an approved merchant bank.

4. Earnings per share

The calculation of basic earnings per share for the year ended 30th April 2000 is based on the profit attributable to shareholders of approximately HK\$41,910,000 and on the weighted average number of 173,770,492 shares in issue during the year.

The calculation of basic earnings per share for the year ended 30th April 1999 is based on the profit attributable to shareholders of approximately HK\$23,641,000 and on the weighted average number of 150,000,000 shares as if they had been in issue during the entire year ended 30th April 1999.

Diluted earnings per share was not presented because there was no dilutive potential shares in existence during the year.

5. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. In particular, the comparative figures have been adjusted or expanded to take into account Statement 2.101 of Statement of Standard Accounting Practice "Presentation of Financial Statements" issued by the Hong Kong Society of Accountants which became effective during the year.

MOVEMENTS IN RESERVES

During the year, the Group had the following movements in reserves:

- 50,000,000 new shares were issued at HK\$1.10 per share, resulting in an increase in share premium of approximately HK\$39,407,000, net of share issuance expenses.
- Immediately after the new issue, share premium of HK\$14,800,000 was capitalised for the issuance of 148,000,000 shares of HK\$0.10 each on a pro-rata basis to the Company's then shareholders before the new issue, resulting in a decrease in share premium of HK\$14,800,000.
- Goodwill of approximately HK\$66,000 arising from the acquisition of additional interest in a subsidiary was eliminated against capital reserve.
- The excess value of the shares acquired over the nominal value of the Company's shares issued in exchange of shares pursuant to the Group's reorganisation resulted in an increase in contributed surplus of approximately HK\$5,810,000.
- Net surplus arising on revaluation of properties resulted in an increase in property revaluation reserve of approximately HK\$234,000.

CLOSURE OF REGISTER OF MEMBERS

In order to qualify for the Proposed Final Dividend and the Proposed Bonus Share Issue, all transfer documents accompanied by the relevant share certificates and, in the case of warrant holders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies must be lodged with the Company's branch share registrar in Hong Kong, Central Registration Hong Kong Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00pm on 10th August 2000. The register of members of the Company will be closed from 11th August 2000 to 17th August 2000, both dates inclusive, during which period no transfer of shares will be effected and no shares will be allotted and issued on the exercise of the subscription rights attaching to the outstanding Warrants.

BUSINESS REVIEW

The Group has successfully achieved outstanding earnings growth during the year ended 30th April 2000. Turnover, profit attributable to shareholders, earnings per share, gross profit margin and net profit margin all established record highs. Summary of the financial results of the Group for the year ended 30th April 2000 is as follows:

- Turnover was approximately HK\$271,292,000, representing an increase of approximately 40% over the preceding year;
- Profit attributable to shareholders was approximately HK\$41,910,000, representing an increase of approximately 77% as compared to that of the preceding year;
- Earnings per share was approximately 24.12 HK cents, representing an increase of approximately 53% over the preceding year; and
- Gross profit margin was approximately 34.3% (1999: 29.5%) whereas net profit margin was approximately 15.4% (1999: 12.2%).

The year ended 30th April 2000 was an exciting year marked with promising growth in business and profitability. This was largely attributable to the Group's success in seizing 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 our manufacturing facilities for products which suit the markets' needs most.

The following summarises the Group's major accomplishments during the year under review which contributed to such significant improvement in business performance:

Initial Public Offering

The year under review marked a milestone for the Group. The Company was successfully listed on the Stock Exchange on 15th November 1999 following an issue of 50,000,000 new shares at an issue price of HK\$1.10 per share. Approximately HK\$44,407,000 of net proceeds was raised from the new issue. This accomplishment positions the Group to a new financial

frontier that widens the horizon for growth and expansion. Based on this new solid ground, the Group will seek for more business opportunities to elevate to a higher range of business development.

Expansion and Upgrade of Production Capacity

Entering the information technology era, success often depends on the ability in gripping information accurately and in a timely manner. To overcome the geographical barriers to access of information, the demand for modern handheld electronic communication products such as mobile phones and personal digital assistants (PDA) has been gathering momentum at an amazing speed. Accordingly, the demand for miniaturised electronic components also increases. The Group capitalised on these emerging business opportunities by launching families of miniature components. Production facilities for wire-wound chip inductors in Singapore have been increased by two folds. Three production lines for high quality fixed inductors, which were widely used in the manufacture of telecommunications products, have been installed in November 1999 that raised the production capacity of fixed inductors by 30%. The Group's ability in meeting the demand for miniaturised electronic components has therefore been considerably raised.

Digital revolution in the audio-visual (AV) sector has transformed the way we live. Integration of Internet connectivity into traditional TV sets, introduction of digital cameras, DVD players and MD Hi-Fi's, etc, have brought forth new product concept and a boost to the AV market. The Group has strengthened its product families and quality and automated its production facilities to line up with this growing market demand. Approximately HK\$24,000,000 has been invested in new and fully automated production facilities for the manufacture of power inductors, radio frequency (RF) transformers, intermediate frequency transformers (IFT), and toroidal transformers. As technology continues to revolutionise the electronics industry, the Group will continue playing its part to sustain that revolution.

Supply Chain Management

The Group benefited from its well planned strategic supply chain management in the past to produce its own coils components, in particular, ferrite cores, plastic and metal parts. Approximately HK\$18,500,000 was further invested during the year under review in the manufacture of coils components as well as their mouldings. The output of coils components for April 2000 as compared to the beginning of the financial year has been raised by approximately 30%. Coupled with its success in cost control despite record high demand, the Group has achieved a gross margin and net margin of approximately 34.3% and 15.4% respectively. Based on this solid ground of operational efficiency, the Group will seek for further business expansion to strive for higher return on shareholders' investment.

To further improve its strategic supply chain management, the Group has also been cooperating with the local authority in Shaoguan, Guangdong Province, to develop the technology in refining ferrite powder. An abundant supply of high-quality and low-cost ferrite powder to the Group is expected for the manufacture of ferrite cores, which will save considerable production cost and further improve the quality of the Group's products.

Global Expansion

The management of the Group realises the importance of providing quality customer services and fostering closer contacts with its existing and potential customers to the Group's future. The Group believes that an investment in establishing its global presence is an investment in that future. Prior to 1999, the Group has already set up offices in major cities in the Asia-Pacific region, such as Shanghai, Xiamen, Zhongshan, Taipei and Singapore. Our commitment in enhancing our global presence was further evidenced in September 1999 by the establishment of a new branch office in Tokyo, Japan, which is one of the pioneers in the electronics industry. The Group benefited from building closer contacts with customers in their headquarters and collecting most up-to-date market intelligence in the innovative product development stage. The Group has already successfully gained "design-in" approval status for samples of new products from a number of renowned customers in Japan. To better serve its prestigious multinational customers who envisioned the booming industries in India and set up production facilities in the country, the Group established a new representative office in Bangalore, India, in January 2000. Following the great business opportunities emerging in these markets, further rooms for the Group's growth and expansion are expected to be coming in the near future.

Besides, the Group is currently actively considering the feasibility of setting up new representative offices and manufacturing facilities around the world, such as Turkey, Germany and the United Kingdom, in a bid to further extend our global market presence and exploit the unique competitive edges, such as technology and human resources, in different parts of the world.

Development of Complementary Products

Another objective of the Group is to expand into the manufacture of new product lines that complement to what we offered to our current customers. The new millennium saw the Group's successful entry to the manufacture of electrolytic capacitors, a kind of electronic components complementary to coils, in April 2000. The Group believes that the diversification will bring in synergistic effect for the Group's business as both coils and capacitors are the basic elements of electronic circuits which share the same customer base.

FUTURE PLANS AND PROSPECTS

Based on its sound business and financial position, the Group looks forward confidently to the new millennium and 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 stakeholders.

Products Development

Owing to the increasingly demanding requirements for clarity in electronic data communication and transmission, the market demand for electronic components that are effective in eliminating noise in pulse data lines and AC lines has been growing rapidly. Together with the increasing awareness of potential risk of electromagnetic interference (EMI) resulting from the popularity of telecommunication, the market demand for line filters is expanding at a very high speed. The fast-growing markets for modern and compact electronic, telecommunication, and household electrical products will give rise to a huge demand for compact but high power converters such as switching mode power supply (SMPS). The Group will devote more resources to the development and expansion of the product families of line filters and power converters in order to cater for the substantial growth in the target market. The Group has planned further to build its core competence by investing in new production facilities for the manufacture of manganese zinc ferrite cores series which are major components in the manufacture of line filters and power converters. To capitalise on the great business opportunities emerging in the information technology and telecommunication sectors, the Group has also planned to expand its production capacity for a variety of chip inductors such

as wire-wound chip inductors.

As an experienced electronic component supplier, the Group believes the accomplishment in the coils industry can be further extended to the electrolytic capacitors business owing to their complementary nature. The Group plans to devote more resources in the research and development of electrolytes and forming of aluminium foils which are one of the major materials used in the manufacture of electrolytic capacitors. Such investment is to build the Group's competitive edge in the industry and transform the Group from a capacitor assembler to a manufacturer of higher profit margin by equipping itself with powerful research and development capabilities.

The Group believes the key to its competitiveness lies in its ability to offer better and more cost-effective components to its customers. The Group will continue to cultivate and sustain its competitive advantages in cost effectiveness through the implementation of its long term strategy of supply chain management.

Strategic Partnerships

To well-equip itself for both the challenges and opportunities arising in the global arena, the Group and forward-looking market participants realise the importance of strategic alliance in sustaining and exploring further growth opportunities. The Group realises its strength in its highly efficient operational system and invites market participants with complementary interest. In particular, the Group is researching into cooperation plans in depth with leading international coil manufacturers and is prepared to capture further opportunities for business growth and expansion, always with the objective of maximising our shareholders' value in mind.

E-commerce

Entering into the Internet Era, the Group is developing e-commerce functionality for its "on-line sales" system and product specification simulation system. System testing is underway and positive responses from sample customers have been received. Upon its completion, customers will be able to place orders, request for samples, and set their product specification through Internet, which enables the Group to provide more tailor-made and value-added services to its customers.

The Group plans to further invest approximately HK\$2,000,000 to strengthen the management information system which will improve management controls within the Group over its business applications and processes such as manufacturing, sales and marketing, accounting and finance. The system capabilities will also be extended to provide platforms for its over 6,000 business partners, customers and suppliers for business to business solutions in the electronics industry.

Focus on Research and Development

The Group strongly believes that one of its strengths in the electronics industry is its proven ability to adapt to customers' ever changing technical specifications of coils by introducing new products and upgrading its existing products swiftly. Focusing on the world's rapidly growing technologies: Local Area Networking (LAN), wireless broadband communications, and interactive voice, data and video applications, the Group plans to work more closely with its customers to capture opportunities arising from the electronics industry and develop "design-in" components of information technology products such as LAN hubs, routers and switches, high-speed personal computer data interfaces, cable modems and power converters.

Another priority of the Group in the coming year will be the research into the concoction formulae and production technology of strontium ferrite magnets in Zhongshan. The market for strontium ferrite magnets is very wide-ranging as they are widely used components in electronic products. As such, the Group strongly believes that the investment will bring in further solid prospects to the Group.

Timely Disclosure of More Information to the Public

The Directors consider that the disclosure of financial information is of great importance to the shareholders and prospective investors. On 14th March 2000, the Company voluntarily announced the Group's quarterly results for the three months and nine months ended 31st January 2000 to the public to enhance its transparency. Such act has received favourable applause from investors. With a view to keeping the public informed of more timely information, the Directors have decided to disclose the Group's financial information to the public on a quarterly basis in the foreseeable future.

YEAR 2000 COMPLIANCE

The computer system and electronic devices of the Group functioned properly before, during and after Year 2000. The Group has not encountered abnormality or system failure arising from Year 2000 issue up to the date of this announcement. Nevertheless, the Group will closely monitor the function of its computer system in Year 2000.

AUDIT COMMITTEE

The Company has established an Audit Committee on 30th September 1999 with written terms of reference 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. 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 three non-executive directors, two of them being independent. The meetings of the Audit Committee have been held twice since its establishment.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied 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 year ended 30th April 2000, 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 provisions of the Company's Bye-laws.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30th April 2000.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 13th July 2000