

# CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## 2000/2001 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Directors") of CEC International Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated income statement of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 31st October, 2000 together with comparative figures for the corresponding periods in 1999, and the unaudited consolidated balance sheet of the Group as at 31st October, 2000 together with audited comparative figures as at 30th April, 2000, are as follows:

### CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended		Six months ended	
		31st October, 2000	1999	31st October, 2000	1999
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	2	97,058	72,712	187,675	133,282
Cost of sales		(66,915)	(47,385)	(126,294)	(86,981)
Gross profit		30,143	25,327	61,381	46,301
Other revenue		630	431	1,295	745
Distribution and selling expenses		(2,753)	(2,321)	(5,021)	(4,174)
General and administrative expenses		(9,511)	(6,918)	(19,269)	(11,375)
Profit from operations		18,509	16,519	38,386	31,497
Finance cost		(4,592)	(2,587)	(8,392)	(4,996)
Profit before taxation	3	13,917	13,932	29,994	26,501
Taxation	4	(1,075)	(1,358)	(2,483)	(2,699)
Profit after taxation but before minority interests		12,842	12,574	27,511	23,802
Minority interests		81	-	-	76
Profit attributable to shareholders		12,923	12,574	27,511	23,878
Earnings per share					
- Basic	5	2.56 cents	3.35 cents	5.48 cents	6.37 cents
- Diluted	5	2.30 cents	N/A	5.10 cents	N/A

### CONSOLIDATED BALANCE SHEET

	Notes	As at 31st October, 2000	As at 30th April, 2000
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	6	314,762	244,064
CURRENT ASSETS			
Inventories		59,610	42,888
Trade receivables	7	33,696	26,201
Prepayments, deposits and other current assets		13,084	5,312
Pledged bank deposits		44,459	43,201
Cash and other bank deposits		11,052	6,442
Total current assets		161,901	124,044
CURRENT LIABILITIES			
Short-term bank borrowings		(56,394)	(35,446)
Long-term bank loans, current portion		(11,474)	(3,623)
Finance lease obligations, current portion		(26,185)	(20,487)
Trade payables	8	(31,301)	(39,615)
Bills payable		(1,988)	-
Accruals and other payables		(16,057)	(14,559)
Proposed final dividend		-	(10,000)
Taxation payable		(2,861)	(552)
Total current liabilities		(146,260)	(124,282)
Net current assets (liabilities)		15,641	(238)
Total assets less current liabilities		330,403	243,826
NON-CURRENT LIABILITIES			
Long-term bank loans		(22,129)	(4,824)
Finance lease obligations		(39,861)	(32,854)
Deferred taxation		(9,637)	(9,637)
Total non-current liabilities		(71,627)	(47,315)
Net assets		258,776	196,511
CAPITAL AND RESERVES			
Share capital	9	51,198	20,000
Reserves	10	65,346	61,790
Retained profit		142,232	114,721
Shareholders' equity		258,776	196,511

#### Notes:

#### 1. Principal accounting policies

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

#### 2. Principal activities and turnover

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, development, manufacture and sale of a wide range of 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		Six months ended	
	31st October, 2000	1999	31st October, 2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	79,267	60,037	148,516	112,632
Mainland China	5,710	7,066	11,611	10,473
Europe	5,500	2,215	11,648	6,145
Others	6,581	3,394	15,900	4,032
	97,058	72,712	187,675	133,282

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		Six months ended	
	31st October, 2000	1999	31st October, 2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
After charging -				
Depreciation of property, plant and equipment	7,714	5,318	15,220	10,058
Interest expense on				
- bank overdrafts and loans wholly repayable within five years	1,870	1,171	3,137	2,560
- factoring of trade receivables	1,059	775	2,073	1,287
- finance leases	1,663	641	3,182	1,149
After crediting -				
Interest income from bank deposits	630	431	1,295	745

#### 4. Taxation

	Three months ended		Six months ended	
	31st October, 2000	1999	31st October, 2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current taxation				
- Hong Kong profits tax	1,030	1,298	2,330	2,683
- Mainland China enterprise income tax	45	60	153	176
Write-back of deferred taxation	-	-	-	(160)
	1,075	1,358	2,483	2,699

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 periods. Mainland China enterprise income tax was provided at the applicable rate relating to the profit of a subsidiary of the Company established in Zhongshan, Mainland China.

#### 5. Earnings per share

The calculation of basic earnings per share for the three months ended 31st October, 2000 was based on the profit attributable to shareholders of approximately HK\$12,923,000 (1999: HK\$12,574,000) and on the weighted average number of 504,675,368 (1999: 375,000,000) shares in issue during the period.

The calculation of basic earnings per share for the six months ended 31st October, 2000 was based on the profit attributable to shareholders of approximately HK\$27,511,000 (1999: HK\$23,878,000) and on the weighted average number of 502,337,684 (1999: 375,000,000) shares in issue during the period.

The comparative weighted average number of shares in issue and basic earnings per share for the three months and six months ended 31st October, 1999 have been adjusted to reflect the bonus issue of shares on the basis of three bonus shares for every two shares held by shareholders on 17th August, 2000.

The calculation of diluted earnings per share for the three months ended 31st October, 2000 was based on the profit attributable to shareholders of approximately HK\$12,923,000 and on the weighted average number of 561,806,215 shares, adjusted to reflect the effects of all dilutive potential shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 31st October, 2000 was based on the profit attributable to shareholders of approximately HK\$27,511,000 and on the weighted average number of 539,686,544 shares, adjusted to reflect the effects of all dilutive potential shares in issue during the period.

A reconciliation of the weighted average number of shares used in the calculation of basic earnings per share for the three months and six months ended 31st October, 2000 to that used in the calculation of diluted earnings per share is as follows:

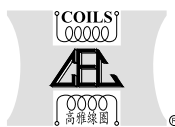
	Three months ended	Six months ended
	31st October, 2000	31st October, 2000
Weighted average number of shares used in the calculation of basic earnings per share	504,675,368	502,337,684
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	57,130,847	37,348,860
Weighted average number of shares used in the calculation of diluted earnings per share	561,806,215	539,686,544

The effect of dilutive potential shares resulting from the outstanding share options was not taken into account in the calculation of diluted earnings per share for the three months and six months ended 31st October, 2000 because it was anti-dilutive.

Diluted earnings per share for the three months and six months ended 31st October, 1999 was not presented because there was no dilutive potential shares in existence during those periods.

#### 6. Property, plant and equipment

During the six months ended 31st October, 2000, the additions to property, plant and equipment were approximately HK\$86,211,000 (1999: HK\$37,916,000).



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## 7. Trade receivables

The Group usually grants a credit period of approximately 30 days to 90 days to its customers who have good payment records and well-established relationship with the Group.

As at 31st October, 2000, an ageing analysis of trade receivables is as follows:

	As at 31st October, 2000 HK\$'000	As at 30th April, 2000 HK\$'000
Current – 1 month	25,527	23,734
2 – 3 months	8,724	2,516
Over 3 months	1,498	1,857
	<u>35,749</u>	<u>28,107</u>
Less: Provision for bad and doubtful debts	<u>(2,053)</u>	<u>(1,906)</u>
	<u>33,696</u>	<u>26,201</u>

## 8. Trade payables

As at 31st October, 2000, an ageing analysis of trade payables is as follows:

	As at 31st October, 2000 HK\$'000	As at 30th April, 2000 HK\$'000
Current – 1 month	23,407	35,068
2 – 3 months	2,833	2,425
Over 3 months	5,061	2,122
	<u>31,301</u>	<u>39,615</u>

## 9. Share capital

	Six months ended 31st October, 2000		Year ended 30th April, 2000	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised shares of HK\$0.10 each				
Beginning of period/year	1,000,000	100,000	–	–
Upon incorporation	–	–	1,000	100
Addition	–	–	999,000	99,900
End of period/year	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid shares of HK\$0.10 each				
Beginning of period/year	200,000	20,000	–	–
Issued upon incorporation	–	–	1,000	100
Issue of shares arising from reorganisation	–	–	1,000	100
Issue of shares through public offering and private placement	–	–	50,000	5,000
Capitalisation of share premium	–	–	148,000	14,800
Bonus issue of shares	300,000	30,000	–	–
Issue of new shares pursuant to scrip dividend scheme	4,277	428	–	–
Issued upon exercise of warrants	7,700	770	–	–
End of period/year	<u>511,977</u>	<u>51,198</u>	<u>200,000</u>	<u>20,000</u>

## 10. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Cumulative translation adjustments HK\$'000	Total HK\$'000
Balance as at 1st May, 1999	5,932	14,000	–	–	17,242	(28)	37,146
Attributable to reorganisation	(5,932)	6	5,810	–	–	–	(116)
Premium arising from issue of shares	50,000	–	–	–	–	–	50,000
Share issuance expenses	(10,593)	–	–	–	–	–	(10,593)
Capitalisation of share premium	(14,800)	–	–	–	–	–	(14,800)
Elimination of goodwill arising from acquisition of additional interest in a subsidiary	–	(72)	–	–	–	–	(72)
Surplus on revaluation of properties	–	–	–	–	234	–	234
Translation adjustments	–	–	–	–	–	(9)	(9)
Balance as at 30th April, 2000	<u>24,607</u>	<u>13,934</u>	<u>5,810</u>	<u>–</u>	<u>17,476</u>	<u>(37)</u>	<u>61,790</u>
Proceeds from issue of warrants	–	–	–	25,000	–	–	25,000
Warrant issuance expenses	–	–	–	(2,109)	–	–	(2,109)
Bonus issue of shares	(24,190)	–	(5,810)	–	–	–	(30,000)
Share issuance expenses	(178)	–	–	–	–	–	(178)
Premium arising from issue of shares pursuant to scrip dividend scheme	7,177	–	–	–	–	–	7,177
Premium arising from exercise of warrants	5,698	–	–	(1,925)	–	–	3,773
Translation adjustments	–	–	–	–	–	(107)	(107)
Balance as at 31st October, 2000	<u>13,114</u>	<u>13,934</u>	<u>–</u>	<u>20,966</u>	<u>17,476</u>	<u>(144)</u>	<u>65,346</u>

## 11. Comparative figures

Certain comparative figures have been reclassified to conform to the current periods' presentation. In particular, the comparative figures have been adjusted or expanded to take into account Statement of Standard Accounting Practice 1 "Presentation of Financial Statements" issued by the Hong Kong Society of Accountants which became effective during the year ended 30th April, 2000.

## DIVIDEND

The Directors resolved not to declare any interim dividend in respect of the six months ended 31st October, 2000 (1999: HK\$1,088,000 paid by a subsidiary of the Company to its then shareholders prior to the Group's reorganisation and the listing of the Company's shares on The Stock Exchange of Hong Kong Limited).

## BUSINESS REVIEW

The Directors are pleased to announce that the Group has continued to achieve double-digit growth in both turnover and earnings during the six months ended 31st October, 2000 over the corresponding period in 1999. The Group recorded a turnover of approximately HK\$187,675,000, representing a growth of 41% as compared to the same period in 1999. Profit attributable to shareholders was approximately HK\$27,511,000, up 15% over the same period last year. The Group was able to enjoy strong and sustainable growth in business and profitability amidst the flourishing worldwide

electronics industry by the implementation of effective strategies in capturing the emerging business opportunities, a summary of which is presented as follows:

### Reinforcement of Capital Structure

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\$22,891,000, after deduction of related issuance expenses of approximately HK\$2,109,000. During the period under review, 7,700,000 new shares were issued upon exercise of the warrants, which has brought in additional proceeds of HK\$4,543,000 to the Group for further enrichment of its financial frontier and more progressive business development.

On 13th July, 2000, the Company announced a scrip dividend scheme for the year ended 30th April, 2000, under which shareholders of the Company may elect to receive new fully paid shares in lieu of cash in respect of part or all of the final dividend for the year ended 30th April, 2000. Pursuant to the elections of the shareholders, a total of 4,277,108 new shares were issued in lieu of cash in respect of final dividend of approximately HK\$7,605,000 in aggregate. The Directors considered the popularity of the scrip dividend scheme attributable to strong shareholders' confidence in the Group's future.

### Growth of Market and Expansion of Production Capacity

Due to the continued growth of the telecommunication and information technology industries as well as the digital revolution in the audio-visual (AV) sector where the demand for modern handheld electronic communication and AV products such as personal digital assistants (PDA), digital cameras, DVD and MD players was increasing, the growth in global demand for high-quality and miniaturized electronic components was also dynamic and is expected to continue in the future. The Group's turnover to all major geographical locations for the six months ended 31st October, 2000 recorded a double-digit increase over the corresponding period in 1999. In particular, the turnover to Europe recorded an encouraging growth rate of 90% during the period.

To lay more solid foundations for future development, the Group has actively implemented a number of expansion plans, which was evidenced by the capital investment totalling more than HK\$86,000,000 during the first half of the financial year. In June, a new branch factory in Zhuhai, Guangdong Province, was established to accommodate the expanded production facilities for such components as toroidal transformers, common mode chokes and electromagnetic interference (EMI) filters. Further to the acquisition of three new land lots in Zhongshan with an aggregate cost of approximately HK\$5,000,000 in January and May, the construction of the new phase of factory blocks was already near completion by the end of October. Upon completion during the third quarter, the new phase will be ready 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).

### Management of Production Cost Structure

The Group was committed to its uncompromising strategy of production cost management. In particular, the Group's capabilities and experience in refining the production technology of the key component of coils - ferrite powders and ferrite cores, has enabled the Group to slash its production cost successfully and enhance its profitability throughout the years. *During the period under review, the considerable and continuous surge in the price of petroleum products on a global basis has led to adverse repercussions on the manufacturing sector. Owing to this trend in the worldwide petroleum market, the Group's factory in Zhongshan has incurred an additional cost of power generation amounting to approximately HK\$4,000,000 during the period. Despite the impact resulting from this factor, the Group has still managed to keep its overall production cost under control and achieved a 33% growth in gross profit from approximately HK\$46,301,000 for the first half of the previous financial year to approximately HK\$61,381,000 for the same period in the current year.*

In a bid to mitigate the impact resulting from the unfavourable trend in petroleum market, the Group commenced the installation of a new power conversion station for its factory in Zhongshan in the third quarter, which is expected to improve the Group's production cost management by saving approximately 30% in the cost of power generation starting from the fourth quarter of the financial year.

## FUTURE PLANS AND PROSPECTS

### Foundation for the Future

With the completion of the new phase of factory blocks in Zhongshan expected in the third quarter of the financial year, the Group will continue to well-equip itself with substantially improved infrastructure to capitalise on the favourable development in the global electronics industry as well as to meet the ever-intensifying market competition. This will embrace a further expansion of the production facilities for chip inductors in the coming quarter in order to cater for the growing demand of our customers. The first phase of such expansion will consist of five production lines and is expected to contribute to the growth in the Group's profitability in the fourth quarter.

### Diversification of Product Line

The Group will also implement the production of ceramic capacitors, which represent a kind of electronic components complementary to coils. Further to this investment, which is expected to bring in higher return starting from the third quarter, 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.

Based on the Group's expertise and know-how in manufacturing coils over the years, the Group is now ready to further elevate its strengths in the industry by implementing the production plan for micro-motor coils, a kind of electronic components commonly found in mobile phones, in the coming year. The Group will then be able to provide more value-added services to the blooming telecommunication industry and, at the same time, enhance its status in the global coil market.

Looking forward to the future, with the persistently growing worldwide demand in the electronics industry and coupled with the Group's proactive business strategies, the Group's future is bright and promising. The management is fully confident that the Group will achieve even more rewarding results in the coming future.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st October, 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 six months ended 31st October, 2000, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

By Order of the Board  
Lam Wai Chun  
Chairman

Hong Kong, 14th December, 2000