



CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0759)

2004/2005 FIRST QUARTER RESULTS ANNOUNCEMENT

The Board of Directors (the "Directors") of CEC International Holdings Limited (the "Company") is pleased to announce that the unaudited condensed consolidated accounts of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31st July 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended	
		31st July 2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Turnover	2	143,171	110,293
Cost of sales		(111,483)	(81,056)
Gross profit		31,688	29,237
Selling and distribution expenses		(3,162)	(2,837)
General and administrative expenses		(17,190)	(16,693)
Other operating expenses		(331)	(331)
Operating profit	2,3	11,005	9,376
Interest income		25	52
Interest expense		(3,612)	(4,548)
Share of profits less losses of associates		-	8
Profit before taxation		7,418	4,888
Taxation	4	(1,602)	(289)
Profit after taxation but before minority interests		5,816	4,599
Minority interests		-	(4)
Profit attributable to shareholders		5,816	4,595
Earnings per share			
- Basic	6	0.84 cent	0.66 cent
- Diluted	6	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at	As at
		31st July 2004 HK\$'000 (Unaudited)	30th April 2004 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets		457,600	457,213
Investment in associates		33	33
Deposit for acquisition of land		4,612	4,764
Total non-current assets		462,245	462,010
CURRENT ASSETS			
Inventories		69,990	83,973
Trade receivables	7	105,661	92,258
Bills receivable		-	2,181
Prepayments, deposits and other current assets		7,339	8,402
Investment		8,580	8,580
Tax recoverable		39	471
Pledged bank deposits		24,743	25,058
Bank balances and cash		46,707	24,506
Total current assets		263,059	245,429
CURRENT LIABILITIES			
Short-term bank borrowings	8	(231,775)	(198,359)
Trade payables	9	(49,616)	(59,288)
Bills payable		(2,072)	(2,890)
Accruals and other payables		(25,481)	(25,730)
Finance lease obligations, current portion		(4,361)	(6,017)
Taxation payable		(3,822)	(2,420)
Dividend payable		(3,465)	-
Total current liabilities		(320,592)	(294,704)
Net current liabilities		(57,533)	(49,275)
Total assets less current liabilities		404,712	412,735
NON-CURRENT LIABILITIES			
Long-term bank loans, non-current portion	8	(64,694)	(72,926)
Finance lease obligations, non-current portion		(2,150)	(2,971)
Deferred tax		(22,364)	(23,076)
Total non-current liabilities		(89,208)	(98,973)
Net assets		315,504	313,762
CAPITAL AND RESERVES			
Share capital		69,303	69,303
Reserves		-	3,465
Proposed final dividend		-	-
Others		246,201	240,994
Shareholders' equity		315,504	313,762

Notes:

1. Principal accounting policies

The quarterly condensed consolidated accounts for the three months ended 31st July 2004 comply with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants, and the same principal accounting policies and methods of computation are followed as compared with the most recent published annual accounts for the year ended 30th April 2004.

2. Segment information

Analysis of turnover and operating profit/(loss) by business segment is as follows:

	Turnover		Operating profit/(loss)	
	Three months ended 31st July 2004 HK\$'000	2003 HK\$'000	Three months ended 31st July 2004 HK\$'000	2003 HK\$'000
Coils manufacturing	130,340	97,191	10,215	10,269
Ferrite powder manufacturing	7,203	-	613	-
Capacitors manufacturing	2,856	2,659	376	(888)
Electronic components trading	2,146	8,600	49	386
Information technology services	549	1,843	(321)	(391)
Others	77	-	73	-
	<u>143,171</u>	<u>110,293</u>	<u>11,005</u>	<u>9,376</u>

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Three months ended 31st July 2004 HK\$'000	2003 HK\$'000
Crediting		
Gain on disposal of investment properties	50	-
Unrealised gain on investment	-	149
Charging		
Depreciation of fixed assets	15,874	12,087
Cost of inventories sold	110,926	80,339
Staff costs (including directors' emoluments)	30,627	26,470

4. Taxation

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Other overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

The amount of taxation charged to the condensed consolidated income statement represents:

	Three months ended 31st July 2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax		
- current tax	1,228	-
- over-provision in prior periods	-	(18)
Overseas taxation		
- current tax	1,083	62
Deferred taxation	(709)	245
	<u>1,602</u>	<u>289</u>

5. Dividend

The Directors resolved not to declare any interim dividend in respect of the three months ended 31st July 2004 (2003: Nil).

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st July 2004 is based on the profit attributable to shareholders of approximately HK\$5,816,000 (2003: HK\$4,595,000) and the weighted average number of 693,028,811 (2003: 693,028,811) shares in issue during the period.

No information in respect of diluted earnings per share is presented as the exercise of the outstanding options and warrants during the three months ended 31st July 2003 and 31st July 2004 respectively would have no dilutive effect.

7. Trade receivables

The aging analysis of trade receivables is as follows:

	As at 31st July 2004 HK\$'000	As at 30th April 2004 HK\$'000
Current	84,389	78,954
Overdue by 0 - 1 month	7,296	7,048
Overdue by 1 - 2 months	7,865	2,648
Overdue by 2 - 3 months	5,623	2,961
Overdue by more than 3 months	3,978	3,686
	<u>109,151</u>	<u>95,297</u>
Less: Provision for bad and doubtful debts	(3,490)	(3,039)
	<u>105,661</u>	<u>92,258</u>

Management of the Group performs ongoing credit and collectibility evaluations of each customer. Provisions for potential credit losses are maintained and such losses in aggregate have not exceeded management's estimates. The Group offers an average credit period ranging from one to three months to its trade customers who have good payment records and well-established relationships with the Group.

8. Bank loans

(a) Short-term bank borrowings

	As at 31st July 2004 HK\$'000	As at 30th April 2004 HK\$'000
Long-term bank loan, current portion	83,670	74,936
Other	148,105	123,423
	<u>231,775</u>	<u>198,359</u>

(b) Long-term bank loans

During the period, the Group obtained a long-term bank loan in the amount of HK\$20,000,000 and the long-term bank loans amounting to approximately HK\$19,499,000 were repaid.

9. Trade payables

The aging analysis of trade payables is as follows:

	As at 31st July 2004 HK\$'000	As at 30th April 2004 HK\$'000
Current	35,320	41,701
Overdue by 0 - 1 month	6,389	7,322
Overdue by 1 - 2 months	1,870	3,811
Overdue by 2 - 3 months	941	1,311
Overdue by more than 3 months	5,096	5,143
	<u>49,616</u>	<u>59,288</u>

BUSINESS REVIEW

Overview

The Group's turnover for the three months ended 31st July 2004 was HK\$143,171,000 (2003: HK\$110,293,000), up 29.8% as compared with the corresponding period last year. During the period, coils manufacturing segment recorded a 34.1% increase in turnover. As for the electronic components trading segment and information technology segment, the turnover of these segments decreased by 75.0% and 70.2% respectively as compared with the same period last year. These reflected that the Group has been strictly implementing the step-by-step restructuring policy for its business.

During the period under review, the Group's overall gross profit was HK\$31,688,000 (2003: HK\$29,237,000), with an increase of 8.4% as compared with the corresponding period last year, while gross profit margin was 22.1% (2003: 26.5%). The drop in gross profit margin was a combined effect of the sustaining high raw materials prices, as well as the increase in energy charges and wages incurred by the plant in Mainland China. However, with the increasing utilisation rate in assets, it is expected that downward pressure on gross profit margin can be eased in future. During the period, operating profit and profit attributable to shareholders were HK\$11,005,000 (2003: HK\$9,376,000) and HK\$5,816,000 (2003: HK\$4,595,000), up 17.4% and 26.6%, respectively as compared with the same period last year. Earnings before interest, tax, depreciation and amortisation ("EBITDA") was HK\$26,879,000 (2003: HK\$21,463,000) for the period.

Manufacturing Segment

The turnover of the coils manufacturing segment, the Group's core business, recorded a rise of 34.1% to HK\$130,340,000 (2003: HK\$97,191,000) for the three months ended 31st July 2004.

During the period under review, the Group has been adopting a persistent pragmatic approach in operation to meet its customers' requirements with the utmost effort of its whole crew, as the direction in sales and marketing. Meanwhile, the partnership established with its suppliers has been reinforced. The effectiveness of these can be evidenced by the achievement of a steady progress in business during the period. Under the maturing business environment and system in Mainland China, the Group will grasp such opportunity for business development. For the three months ended 31st July 2004, the turnover in Mainland China reached HK\$44,675,000 (2003: HK\$13,202,000), with a growth of more than two-fold as compared with the same period last year, and accounted for 31.2% (2003: 12.0%) of the Group's overall turnover.

Financial Review

Funds Surplus and Liabilities

As at 31st July 2004, cash and bank deposits (denominated mainly in Hong Kong dollar, United States dollar, Renminbi, Japanese yen, Singapore dollar and New Taiwan dollar) was HK\$71,450,000 (as at 30th April 2004: HK\$49,564,000). The banking facilities were secured by mortgages on the Group's certain land and buildings, pledges of the Group's bank deposits, investment and machinery, and corporate guarantees provided by the Company and its certain subsidiaries. In addition, the Group is required to meet certain restrictive financial covenants with the major banks. As at 31st July 2004, the Group could comply with such financial ratios, which indicates that the Group's financial position was satisfactory.

As at 31st July 2004, the Group's total borrowings granted from banks and financial institutions was HK\$302,980,000 (as at 30th April 2004: HK\$280,273,000), of which HK\$236,136,000 (as at 30th April 2004: HK\$204,376,000) was current and HK\$66,844,000 (as at 30th April 2004: HK\$75,897,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. Furthermore, contingent liabilities as at the same date amounted to HK\$34,340,000 (as at 30th April 2004: HK\$38,052,000), of which HK\$33,972,000 (as at 30th April 2004: HK\$35,568,000) was factoring of trade receivables with recourse.

Financial Resources and Capital Structure

The Group's net cash inflow for the three months ended 31st July 2004 amounted to HK\$20,648,000 (2003: HK\$30,401,000). Net cash inflow from operating activities was HK\$19,010,000 (2003: HK\$18,511,000). Net cash inflow from financing activities was HK\$17,541,000 (2003: HK\$26,211,000). During the period, the Group obtained banking facilities, some of which were used for the acquisition of new equipment and the payment of operating expenses. Taking into account the corporate development and the market condition, the Group will gradually improve its capital structure. During the period under review, the Group continued to repay certain balances of bank loans for reducing the Group's net gearing ratio*. As at 31st July 2004, the Group's net gearing ratio was 0.85 (as at 30th April 2004: 0.88).

(* The ratio of (total borrowings plus bills payable and contingent liabilities less total cash and bank deposits) over (net tangible assets less proposed dividend))

Net cash outflow from investing activities for the three months ended 31st July 2004 was HK\$15,412,000 (2003: HK\$14,661,000), the capital expenditure of which was mainly used in purchasing equipment and expanding manufacturing plant, thereby increasing the production capacity.

Cash Flow Summary

	Three months ended	
	31st July	
	2004	2003
	HK\$'000	HK\$'000
Net cash inflow from operating activities	19,010	18,511
Net cash outflow from investing activities	(15,412)	(14,661)
Net cash inflow from financing activities	17,541	26,211
Exchange adjustment	(491)	340
Increase in cash and cash equivalents	<u>20,648</u>	<u>30,401</u>

Charges on Assets

As at 31st July 2004, certain assets of the Group with an aggregate carrying value of HK\$66,936,000 (as at 30th April 2004: HK\$69,671,000) were pledged to secure banking facilities and finance lease.

Exchange Risks

The Group's business is mainly conducted in Mainland China and Hong Kong and the major revenue generating currencies and major currencies in purchase commitments primarily denominated in Hong Kong dollar, Renminbi and United States dollar. As such, the management is of the view that it is not necessary for the Group to purchase any foreign exchange futures or options contract to hedge against exchange risks.

The Group's borrowings are mainly settled in Hong Kong dollars, Renminbi and United States dollars. The management believes that there is no substantial exchange risk.

Future Plan and Prospects

The Group will continue to focus on its coils business and actively develop tailor-made products recognised by its customers. To keep up with the new trend, the Group will strive to obtain accreditation on various environmental protection standards. Simultaneously, the Group will actively formulate and strictly implement operating strategies which can effectively reduce its debt. During the period under review, the Group has been enhancing logistics management to reduce inventory level. Inventory, therefore, decreased to HK\$69,990,000 (as at 30th April 2004: HK\$83,973,000). In the coming three quarters, the Group will continue to further refine its logistics management to increase the efficiency in using working capital. It is expected that these strategies can be beneficial to the improvement of the Group's debt level.

Employees and Remuneration Policy

The Group had approximately 6,500 employees as at 31st July 2004. The remuneration of the employees is determined by reference to market benchmark, individual performance and work experience, subject to review, while bonus entitlement depends on the Group's results and employees' individual performance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the three months ended 31st July 2004.

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises three independent non-executive directors. One of the independent non-executive directors is a Certified Public Accountant in Hong Kong with substantial experience in corporate finance, auditing and financial management. Regular meetings have been held by the Audit Committee since its establishment and it meets at least twice each financial year.

The Audit Committee has reviewed the First Quarter Results for the three months ended 31st July 2004.

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 2004, 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.

As at the date hereof, the Board of Directors of the Company comprises four executive directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Mr. Huang Kong, Mr. Law Hoo Shan and three independent non-executive directors, namely Mr. Au Son Yiu, Mr. Lee Wing Kwan, Denis and Mr. Tang Tin Sek.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 27th September 2004

Website: <http://www.ceccoils.com>
<http://www.0759.com>
<http://www.irasia.com/listco/hk/ceccint>