

“CEC New People”

Movement – Non-coils Manufacturing Business and Trading Business

During the first three quarters of the financial year 2001/2002, CEC-ECAP Limited (“CEC-ECAP”) went through three different stages, from struggling in a harsh economic environment to achieving breakthroughs. Overall development in the third quarter was on a steady pace, recording a turnover of approximately HK\$8,219,000, down approximately 26.8% from the second quarter. During the different stages, CEC-ECAP carried out different strategies to cope with the changes, but adhered to an unchanged goal. After all, those strategies were all implemented to achieve breakthroughs in the adverse market conditions and maintain a pace of stable development during favourable times.

Due to the poor global market sentiment in the third quarter, CEC-Electric Co., Limited (“CEC-Electric”) suffered a decline in turnover along with the decrease in market demand, as most of its customers were overseas. The turnover for the third quarter was approximately HK\$760,000, a decrease of approximately 60.5% compared to the previous quarter. Nevertheless, CEC-Electric’s business development is continuous, and it is expected that the fourth quarter turnover will step up again. At the same time, to meet the wide-ranging needs of different customers and markets, CEC-Electric is actively developing brand new power supply devices, the launching of which is expected to take place in the fourth quarter.

CEC-Unitech Electronics Limited (“CEC-Unitech”) has been dedicating its efforts to market promotion, which started to bear fruit in the third quarter. Turnover for the third quarter improved despite the decrease in market demand and increased by approximately 58.6% from the second quarter to approximately HK\$4,423,000. It was also able to achieve a profit at a reasonable level. The positive results were not merely an incident but attributable to the efforts of management and the commitment of CEC-Unitech’s staff. In the market for semiconductors, the balance of demand and supply is critical to the business stability of traders in the market. As such, with regard to the bid for distribution right for semiconductors, CEC-Unitech will need more time to study in more detail its practicability with prudence.

Owing to a depressed market, together with the flood of uncertainties in the operating environment, CEC-Smart Good Enterprises Limited (“CEC-Smart Good”) has tightened its credit policy in order to minimise credit risk.

Although this has led to a dramatic decline in turnover for the early part of the third quarter, CEC-Smart Good understands that a prudent move to screen out those customers with poor credit records is a right operating attitude. Turnover for the third quarter was approximately HK\$3,287,000, down approximately 39.7% from the previous quarter. On the other hand, CEC-Smart Good strengthened its marketing and promotion among its existing and new customers who have proven credit records. Due to the increasingly keen competition in the market, the gross profit of trading business has been deteriorating. In view of this trend, the Group is closely monitoring the prospects for developing its trading business and is evaluating its impact on the Group’s overall economic value.

To conclude, the third quarter was rather unpredictable. On the one hand, there seemed to be signs of economic recovery in the market. On the other hand, news of bankruptcy, layoff, redundancy and corporate re-engineering to reduce costs were still coming. Some have reported steady growth while others have barely been able to keep their heads above the danger line. It was therefore really a period of challenges, proving management strength, strategy and operational capabilities. Faced with the challenges ahead, CEC-ECAP, CEC-Electric, CEC-Unitech and CEC-Smart Good will stick to their set goals with a prudent operating philosophy, trying to weather through the adversities and yield more fruitful results.

(End of third edition) ▶

By Order of the Board

Lam Wing Kin, Sunny

Executive Director

Hong Kong, 18th March, 2002

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