

2000/2001 FIRST QUARTER RESULTS

The Board of Directors (the "Directors") of CEC International Holdings Limited (the "Company") is pleased to present the unaudited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31st July, 2000 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st July,	
		2000 HK\$'000	1999 HK\$'000
Turnover	2	90,617	60,570
Cost of sales		<u>(59,379)</u>	<u>(39,596)</u>
Gross profit		31,238	20,974
Other revenue		665	314
Distribution and selling expenses		(2,268)	(1,853)
General and administrative expenses		<u>(9,758)</u>	<u>(4,457)</u>
Profit from operations		19,877	14,978
Finance cost		<u>(3,800)</u>	<u>(2,409)</u>
Profit before taxation	3	16,077	12,569
Taxation	4	<u>(1,408)</u>	<u>(1,341)</u>
Profit after taxation but before minority interests		14,669	11,228
Minority interests		<u>(81)</u>	<u>76</u>
Profit attributable to shareholders		<u><u>14,588</u></u>	<u><u>11,304</u></u>
Earnings per share			
– Basic	5	<u><u>7.29 cents</u></u>	<u><u>7.54 cents</u></u>
– Diluted	5	<u><u>7.05 cents</u></u>	<u><u>N/A</u></u>

CONSOLIDATED BALANCE SHEET

	Notes	As at 31st July, 2000 HK\$'000 (unaudited)	As at 30th April, 2000 HK\$'000 (audited)
PROPERTY, PLANT AND EQUIPMENT		<u>260,262</u>	<u>244,064</u>
CURRENT ASSETS			
Inventories		57,597	42,888
Trade receivables	6	49,808	26,201
Prepayments, deposits and other current assets		14,723	5,312
Pledged bank deposits		43,840	43,201
Cash and other bank deposits		<u>5,513</u>	<u>6,442</u>
Total current assets		<u>171,481</u>	<u>124,044</u>
CURRENT LIABILITIES			
Short-term bank borrowings		(45,923)	(35,446)
Long-term bank loans, current portion		(6,542)	(3,623)
Finance lease obligations, current portion		(22,296)	(20,487)
Trade payables	7	(38,780)	(39,615)
Bills payable		(842)	-
Accruals and other payables		(16,039)	(14,559)
Proposed final dividend		(10,000)	(10,000)
Taxation payable		<u>(1,852)</u>	<u>(552)</u>
Total current liabilities		<u>(142,274)</u>	<u>(124,282)</u>
Net current assets (liabilities)		<u>29,207</u>	<u>(238)</u>
Total assets less current liabilities		<u>289,469</u>	<u>243,826</u>
NON-CURRENT LIABILITIES			
Long-term bank loans		(10,008)	(4,824)
Finance lease obligations		(35,678)	(32,854)
Deferred taxation		(9,637)	(9,637)
Minority interests		<u>(81)</u>	<u>-</u>
Total non-current liabilities		<u>(55,404)</u>	<u>(47,315)</u>
Net assets		<u><u>234,065</u></u>	<u><u>196,511</u></u>
CAPITAL AND RESERVES			
Share capital		20,000	20,000
Reserves		84,756	61,790
Retained profit		<u>129,309</u>	<u>114,721</u>
Shareholders' equity		<u><u>234,065</u></u>	<u><u>196,511</u></u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended 31st July,	
	2000 HK\$'000	1999 HK\$'000
Operating activities	<u>(19,494)</u>	<u>15,721</u>
Returns on investments and servicing of finance		
Interest received	665	314
Interest paid	<u>(3,800)</u>	<u>(2,409)</u>
	<u>(3,135)</u>	<u>(2,095)</u>
Taxation		
Overseas tax paid	<u>(108)</u>	<u>(182)</u>
	<u>(108)</u>	<u>(182)</u>
Investing activities		
Additions of property, plant and equipment	(12,958)	(7,717)
Attributable to the reorganisation	-	10
Increase in pledged bank deposits	(639)	(8,029)
Effect of foreign exchange rate changes	22	(21)
	<u>(13,575)</u>	<u>(15,757)</u>
Net cash outflow before financing	<u>(36,312)</u>	<u>(2,313)</u>
Financing		
Proceeds from issue of warrants	25,000	-
Warrant issuance expenses	(2,055)	-
New long-term bank loans	9,360	5,000
Repayment of long-term bank loans	(1,257)	(3,349)
Repayment of capital element of finance lease obligations	(6,142)	(2,988)
Decrease in due from a director	-	4,070
Increase in due from intermediate holding company	-	(770)
Decrease in due to intermediate holding company	-	(3,299)
	<u>24,906</u>	<u>(1,336)</u>
Decrease in cash and cash equivalents	(11,406)	(3,649)
Cash and cash equivalents, beginning of period	<u>(29,004)</u>	<u>(41,016)</u>
Cash and cash equivalents, end of period	<u><u>(40,410)</u></u>	<u><u>(44,665)</u></u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Three months ended	
	31st July,	
	2000	1999
	HK\$'000	HK\$'000
Deficit on revaluation of properties	-	(575)
Exchange differences arising from translation of the financial statements of foreign entities	22	(21)
Net gains (losses) not recognised in the consolidated income statement	22	(596)
Profit attributable to shareholders	14,588	11,304
Total recognised gains	14,610	10,708
Elimination of goodwill arising from acquisition of additional interest in a subsidiary	-	(72)
	<u>14,610</u>	<u>10,636</u>

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 ended 31st July, 2000 as compared with the most recent published annual financial statements for the year ended 30th April, 2000. These quarterly financial statements comply with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

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 coils. 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 July,	
	2000	1999
	HK\$'000	HK\$'000
Hong Kong	69,249	52,595
Mainland China	5,901	3,407
Europe	6,148	3,930
Others	9,319	638
	<u>90,617</u>	<u>60,570</u>

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 July,	
	2000	1999
	HK\$'000	HK\$'000
After charging –		
Cost of inventories	59,379	39,596
Depreciation of property, plant and equipment	7,506	4,740
Interest expense on		
– bank overdrafts and loans wholly repayable within five years	1,267	1,389
– factoring of trade receivables	1,014	512
– finance leases	1,519	508
Net loss on disposals of property, plant and equipment	30	–
After crediting –		
Interest income from bank deposits	<u>665</u>	<u>314</u>

4. Taxation

	Three months ended	
	31st July,	
	2000	1999
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	1,300	1,385
– Mainland China enterprise income tax	108	116
Write-back of deferred taxation	–	(160)
	<u>1,408</u>	<u>1,341</u>

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax was provided at the rate of 16% (1999: 16%) on the estimated assessable profit arising in or derived from Hong Kong for the period. 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 July, 2000 was based on the profit attributable to shareholders of approximately HK\$14,588,000 (1999: HK\$11,304,000) and on the weighted average number of 200,000,000 (1999: 150,000,000) shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 31st July, 2000 was based on the profit attributable to shareholders of approximately HK\$14,588,000 and on the weighted average number of 207,018,727 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 ended 31st July, 2000 to that used in the calculation of diluted earnings per share is as follows:

Weighted average number of shares used in the calculation of basic earnings per share	200,000,000
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	<u>7,018,727</u>
Weighted average number of shares used in the calculation of diluted earnings per share	<u>207,018,727</u>

Diluted earnings per share for the three months ended 31st July, 1999 was not presented because there was no dilutive potential shares in existence during that period.

6. 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.

An ageing analysis of trade receivables as at 31st July, 2000 is as follows:

	As at 31st July, 2000 HK\$'000	As at 30th April, 2000 HK\$'000
0 – 1 month	42,925	23,734
2 – 3 months	6,741	2,516
Over 3 months	<u>2,145</u>	<u>1,857</u>
	51,811	28,107
Less: Provision for bad and doubtful debts	<u>(2,003)</u>	<u>(1,906)</u>
	<u><u>49,808</u></u>	<u><u>26,201</u></u>

7. Trade payables

An ageing analysis of trade payables as at 31st July, 2000 is as follows:

	As at 31st July, 2000 HK\$'000	As at 30th April, 2000 HK\$'000
0 – 1 month	37,436	35,068
2 – 3 months	1,344	2,425
Over 3 months	<u>-</u>	<u>2,122</u>
	<u><u>38,780</u></u>	<u><u>39,615</u></u>

8. Contingent liabilities

Contingent liabilities not provided for in the financial statements were:

	As at 31st July, 2000 HK\$'000	As at 30th April, 2000 HK\$'000
Factoring of trade receivables with recourse	34,159	31,803
Shipping guarantees	68	315
	<u>34,227</u>	<u>32,118</u>

9. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's 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.

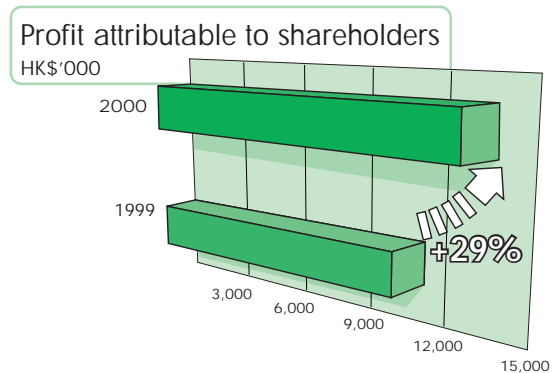
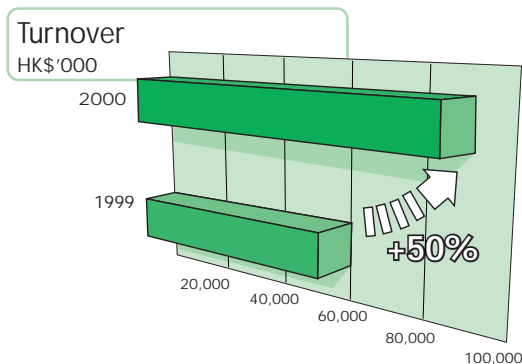
DIVIDEND

The Directors resolved not to declare first interim dividend in respect of the three months ended 31st July, 2000 (1999: Nil).

BUSINESS REVIEW

The Group has once again successfully achieved outstanding earnings performance during the three months ended 31st July, 2000. Both turnover and profit attributable to shareholders continued to record considerable growth over the corresponding period in 1999. A summary of the financial results of the Group for the three months ended 31st July, 2000 is as follows:

- Turnover was approximately HK\$90,617,000, representing a substantial growth of 50% over the corresponding quarter in 1999;
- Profit attributable to shareholders was approximately HK\$14,588,000, up 29% over the same quarter last year.



The three months ended 31st July, 2000 was another outstanding quarter for the Group, marked with strong and yet sustainable growth in business and profitability. The Directors attributed the success of the Group to its effective strategies in capturing 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 the manufacturing facilities for products which suit the markets' needs most.

The following summarises the Group's major accomplishments during the quarter under review which contributed to the growth in results:

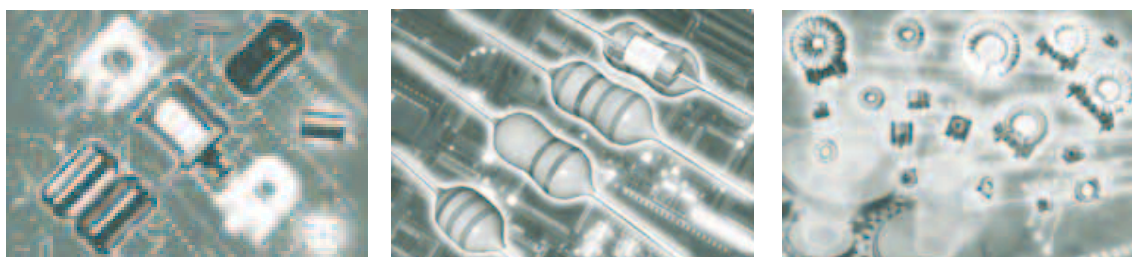
Private Placement of Warrants

On 3rd July, 2000, the Company issued 400,000,000 units of warrants at HK\$0.0625 per unit of warrant through a private placement, resulting in net proceeds of approximately HK\$22,900,000, after deduction of related issuance expenses of approximately HK\$2,100,000. The issue of warrants has strengthened the Group's financial frontier that further reinforced its horizon for business development. Based on this enriched solid ground, the Group will seek for more business opportunities for maximising our shareholders' value in the near future.

Expansion and Upgrade of Production Facilities

The new millennium saw the convergence of the telecommunication and information technology industries as well as the digital revolution in the audio-visual (AV) sector. These markets have been marked with dynamic growth in the demand for modern handheld electronic communication products and AV products such as personal digital assistants (PDA), digital cameras, DVD and MD players. In turn, this trend also has given rise to the amazing growth rate in demand for high-quality and miniaturised electronic components on a global basis. To cater for the vibrant growth in these markets and also to capitalise on the emerging opportunities in these sectors, the Group established a new branch factory in Zhuhai, Guangdong Province, in June 2000 in a bid to expand its production capacity for such components as toroidal transformers, common mode chokes and electromagnetic interference (EMI) filters. More than HK\$10,000,000 has been invested during the first quarter for the expansion and upgrade of the Group's production facilities.

To further position itself well for both the future challenges and opportunities in the electronic data communication and transmission sectors, the Group further acquired a land lot of approximately 7 acres in Zhongshan, with a cost of approximately HK\$1,300,000, in May 2000 to accommodate the expansion of production facilities. The new phase of the Group's factory blocks in Zhongshan was also under construction during the quarter under review. The new phase, which is expected to be completed in the third quarter of the current financial year, is scheduled to house the production facilities for manganese-zinc series ferrite cores, which are the key components of line filters and compact but high power converters such as switching mode power supply (SMPS).



Production Cost

The Group strongly believes that one of its strengths in the industry is its powerful capabilities and experience in developing the production technology and concoction formulae of ferrite powders and ferrite cores, which are the key components of coils. Over the past several years, the Group has successfully reduced its production cost and raised its profitability continually. During the first quarter of the current financial year, there has been a considerable surge in the price of petroleum products on a global basis, which in turn has led to the extra cost of power generation in the Group's factory in Zhongshan of approximately HK\$1,700,000. Despite the adverse impact resulting from this factor, the Group has still managed to keep its overall production cost under control and achieved a 48.9% growth in gross profit from approximately HK\$20,974,000 (gross margin: 34.6%) for the first quarter last year to approximately HK\$31,238,000 (gross margin: 34.5%) for the same quarter in the current financial year.

FUTURE PLANS AND PROSPECTS

Looking forward to the new era, the Group 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 shareholders.

Development of Complementary Products and Expansion of Production

Further to our successful introduction of the manufacture of electrolytic capacitors, a kind of electronic components complementary to coils, the Group plans to devote more resources to the research and development of electrolytes and forming of aluminium foils, which are one of the major materials in manufacturing electrolytic capacitors. The Group is in the process of developing and experimenting a number of new formulae for electrolytes during the first quarter, which will be scheduled for trial production in the second quarter. This accomplishment is expected to further elevate the Group's competitive edge in the industry and transform the Group from a capacitor assembler to a manufacturer of higher profit margin with powerful research and development capabilities.

The Group plans to commence pilot-run of the production facilities for ceramic capacitors in Zhongshan in the second quarter of the current financial year. The investment is expected to bring in higher return starting from the third quarter. On the other hand, the Group will also implement the first phase of the expansion of production facilities for chip inductors in Zhongshan in the third quarter. The first phase of such expansion, which will consist of five production lines, is scheduled to be operational in the fourth quarter and to contribute to the growth in the Group's profitability. In order to reinforce the Group's prospects, the Group also plans to invest in the manufacture of machinery and equipment for the production of ceramic capacitors which is scheduled to be fully operational in the fourth quarter.



Management Information System

The Group has positioned one of its subsidiaries, CEC-Technology Limited, as the information technology and communication management center of the Group during the first quarter. The center is mainly responsible for the management of the Group's website "www.0759.com", e-mail system, on-line sales system, e-banking and development of the internet version of the enterprise resource planning system, which is expected to be completed in the second quarter, tested in the third quarter and implemented in stages in the fourth quarter. The enterprise resource planning system will comprise production management, financial management, sales and customer service management, purchasing and logistics management as well as product development, etc. The investment is expected to benefit the Group by streamlining its various business and management processes, improving its operational efficiency and substantially reducing its administrative expenses.

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 three months ended 31st July, 2000.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st July, 2000, the Directors of the Company had the following interests in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

(a) The Company

	Number of shares of HK\$0.10 each	
	Family interests	Corporate interests
Mr. Lam Wai Chun (<i>Note 1</i>)	131,550,000	-
Mr. Saito Misao (<i>Note 2</i>)	-	16,450,000
Ms. Tang Fung Kwan (<i>Note 2</i>)	-	16,450,000
Ms. Hu Yan Huan (<i>Note 2</i>)	-	16,450,000

Notes:

- As at 31st July, 2000, Ka Yan China Development (Holding) Company Limited held 131,550,000 shares in the Company. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately beneficially owned by Ka Yan China Family Trust, the family trust of Mr. Lam Wai Chun. The beneficiaries under this family trust were Mr. Lam Wai Chun's spouse, Ms. Law Ching Yee, and his children who were under the age of 18 years, and accordingly Mr. Lam Wai Chun was deemed under the SDI Ordinance to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited.

2. As at 31st July, 2000, CMPP Investment Holdings Limited ("CMPP") held 16,450,000 shares in the Company. The issued share capital of CMPP was US\$471.49 divided into 47,149 shares of US\$0.01 each, of which Mr. Saito Misao, Ms. Tang Fung Kwan and Ms. Hu Yan Huan, the directors of the Company, respectively held 700 shares, 3,514 shares and 1,230 shares of US\$0.01 each.

(b) Associated corporation

Coils Electronic Co., Limited

	Number of non-voting deferred shares of HK\$1.00 each (Note 5)		
	Personal interests	Family interests	Total
Mr. Lam Wai Chun (Notes 3 and 4)	7,500,000	6,500,000	14,000,000

Notes:

3. Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK\$1.00 each in Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of HK\$1.00 each in the share capital of Coils Electronic Co., Limited.
4. In respect of the 6,000,000 non-voting deferred shares of HK\$1.00 each held by Ka Yan China Development (Holding) Company Limited and the remaining 500,000 non-voting deferred shares of HK\$1.00 each held by Ms. Law Ching Yee in Coils Electronic Co., Limited, representing approximately 42.86% and approximately 3.57% respectively of the 14,000,000 non-voting deferred shares of HK\$1.00 each in the share capital of Coils Electronic Co., Limited, Mr. Lam Wai Chun was deemed to be interested in all those shares under the SDI Ordinance by virtue of, in the case of Ka Yan China Development (Holding) Company Limited, the reasons set out in Note (a)1 above and, in the case of Ms. Law Ching Yee, the fact that Ms. Law Ching Yee is the spouse of Mr. Lam Wai Chun.
5. Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of Coils Electronic Co., Limited exceeds HK\$100,000,000,000,000, and are not entitled to any distributions upon winding up unless a sum of HK\$100,000,000,000,000 has been distributed to the holders of ordinary shares.

Save as disclosed above, as at 31st July, 2000, none of the Directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) had any interests in the securities of the Company or its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2000, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, other than the Directors of the Company, the following persons were interested or taken or deemed to be interested in 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage holding
Ka Yan China Development (Holding) Company Limited (<i>Notes 1 and 2</i>)	131,550,000	65.775%
Ka Yan China Investments Limited (<i>Note 2</i>)	131,550,000	65.775%
HSBC Holdings plc (<i>Note 3</i>)	131,550,000	65.775%
HSBC Finance (Netherlands) (<i>Note 3</i>)	131,550,000	65.775%
HSBC Holdings B.V. (<i>Note 3</i>)	131,550,000	65.775%
HSBC Investment Bank Holdings B.V. (<i>Note 3</i>)	131,550,000	65.775%
HSBC International Trustee Limited (<i>Note 3</i>)	131,550,000	65.775%

Notes:

1. The 131,550,000 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited, the entire issued share capital of which was ultimately beneficially owned by Ka Yan China Family Trust, the family trust of Mr. Lam Wai Chun, a director of the Company.
2. The interests of Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, the ultimate holding company of the Company, in respect of 131,550,000 shares duplicated with each other.
3. The interests of HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings B.V., HSBC Investment Bank Holdings B.V., HSBC International Trustee Limited in respect of 131,550,000 shares in the Company duplicated with each other.

The 131,550,000 shares in which HSBC International Trustee Limited was interested were the shares referred to in Note 2 above.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company which was required to be recorded under Section 16(1) of the SDI Ordinance as at 31st July, 2000.

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 three months ended 31st July, 2000, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, 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 September, 2000