

[FOR IMMEDIATE RELEASE]

CEC ANNOUNCES 2002/2003 ANNUAL RESULTS

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TURNOVER INCREASES 23.2% TO REACH HK\$448,155,000

(Hong Kong, 14th August 2003) — Coils, capacitors and electronic components manufacturer CEC International Holdings Limited (“CEC” or the “Group”) (Stock Code: 759) today announced its annual results for the year ended 30th April 2003. The Group recorded a turnover of HK\$448,155,000 which increased approximately 23.2% against the previous year’s turnover. Gross profit increased to HK\$112,229,000 as compared to HK\$107,436,000 in 2002. However, during the year under review, a one-off full provision for impairment loss on the goodwill of HK\$8,229,000 of the previously acquired information technology business and the remaining balance of HK\$711,000 of the amortized intangible asset value for the distribution right for a certain electronic components trading business were made. As a result, a loss attributable to shareholders was recorded at HK\$4,947,000. Profit attributable to shareholders was HK\$5,973,000 in 2002.

The Directors do not recommend the payment of a final dividend for the year ended 30th April 2003 (2002: Nil). Loss per share of the Group was 0.72 HK cent (2002: earnings per share of 0.92 HK cent).

Mr. Coils Lam, the Chairman of CEC said, “In the past year, the Group’s business performance was below expectations. This was due to our over-optimism for the prospects of the information technology business for which we adopted an aggressive investment strategy. As such, the Group has made a one-off full provision for impairment loss in respect of these projects to better reflect the Group’s current and future operating conditions. We are evaluating and adjusting our business direction and focusing on the development of our core manufacturing business. With the continuous upgrading of our production facilities and investment in the vertical integration of our production process, we have established a competitive market position for the Group. These factors led to a 23.2% increase in turnover despite the fierce market competition.”

During the year under review, the manufacturing segment remained the Group’s core business, including the production of coils and electrolytic capacitors. Additionally, the Group also manufactures the principal materials required for the production of coils, including ferrite core products (manganese-zinc series, nickel-zinc series and ferrite powder core series), ceramic components, plastic components, metal components, moulds and packaging materials such as carton boxes and adhesive tape. The year under review was characterised by the global economic slowdown and fierce market competition. However, the Group was able to maintain its competitiveness in pricing, its production cycle and product quality through investments in vertical integration and production automation over the past few years. During the year under review, turnover for the manufacturing segment reached HK\$391,150,000 (2002: HK\$320,847,000), of which coils manufacturing accounted for 79.4% of the Group’s turnover and recorded at HK\$355,879,000 (2002: HK\$287,607,000).

Due to the increasing awareness of the need for energy saving and environmental protection, the demand in power supply coils, other coil products and electrolytic capacitors have increased substantially in the lighting market. This has confirmed the Group's investment direction in power supply coils, electrolytic capacitors and manganese-zinc ferrite materials. The Group is focusing on the lighting market as its marketing target for the next few and the coming financial years.

Apart from Japan, Hong Kong, Mainland China and the Southeast Asian markets, the Group is also actively expanding to the European market. During the year under review, the Group supplied coils to the world's largest mobile phone charger manufacturer in Finland and to other power supply device manufacturers in Germany. Apparently, more and more well-known manufacturers of electrical and electronic consumer products from Europe and the United States are setting up plants in Mainland China, with many of these overseas manufacturers conducting their procurement and fulfillment activities on the Mainland. With its experience in operating in Mainland China for more than two decades, the Group is well-poised to capitalise on this tremendous opportunity. During the year under review, the Group achieved a turnover of HK\$52,793,000 from the market in Mainland China (2002: HK\$ 21,919,000). At the same time, the Group scaled down and restructured subsidiaries and representative offices which were under-performing. The Group ceased operations of its branch office in Japan, combined the Shanghai office into the subsidiary in Kunshan, and placed a freeze on plant building plans in Qingdao. These moves have helped the Group to reduce cost expenditures, restructure its resources distribution and improve its organizational structures.

Keeping abreast of technological innovation, the Group has been actively developing coil products in the different categories and functionalities, expanding its core business platform to meet diversified market demand. For example, the anti-electromagnetic interference filter has already become one of the Group's major products. As more and more countries impose increasingly stringent electromagnetic wave environmental standards, more electronic products have to be certified by the local electromagnetic wave environmental protection authority. Therefore, the Group's anti-electromagnetic interference filters have been widely applied to 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 electronic products with relatively high-power consumption, such as washing machines, refrigerators, air-conditioners and other large electronic home appliances. This development will facilitate the Group's successful inroads into manufacturers' markets for these electronic 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 has been tremendous. To capitalize on this market niche, the Group took the initiative to develop a series of transformers for back-light power supply devices as its fundamental raw material – manganese-zinc ferrite – had been successfully developed. This transformer series has gained wide customer approval.

The electronic components trading segment is another business of the Group. The trading of electronic components remained competitive for the year ended 30th April 2003. During the year under review, this segment recorded a turnover of HK\$55,173,000 (2002: HK\$43,049,000), up 28.2% compared to the corresponding period in the previous year, and accounting for 12.3% of the Group's turnover (2002: 11.8%). Price-cutting pressures among agents have squeezed profitability. Gross profit margins in this area shrank to 6.0% for the year ended 30th April 2003, falling from 11.0% in the previous year. An operating loss of HK\$1,392,000 (2002: HK\$542,000) was therefore recorded. Returns from the Group's additional resources and capital investment for this segment are lower than the Group's core business. Having reviewed the opportunity costs and operating risks, the Group has adjusted its diversification strategy and restructured the trading segment to scale down projects with high risk and low returns, to focus on more lucrative businesses.

With regard to the information technology business segment, as at 5th March 2003, the Group successfully completed its acquisition, subscribing for 51% of the issued share capital of Sun-iOMS Technology Holdings Limited ("Sun-iOMS"). As at 30th April 2003, Sun-iOMS had contract on hand for approximately HK\$1,784,000. On the other hand, the performance of Shanghai Signking Science & Technology Co., Ltd ("Shanghai Signking"), which is 12.5% indirectly held by the Group, was under expectations. Therefore, the Group made a one-off full provision for impairment loss on the information technology segment to clear these doubtful factors and reduce the risk borne by the Group.

Looking ahead, the Group expects the electronics industry to remain fiercely competitive. Nevertheless, the Group's comprehensive industrial infrastructure, product quality and cost structure, established over the years, will help to 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. Building on the established industrial foundation and only entails auxiliary production facilities and accessories, the Group can sustain its capital expenditure at a relatively low level and at the same time launch new product series and increasing production output in the coming year. The Group will also place a stronger emphasis on the development and marketing of manufactured products, especially in the power supply devices segment and to customers in Europe and the US. The Group expects to achieve satisfactory business growth.

The Group has entered into a sales agreement with LG.Philips Displays for the supply of ready-to-press ferrite powder for deflection yoke cores, a crucial part in the manufacturing of display tubes. Under the terms of the agreement, the Group intends to set up a plant in Nanjing to produce ready-to-press ferrite powder – a core project for the next financial year – selling the ready-to-press ferrite powder produced to Nanjing Fei Jin Magnetic Products Co., Ltd., a subsidiary of LG.Philips Display. 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 at 30th April 2003, the Group had invested HK\$8,577,000. In view of current progress, this project should be completed on schedule to become operational by the end of this year. Profit from this project is expected to be reflected as soon as the third quarter of the next financial year.

LG.Philips Displays is a joint venture between LG Electronics based in South Korea 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, one display tube is manufactured by the LG.Philips Displays. LG. Philips Displays designated one ready-to-press ferrite powder supplier in Mainland China to 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.

Mr. Lam concluded, “Looking back over the past few years, the Group adopted an aggressive approach towards its business development and diversification; however, those projects have under-performed. We have thus conducted a review and evaluation of each of the Group’s business operation, taking prompt improvement measures, which resulted in a focus on the development of the core manufacturing business, a scale-down and restructuring of the under-performing projects and dedicated measures to enhancing the Group’s overall operating efficiency. The Group realises that to turn around it needs to re-gain the high flexibility of small and medium-sized enterprises in its different management aspects, including organisational structures, human resources deployment, and a focus on the development of its proven core business.”

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About CEC International:

CEC International was listed on The Stock Exchange of Hong Kong Limited on 15th November 1999. It is a reputable electronic components manufacturer, engaged in the design, development, manufacture and sale of a wide range of coils, capacitors and other electronic components. CEC’s products can be commonly found in IT products, telecommunication products, home appliances and audio-visual products. Accredited with ISO 9001 certification in 1995, the Company also has more than 400 engineers and quality control staff ensuring its product quality.

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Remarks:

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