CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

2002/2003 ANNUAL RESULTS ANNOUNCEMENT

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 2003 together with comparative figures for the year ended 30th April 2002 are as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 30th April	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Turnover	*1*	**448,155**	363,896
Cost of sales		**(335,926)**	(256,460)
Gross profit		**112,229**	107,436
Selling and distribution expenses		**(13,866)**	(12,445)
General and administrative expenses		**(69,052)**	(63,825)
Provision for impairment loss on intangible assets		**(8,940)**	–
Other operating expenses		**(5,747)**	(1,329)
Operating profit	*1,2*	**14,624**	29,837
Interest income		**341**	1,031
Interest expense		**(18,223)**	(22,295)
Share of profits less losses of associates		**76**	–
Share of profits less losses of jointly controlled entities		**140**	(138)
(Loss)/profit before taxation		**(3,042)**	8,435
Taxation	*3*	**(1,805)**	(2,361)
(Loss)/profit after taxation but before minority interests		**(4,847)**	6,074
Minority interests		**(100)**	(101)
(Loss)/profit attributable to shareholders		**(4,947)**	5,973
Basic (loss)/earnings per share	*5*	**(0.72) cent**	0.92 cent

Notes:

1. **Turnover and 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)**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Coils manufacturing	**355,879**	287,607	**26,722**	30,747
Capacitors manufacturing	**35,271**	33,240	**821**	(368)
Electronic components trading	**55,173**	43,049	**(1,392)**	(542)
Information technology services	**1,832**	–	**(11,527)**	–
	448,155	363,896	**14,624**	29,837

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

	Turnover		**Operating profit/(loss)**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**278,381**	253,463	**15,518**	23,785
Mainland China	**52,793**	21,919	**(4,955)**	2,938
Taiwan	**58,050**	45,456	**1,345**	829
Europe	**25,649**	16,879	**1,153**	2,162
Singapore	**22,551**	21,691	**3,684**	818
Others	**10,731**	4,488	**(2,121)**	(695)
	448,155	363,896	**14,624**	29,837

2. Operating profit

Operating profit is stated after crediting and charging the following:

	2003 *HK$'000*	2002 *HK$'000*
Crediting		
Unrealised gain on investment	**569**	–
Charging		
Depreciation		
– owned fixed assets	**48,484**	43,616
– fixed assets held under finance leases	**7,372**	7,342
Amortisation of intangible assets		
– goodwill	**1,793**	–
– distribution right	**1,067**	1,066
Provision for impairment loss on intangible assets		
– goodwill	**8,229**	–
– distribution right	**711**	–
Cost of inventories	**334,942**	255,958
Provision for slow-moving and obsolete inventories	**–**	502
Unrealised loss on investment	**–**	430
Staff costs (including directors' emoluments)	**89,183**	91,264

3. 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 year. Subsidiaries of the Group 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 year at the rates prevailing in the respective jurisdictions.

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

	2003	2002
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**38**	200
– over-provision in prior years	**(68)**	–
Mainland China enterprise income tax		
– current tax	**511**	485
– over-provision in prior years	**(171)**	–
Deferred taxation	**1,495**	1,675
	1,805	2,360
Shares of taxation attributable to:		
– associates	**–**	–
– jointly controlled entities	**–**	1
	1,805	2,361

4. Dividends

No interim dividend was declared in respect of the year ended 30th April 2003 (2002: Nil).

The Directors do not recommend the payment of a final dividend in respect of the year ended 30th April 2003 (2002: Nil).

5. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of approximately HK$4,947,000 (2002: profit attributable to shareholders of HK$5,973,000) and the weighted average number of 690,047,989 (2002: 649,040,127) shares in issue during the year.

Diluted (loss)/earnings per share is not presented because the outstanding share options and warrants during the years ended 30th April 2002 and 30th April 2003 were anti-dilutive.

6. Comparative figures

Certain comparative figures of the consolidated cash flow statement for the year ended 30th April 2002 have been reclassified to conform to the current year's presentation due to the adoption of SSAP 15 (revised) – Cash flow statements. In addition, certain staff costs have been reclassified from cost of sales to general and administrative expenses to conform to the current year's presentation.

CLOSURE OF REGISTER OF MEMBERS

In order to qualify to vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates and, in the case of warrantholders, 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, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 17th September 2003. The register of members of the Company will be closed from 18th September 2003 to 24th

September 2003, 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 Company's wholly-owned subsidiary, CEC-Technology Limited ("CEC-Technology"), acquired the entire issued share capital of Good Signal Holdings Limited ("Good Signal") and the benefit of a loan of HK$9,367,720 advanced to Good Signal, at an aggregate consideration of HK$8,320,000 on 4th June 2002 by way of the issue of 32,000,000 new shares of the Company at HK$0.26 per new share to satisfy the consideration of acquisition. In accordance with accounting standards, the aggregate cost of the acquisition was recorded at HK$9,760,000 and the 32,000,000 new shares of the Company were recorded at HK$0.305 per new share, being the closing price of the Company's share as quoted on The Stock Exchange of Hong Kong Limited on 4th June 2002. The acquisition allowed the Group to have an indirect 12.5% interest in the registered capital of 上海圖王科技有限公司 (Shanghai Signking Science & Technology Co., Ltd. (for identification purpose) ("Shanghai Signking")). The Group considered that the performance and business growth of this acquired project were below expectation and substantially behind the original valuation. This indicates that the Group has been too optimistic towards the prospects of information technology business and the investment approach was too aggressive. The Directors have decided to adopt prudent accounting management to evaluate investment projects, and to make a one-off full provision for impairment loss on the goodwill in information technology segment in this financial year, amounting to HK$8,229,000.

On the other hand, the Group will scale down its electronic components trading business. The Directors have also decided to make a one-off full provision for impairment loss on the remaining balance of the amortised intangible asset value of the distribution right for electronic components trading segment amounting to HK$711,000 in this financial year.

The two items of provision for impairment loss mentioned above totalled HK$8,940,000, resulting in a loss attributable to shareholders of HK$4,947,000 for this financial year. However, there was no impact on the Group's operating cash flow. The Directors believe that the provisions can better reflect the Group's current and future operating conditions. With the experience gained from investing outside its core business, the Group will focus more on its core business, the manufacturing segment, and is committed to adopting a more cautious and prudent approach in evaluating new investment projects' potential and opportunity cost.

The Group's turnover for the year ended 30th April 2003 grew from HK$363,896,000 for the same period last year to HK$448,155,000, up 23.2%. Gross profit also rose to HK$112,229,000 from HK$107,436,000 last year. During the year under review, earnings before interest, tax, depreciation, amortisation and provision for impairment loss ("EBITDA") was HK$82,280,000 (2002: HK$81,861,000), while operating profit was HK$14,624,000 (2002: HK$29,837,000). As the Group made a one-off provision for impairment loss on intangible assets of HK$8,940,000 (2002: Nil) this year, there was a loss attributable to shareholders of HK$4,947,000 (2002: profit attributable to shareholders of HK$5,973,000).

Although the Group recorded satisfactory turnover growth last year, it had to make substantial strategic adjustments to its product prices during the first two quarters of the financial year in attempts to consolidate its competitiveness in the increasingly competitive electronic products market. This had led to a reduction in the Group's gross profit margin from 29.5% to 25.0%. The Group's performances in the third and fourth quarters indicated an easing of the price cut pressure.

In respect of production cost, the Group experienced an increase in production volume, and a decrease of 2.6% in the ratio of labour cost on turnover, from 12.7% in 2002 to 10.1%. This reflected that the Group's active investments in improving and upgrading its manufacturing facilities had begun to take effect. In addition, the Group's power supply enhancement plan that was commenced in 2001 had helped reduce electricity expenditure by 7.9% from last year. The Group's selling and distribution expenses for the year ended 30th April 2003 rose 11.4% to HK$13,866,000 (2002: HK$12,445,000), and general and administrative expenses also increased 8.2% to HK$69,052,000 (2002: HK$63,825,000).

The Group's unsatisfactory performance stemmed from its aggressive approach towards business development and diversification and over-optimistic expectation towards the information technology projects since listing. We had conducted a painstaking review and evaluation of each of the Group's business operations since listing and took prompt improvement measures in the following aspects during the year under review. Details are mentioned in the business review for each operation:

Focus on the development of the core manufacturing business
Scale down and restructure under-performing projects
Achieve more efficient overall operations of the Group

The Group is primarily engaged in coils manufacturing and has been investing substantial resources into the upgrading of production facilities and the vertical integration of its production processes over the years to build and ensure the Group's longstanding competitive strengths. Such investments have helped the Group sustain a consolidated gross profit margin of 25.0% (2002: 29.5%), with the gross profit margin for coils amounting to 29.5% (2002: 34.8%) in a fiercely competitive market environment. The Group's depreciation of fixed assets was HK$55,856,000 (2002: HK$50,958,000).

While investing heavily in its manufacturing facilities, the Group had over-estimated the progress of certain projects, such as the production facilities for manganese-zinc ferrite, which is the primary raw material of power supply devices, had taken nine months longer than planned from installation in October 2000 to the completion of initial trial production. Although the project is below progress, with the hard work of the Group, the product designs, application for the certification of relevant safety regulation compliance and marketing activities have already fully commenced, with certain processes successfully completed. But there is still under-utilisation of the production facilities for manganese-zinc ferrite materials. As compared to the previous year, the turnover for power supply devices has recorded considerable growth this year. Therefore, we believe that the prevailing marketing strategy will be able to effect with the designated impact and achieve the expected economies of scale as soon as possible.

We had planned to leverage on the Group's network of customers to develop the electronic components trading business that is closely related to the sale of products manufactured by the Group as part of the business diversification drive to fuel fast turnover growth. However, the profit margin for the electronic components trading segment is relatively low while the demand for working capital is high, making it a burden to the Group's overall business. The Group has taken measures to restructure this business and this invaluable experience has thrown new light to the Group's future development.

Looking back the past three years since listing, the Group had incurred certain losses from its aggressive diversification and over-optimism on information technology business. The Group has realised that it was alienating itself from the successful fundamentals for small and medium-sized enterprises – responsive, flexible and efficient – in its expansion pursuits. The Group realises that the way to turn around is to re-gain the high flexibility of a small and medium-sized enterprise in different aspects, including organisational structure and human resources deployment, and to focus on the development of its proven core business.

Report on human resources for the year ended 30th April 2003:

Total number	5,610	Male:	17.9%	Female:	82.1%
Functional distribution	Management	Technology/ development	Manufacturing	Sales and marketing	Others
	4.1%	3.0%	Workers: 78.0% Supervisors: 6.3%	2.4%	6.2%
Qualification	Management	Technology development	Manufacturing	Sales and marketing	Others
Post-secondary school and above	88.7%	91.7%	19.5%	91.7%	46.7%
Postgraduate	58.3%	57.1%	0.5%	54.6%	4.9%
Age	25 or below 65.5%	26-35 27.7%	36-50 5.9%	51 or above 0.9%	
Nationality	Hong Kong	Mainland China	Overseas/others		
	3.0%	96.2%	0.8%		

	Turnover		Gross profit		Gross profit margin (%)	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Coils manufacturing	**355,879**	287,607	**105,044**	99,983	**29.5**	34.8
Capacitors manufacturing	**35,271**	33,240	**3,030**	2,717	**8.6**	8.2
Electronic components trading	**55,173**	43,049	**3,308**	4,736	**6.0**	11.0
Information technology services	**1,832**	–	**847**	–	**46.2**	–
	448,155	363,896	**112,229**	107,436	**25.0**	29.5

The above was written by:
Tang Fung Kwan
Deputy Chairman and Managing Director
Huang Kong
Deputy Managing Director

Manufacturing Segment

The Group primarily manufactures coils, electrolytic capacitors, and also the principal materials for coils, including ferrite cores (manganese-zinc series, nickel-zinc series and iron powder core series), ceramic components, plastic components, metal components, moulds and packaging materials such as carton boxes and adhesive tapes, etc. The year under review was characterised by a global economic slowdown and fierce market competition. However, the Group was able to maintain its competitiveness in pricing, production cycle and product quality through active investments in vertical integration and production automation over the past few years. Turnover for the manufacturing segment was HK$391,150,000 (2002: HK$320,847,000), of which coils manufacturing accounted for HK$355,879,000 (2002: HK$287,607,000).

The Group's coils are widely applicable in different electrical and electronic consumer products, including audio-visual, telecommunication and home electrical appliances, toys, computers and information technology products, automobiles, lighting facilities, office equipment and power supply devices, etc. Audio-visual, telecommunication and toys, which are the principal market sectors for the Group's products, accounted for HK$159,225,000, HK$65,954,000 and HK$27,152,000 (2002: HK$121,762,000, HK$52,172,000 and HK$21,838,000), respectively, of the Group's turnover for the year. Since the installation of manganese-zinc ferrite production facilities and the development of different power supply coils product series in 2000, coupled with the support of active marketing efforts, the turnover of power supply devices increased rapidly by 223.3% to HK$50,940,000 (2002: HK$15,755,000), accounting for 13.0% (2002: 4.9%) of the turnover in the manufacturing segment. It is expected that the share of power supply devices in the Group's overall turnover will continue to rise. In addition, there was a substantial demand growth for energy-saving lighting products and ballast, in line with the increasing awareness of energy saving and environmental protection. As power supply coils, certain other coils products and electrolytic capacitors are indispensable components in energy-saving lamps, this has aligned with the Group's investment direction in power supply coils, electrolytic capacitors and manganese-zinc ferrite materials. The Group has designated the lighting market as the marketing target for the next and coming financial years.

In respect of the geographical profile of the Group's customers, the Group's major customers have always been electrical and electronic consumer product manufacturers for Japanese brands, and their OEM manufacturers in Hong Kong, Mainland China and Southeast Asia. Supported by intensive product and market development efforts in power supply devices, the Group is taking on more customers from Europe, including the world's largest mobile phone charger manufacturer in Finland and also power supply device manufacturers in Germany. As Mainland China has become "the world's production base", more and more well-known manufacturers of electrical and electronic consumer products from Europe and the United States are setting up plants there, and many of these foreign manufacturers conduct their procurement and fulfillment activities in Mainland China. With the experience of operating in Mainland China for more than two decades, the Group is well-poised to capitalise on this tremendous opportunity. During the period under review, the Group derived a turnover of HK$52,793,000 from Mainland China (2002: HK$21,919,000). As a widely recognised domestic supplier among major enterprises, the Group believes that its customer base will be further broadened with more European and American manufacturers.

While actively developing new markets, the Group is also scaling down and restructuring under-performing branches and offices.

The Group established a branch in Japan in 1999 to facilitate marketing to Japanese customers. As more and more Japanese customers are relocating their technology development and product approval processes from their headquarters in Japan to their production bases in Mainland China and Southeast Asia and also delegating procurement activities entirely to their respective manufacturers, the importance of domestic marketing in Japan is fast diminishing. In fact, the Group's new customers in Japan developed over the past few years were introduced and cultivated primarily through channels in Hong Kong, Mainland China and Southeast Asia. These objective factors had led to a decline in the cost-effectiveness of the branch in Japan. As part of the Group's efforts to achieve better resources management, the branch in Japan ceased operation in June 2003. The Group has also commenced the re-deployment of its sales units and resources.

The office in Shanghai was combined into the subsidiary in Kunshan in May 2002, to further improve the operating structure and to consolidate production, technology and sales under one roof. The Group has put a freeze on the plant building plan in Qingdao and will only be reviewed again when a comprehensive and precise evaluation of the market potential and risk exposure is completed.

In keeping abreast of technological innovation, the Group has been actively developing coils products of different categories and functionalities from its core business platform to meet diversified market demands. For example, anti-electromagnetic interference filter has already become a major product of the Group. As more and more countries have imposed increasingly stringent environmental standards for electromagnetic wave, more electronic products have to be certified by the local electromagnetic wave environmental protection authorities. Therefore, the Group's anti-electromagnetic interference filters have been widely applied on electrical and electronic products. During the year under review, the Group succeeded in the development of several high-current anti-electromagnetic interference filters for use in relatively high-power consumption electronic products, such as washing machines, refrigerators, air-conditioners and other large electrical home appliances, facilitating the Group's successful inroads into the manufacturers' market for these electrical products.

The Group is pursuing vertical integration to further enhance its competitiveness in manufacturing coils through the lowering of production cost and more effective control on product quality. It has invested in the production of raw materials for coils products. Since 2000, the Group has successfully developed manganese-zinc ferrite core product that is already extensively used in the power supply devices manufactured by the Group. During the year under review, the Group further gained the state-of-the-art manganese-zinc ferrite technology and access to raw materials manufacturers in Europe through a cooperation project with LG.Philips Displays in Nanjing, Mainland China. The Group can apply this ferrite technology on the manufacturing of power supply coils, thus further broadening the Group's competitive strengths with enhanced production efficiency and cost control. Characterised by higher saturation flux density (Bs) and higher initial permeability (μi), manganese-zinc ferrite is commonly applied in transformers for telecommunication, data transmission, energy-saving products and power supply switches. The more promising of which include transformers for backlight power supply devices and energy-saving products.

Demand for liquid crystal display (LCD) monitors that are commonly used in personal digital assistants (PDAs), laptop computers, mobile handsets, digital cameras, digital camcorders and computer monitors is tremendous. To capitalise on this market niche, the Group took the initiative to launch a series of transformers for backlight power supply devices as its fundamental raw material – manganese-zinc ferrite – had been successfully developed. This transformer series has already attained customer approval.

Electronic and electrical power technology is another major energy-saving platform. Through the use of electronic frequency converters and the high-efficiency fluorescent lights with the latest fluorescent powder, energy saving can be as high as 80%. The use of switching mode power supply of this technology can also save 30-60% energy compared with traditional mode power supply. It is estimated that when electronic and electrical power technology is fully implemented, Mainland China can save 40 billion kilowatt-hours of electricity each year. The development potential of electronic frequency converters, switching mode power supply devices and their core raw material manganese-zinc ferrite are such substantial that it has further reinforced the Group's focus on investing, developing and manufacturing manganese-zinc ferrite materials.

Resources deployment for core manufacturing segment:

	2003	2002	% change
	HK$'000	*HK$'000*	
Market development and promotion	**5,676**	5,004	13.4%
Research and development	**6,641**	6,162	7.8%
Manufacturing facilities	**21,121**	92,075	(77.1%)
Human resources training	**914**	497	83.9%
Information technology	**3,834**	3,989	(3.9%)

The above was written by:
Tang Fung Kwan
Deputy Chairman and Managing Director
Chiu Chan, Charles
Law Hoo Shan
Executive Directors

Trading Segment
The market for electronic components trading remained competitive for the year ended 30th April 2003. During the year under review, the electronic components trading segment recorded a turnover of HK$55,173,000 (2002: HK$43,049,000), up 28.2% compared with the previous year, and accounting for 12.3% (2002: 11.8%) of the Group's turnover. Price-cutting pressures among agents in a bid to maintain their own competitiveness have put a squeeze on profitability.

Gross profit margin derived from the electronic components trading segment shrank from 11.0% for the year ended 30th April 2002 to 6.0% for the year ended 30th April 2003. An operating loss of HK$1,392,000 (2002: HK$542,000) was recorded. The operating loss has increased by HK$850,000, and the segment has also diluted the Group's overall gross profit margin.

As the products traded are not manufactured by the Group, control over operation, cost, delivery and inventory is rather limited. In certain cases, efforts to push sales had led to price pressure, making the trading segment of mediocre profitability even more difficult.

In respect of sales in a depressed market environment, a majority of customers requested price discounts and longer payment terms, thus making prudent credit risk management more important than ever. Trading business normally requires substantial capital deployment for safety-inventory warehousing, where any mishaps in control and planning management will pose a strain on working capital.

The Group started to commence trading of electronic components in 2001 as part of its diversification strategy. Over the past three years, profit margin for this trading segment had been on a constant decline, from 15.8% in 2001 to 6.0% in 2003. Return from the Group's additional resources and capital investment of this segment had been lower than that of the Group's core business. Having reviewed the opportunity cost and operating risks, the Group adjusted its diversification strategy and restructured the trading segment to scale down projects of high risk and low return, and focus on more lucrative businesses.

The above was written by:
Lam Wing Kin, Sunny
Executive Director

Information Technology Segment
For the first time, the Group recorded turnover from the information technology segment in this financial year. This was mainly due to the completion of acquisition of 51% equity interest of Sun-iOMS Technology Holdings Limited ("Sun-iOMS") by CEC-Technology by way of subscription of new shares in Sun-iOMS at a total consideration of HK$255,000 on 5th March 2003. The consolidated turnover of Sun-iOMS was HK$1,832,000, accounting for 0.4% of the Group's turnover. The operating profit for the period from 5th March 2003 to 30th April 2003 was HK$205,000. The gross profit for the whole information technology segment was HK$847,000, with a gross profit margin of 46.2%. As at 30th April 2003, Sun-iOMS's balance in contract-on-hand amounted to HK$1,784,000. It will continue to expand its customer base to achieve economies of scale, and as at 30th June 2003, a balance of payment was basically achieved.

The Directors decided to make a one-off full provision for impairment loss on the goodwill in Good Signal in the year under review. It was intended that, through this investment, the Group would be in a position to seize opportunities arising from the new economy of information technology through an indirect 12.5% interest in the registered capital of Shanghai Signking. However, the Group considered that the performance and business growth of this acquired project had been below expectation and substantially behind the original valuation and a provision for impairment loss was necessary. This investment experience has inspired the Group to adopt a different approach towards its information technology business. The Group now recognises that it must thoroughly assess the market trend and potential risk of all new businesses, and evaluate their respective potential synergy and opportunity cost, so as to achieve a better control over the selection of information technology development and the deployment of resources. The positive impact of this new approach has already been reflected in the Sun-iOMS's improving operating results.

Internally, the Group will continue to apply information technology to strengthen internal management system, increase operating efficiency, empower business analysis and upgrade information management. Currently, the Group does not have any plan to commercialise the software products developed by CEC-Technology at this stage.

The above was written by:
Huang Kong
Deputy Managing Director

Changes in Financial Resources
With the confidence and support from our principal banks, the Group always has sufficient banking facilities for long-term development and operation. On 30th April 2003, the Company entered into a three-year transferable term loan facility agreement for an aggregate amount of HK$165,000,000 with a group of banks. HK$75,000,000 of the facility will be applied to prepay all of the Company's outstanding indebtedness under a HK$100,000,000 term loan and revolving credit facility agreement dated 31st January 2002. The remaining balance of HK$90,000,000 will be used to finance the development of the new plant in Nanjing and as the Group's general working capital. The full amount of the facility has been drawn down in one lump sum in May 2003. This facility has helped strengthen the Group's operating capital and consolidate its financing structure.

As at 30th April 2003, the Group's aggregate banking facilities from banks and financial institutions expanded to HK$539,426,000 (2002: HK$391,747,000), of which HK$222,320,000 (2002: HK$68,786,000) remained unutilised. The Group had cash and bank deposits of HK$44,240,000 (2002: HK$45,434,000), denominated mainly in Hong Kong dollars, United States dollars, Renminbi, Japanese yen, Singapore dollars and New Taiwan dollars. The banking facilities were secured by mortgages over certain of the Group's land and buildings, pledges of bank deposits, investment, inventories and machinery, as well as corporate guarantees provided by the Company and certain of its subsidiaries. The Group is also required to meet certain restrictive financial covenants with the major financing banks. The financial covenants include, among other things, the maintenance of the following specific financial ratios: (1) the net gearing ratio, defined by the relevant bank as total borrowings plus bills payable and contingent liabilities less total cash and bank deposits and investment over net tangible assets less proposed final dividends, shall not exceed 0.85:1; and (2) the amount of capital expenditures, as defined by the relevant banks, for the year ended 30th April 2002 shall not exceed HK$70,000,000. The Group did not fulfill these two financial covenants as at 30th April 2002, but obtained waivers from the relevant banks in respect of such non-compliance in August 2002.

	2003	2002
	HK$'000	*HK$'000*
Banking facilities	**539,426**	391,747
Utilised banking facilities	**(317,106)**	(322,961)
Unutilised banking facilities	**222,320**	68,786
Cash and bank deposits	**44,240**	45,434

	Financial covenants with major banks	2003	Compliance with financial covenants
Net tangible assets	Above HK$290,000,000	**HK$300,259,000**	Complied
Current ratio	Above 0.70	**0.80**	Complied
Interest coverage ratio	Above 3.50 times	**4.60 times**	Complied
Net gearing ratio (1)*	Below 1.05	**0.96**	Complied
Net gearing ratio (2)#	Below 0.85	**0.85**	Complied

The Group's total borrowings as at 30th April 2003 were HK$306,370,000 (2002: HK$300,089,000), of which HK$205,282,000 (2002: HK$148,380,000) was current and HK$101,088,000 (2002: HK$151,709,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. Contingent liabilities as at the same date amounted to HK$25,286,000 (2002: HK$36,823,000), of which HK$25,286,000 (2002: HK$36,618,000) was factoring of trade receivables with recourse.

	2003	2002	Interest rate
	HK$'000	*HK$'000*	
Current borrowings	**205,282**	148,380	H or P
Non-current borrowings	**101,088**	151,709	H or P
Total borrowings	**306,370**	300,089	H or P
Factoring of trade receivables with recourse	**25,286**	36,618	P

H Hong Kong Interbank Offered Rate ("HIBOR") plus competitive margins
P Prime rate/Prime rate plus competitive margins

The declining interest rates in Hong Kong have led to a significant drop in the Group's interest expense and interest income for the year ended 30th April 2003 with a net interest expense of HK$17,882,000 (2002: HK$21,264,000), representing a saving of 15.9% compared with the previous year. The interest coverage ratio rose to 4.60 times (2002: 3.85 times).

	2003	2002
	HK$'000	*HK$'000*
Interest income	**341**	1,031
Interest expense	**(18,223)**	(22,295)
Net interest expense	**(17,882)**	(21,264)
Interest coverage ratio	**4.60 times**	3.85 times

The Group's net cash inflow for the year ended 30th April 2003 was HK$1,512,000 (2002: net cash outflow of HK$7,035,000) with a net cash outflow from financing activities of HK$29,554,000 (2002: net cash inflow of HK$14,441,000). This was primarily attributable to a significant reduction in new long-term bank loans to HK$7,000,000 (2002: HK$134,117,000) during the year. However, as the Company entered into a three-year transferable term loan facility agreement for an aggregate amount of HK$165,000,000 with a group of banks on 30th April 2003, this facility will help improve the Group's debt structure and increase cash inflow. In addition, infrastructure development for the Group's coils manufacturing segment was nearer to completion in this financial year as compared with the previous year, resulting in a sharp decrease in capital expenditure on fixed assets to HK$26,709,000 (2002: HK$103,923,000). Apart from certain auxiliary manufacturing facilities and the construction of a new plant in Nanjing, the Group will maintain its capital investment at a low level.

Cash flow summary

	2003	2002
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**47,690**	66,242
Net cash outflow from investing activities	**(17,567)**	(87,740)
Net cash (outflow)/inflow from financing activities	**(29,554)**	14,441
Translation adjustments	**943**	22
Increase/(decrease) in cash and cash equivalents	**1,512**	(7,035)

With the significant reduction in the Group's capital expenditure during the year under review, the Group will continue to adopt prudent control on cash flows. Indicators on the Group's liquidity performance such as trade receivables turnover, inventories turnover and trade payables turnover were sustained at similar levels of last year – 74 days, 84 days and 51 days, respectively, as at 30th April 2003 (2002: 70 days, 92 days, 46 days).

	2003	2002
Trade receivables turnover (before factoring)/days	**74**	70
Inventories turnover/days	**84**	92
Trade payables turnover/days	**51**	46
Current ratio	**0.80**	0.85
Quick ratio	**0.50**	0.51
Net gearing ratio (1)*	**0.96**	1.01
Net gearing ratio (2)#	**0.85**	0.85

* 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 gearing ratio was also on a decline. As at 30th April 2003, the Group's net gearing ratio (1) and net gearing ratio (2) were 0.96 and 0.85 (2002: 1.01 and 0.85), respectively, reflecting the Group's stringent approach towards the application of capital and credit facilities.

The above was written by:
Cheung Ming Yat
Manager, Capital Management Department

FUTURE PLANS AND PROSPECTS

The Group anticipates that the electronic industry will continue to be fiercely competitive. Nevertheless, the Group's comprehensive industrial infrastructure, product quality and cost structure established over the years will help sustain its market competitiveness. The Group will continue to devote its resources and commitment to the development of its core business – the manufacturing of coils and related raw materials such as manganese-zinc ferrite core materials. As this only entails certain auxiliary production facilities and accessories, the Group can maintain its capital expenditure at a relatively low level and at the same time launch new product series and increase production output in the coming year. The Group will also put a stronger emphasis on the development and marketing of manufactured products, especially power supply devices and to customers in Europe and the United States. It is expected that the Group will attain a satisfactory business growth.

In respect of new investments, in January 2003, the Group entered into a sales agreement with LG.Philips Displays for the Group to supply ready-to-press ferrite powder for LG.Philips Displays' deflection yoke cores, an important part in the manufacturing of display tubes. According to the agreement, the Group plans to set up a new plant in Nanjing to produce ready-to-press ferrite powder – a core project for the next financial year – and then sell the ready-to-press ferrite powder produced to Nanjing Fei Jin Magnetic Products Co., Ltd., a subsidiary of LG.Philips Displays.

LG.Philips Displays is a joint venture between the South Korea-based LG Electronics and the Dutch conglomerate Philips, and is the largest manufacturer of display tubes in the world. For every four television sets and computer monitors in the world, there is one with its display tube manufactured by the LG.Philips Displays. LG.Philips Displays had intended to designate one ready-to-press ferrite powder supplier in Mainland China that could meet its stringent quality requirements and the Group succeeded in becoming the designated cooperation partner of its subsidiary, Nanjing Fei Jin Magnetic Products Co., Ltd., after strict screening and evaluation by LG.Philips Displays' headquarter.

Through technology transfer and new plant investment, and coupled with geographical advantages, the Group will be able to further lower cost, increase competitiveness and expand business scope. The cooperation with LG.Philips Displays also enables the Group to extend its supplier base in Europe and increase the flexibility in sourcing. As the procurement currency will be denominated in United States dollars, this helps minimise foreign exchange risk. This strategic development will help facilitate the internationalisation of the Group.

The total investment outlay for this project is HK$23,000,000, which will be used primarily for the purchase of equipment and the construction of a production plant. As the Group has already signed a sales agreement with LG.Philips Displays as a sales guarantee, this project is expected to provide the Group with reasonable yields. As at 30th April 2003, the Group has invested HK$8,577,000 on the Nanjing project. According to the current progress, this project should be completed on schedule and become operational by the end of this year. It is expected that profit from this project will be reflected as soon as the third quarter of the next financial year.

Corporate and Community Relationships

When planning for future development, the Group also places heavy emphasis on cultivating corporate and community relationships. The two most important initiatives of which are human resources enhancement and environmental friendly green campaign.

The Group actively pursues forward-looking human resources policy to complement the policy of the local communities and to build harmonious and sensible labour relationships. Its people-oriented management concept underscores efforts in improving staff quality, recruiting young and competent executives and strengthening employee training. Continuing training programmes are also in place for employees to acquire new skill sets for career advancement. The Group invested HK$914,000 (2002: HK$497,000) on staff training for the year ended 30th April 2003, up 83.9%. In line with the Hong Kong SAR Government's promotion of increasing job opportunities among local enterprises, the Group's headquarter in Hong Kong is actively looking for the right talent.

Communication is an essential agenda in the Group. An intranet system has been in place since 2001 as a one-stop platform to facilitate real-time communication between the Group and the staff, and also among departments and across different geographical locations. Staff can also express their views on the intranet to the management, such that the management gets an in-depth understanding of the operation details. The Group's newsletters are also published to promote and cultivate the Group's corporate culture, and to disseminate messages of common concern. For example, during the outbreak of Severe Acute Respiratory Syndrome ("SARS"), the Group supported the anti-SARS campaigns of different local authorities and to educate all staff on personal hygiene and preventive measures.

In Mainland China, the Group fully supports and advocates labour unions to reconcile corporate and employee interests. In 2002, it was awarded the honour of "Advanced Labour Union of Dongfeng, Zhongshan" again. "CEC Labour Union" has a membership of 2,600 people, representing 52.0% of the total labour force at the Zhongshan main factory. The Group continuously supports the sub-division of the Chinese Communist Party in our Zhongshan main factory and encourages staff enrollment.

All measures are directed to the common goal of consolidating and developing the Group's human resources and promoting team spirit, so as to optimise synergy for the benefit of the Group, all staff and the community.

Green Campaign

Environmental protection is an important agenda of the Group. The Group actively promotes green campaign and makes it an essential element of corporate management because an environmentally friendly society is conducive to the development of enterprises.

An effective environmental management system is fundamental to the green campaign. The Group has set the goal to complete the accreditation of ISO 14000 environmental protection management system in the next financial year in order to incorporate the environmental protection concept into its day-to-day business and production activities. The Group will continue to protect and fully optimise the limited resources on Earth, save energy, recycle resources and improve cost effectiveness. The Group has invested HK$2,810,000 for the green campaign.

The Group believes that employee participation is critical to the success of the environmental protection campaign, and has been conducting educational programmes to turn concept into actual behaviour and driving different subsidiaries to commence more and more continuing activities in the green campaign.

The Group strives to fulfill its responsibility as a good corporate citizen and continues to devote resources into the green campaign to build a better environment for the Group and the community.

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 year ended 30th April 2003.

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 of Hong Kong Limited (the "Listing Rules") throughout the year ended 30th April 2003, 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.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed annual results announcement of the Company for the year ended 30th April 2003 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

RESIGNATION OF DIRECTOR

Mr. Ho Kwok Keung resigned as an Executive Director of the Company with effect from 14th August 2003. The Directors take this opportunity to thank Mr. Ho Kwok Keung for his contribution to the Company during his tenure of service.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 14th August 2003

Web: http://www.ceccoils.com
http://www.0759.com
http://www.irasia.com/listco/hk/cecint