Dear Shareholders,

On behalf of the Board of Directors (the "Directors") of CEC International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present the fourth annual report of the Group since the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 15th November 1999.

RESULTS

The following summarises the results of the Group for the year ended 30th April 2003:

– Turnover climbed 23.2% to HK$448,155,000 (2002: HK$363,896,000);

– Loss attributable to shareholders was HK$4,947,000 (2002: profit attributable to shareholders of HK$5,973,000); and

– Basic loss per share was 0.72 HK cent (2002: basic earnings per share of 0.92 HK cent).

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).

CLOSURE OF REGISTER OF MEMBERS

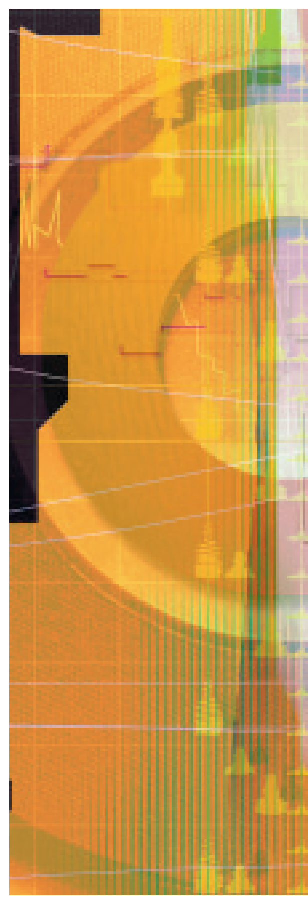
In order to qualify to vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates and, in the case of warrantholders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies must be lodged 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.

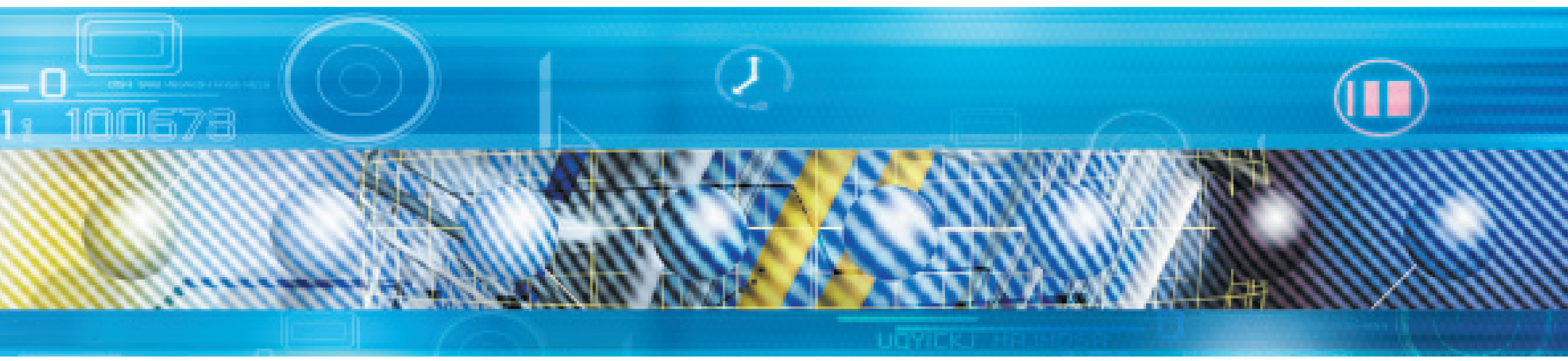
The two items of provision for impairment loss mentioned above totalled HK$8,940,000, resulting in a loss attributable to shareholders of HK$4,947,000 for this financial year. However, there was no impact on the Group's operating cash flow. The Directors believe that the provisions can better reflect 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**	**26-35**	**36-50**	**51 or above**	
	65.5%	27.7%	5.9%	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