



CEC INTERNATIONAL HOLDINGS LIMITED

(CEC 國際 控 股 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 0759)

2006/2007 THIRD QUARTERLY RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of CEC International Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31 January 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 31 January		Nine months ended 31 January	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	2	177,609	151,676	529,527	452,948
Cost of sales	4	(143,037)	(118,842)	(423,846)	(353,511)
Gross profit		34,572	32,834	105,681	99,437
Other gains, net	3	1,215	278	2,000	1,904
Selling and distribution expenses	4	(4,203)	(3,650)	(11,285)	(9,644)
General and administrative expenses	4	(21,742)	(18,090)	(59,821)	(52,044)
Operating profit		9,842	11,372	36,575	39,653
Finance costs	5	(4,980)	(4,681)	(14,729)	(14,316)
Profit before taxation		4,862	6,691	21,846	25,337
Taxation	6	(558)	(2,100)	(3,532)	(6,940)
Profit for the period		4,304	4,591	18,314	18,397
Attributable to:					
– equity holders of the Company		4,453	4,591	18,463	18,397
– minority interest		(149)	–	(149)	–
		4,304	4,591	18,314	18,397
Earnings per share for profit attributable to equity holders of the Company	8				
– Basic		0.62 cent	0.64 cent	2.58 cents	2.62 cents
– Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 January 2007 <i>HK\$'000</i> (Unaudited)	As at 30 April 2006 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		30,040	23,865
Property, plant and equipment		365,939	370,681
Investment properties		9,325	10,970
Available-for-sale financial assets		7,960	7,079
Deposit for property, plant and equipment		3,593	–
		<u>416,857</u>	<u>412,595</u>
Current assets			
Inventories		76,804	65,428
Bills and account receivables	9	163,141	162,622
Other receivables		10,792	7,961
Tax recoverable		21	53
Pledged bank deposits		26,198	25,446
Bank balances and cash		31,817	47,562
		<u>308,773</u>	<u>309,072</u>
Total assets		<u><u>725,630</u></u>	<u><u>721,667</u></u>
EQUITY			
Share capital		71,661	71,661
Reserves			
Proposed final dividend		–	6,449
Others		294,586	262,866
Total equity		<u>366,247</u>	<u>340,976</u>
LIABILITIES			
Non-current liabilities			
Borrowings		29,991	87,365
Deferred tax		11,618	13,508
		<u>41,609</u>	<u>100,873</u>
Current liabilities			
Borrowings		241,739	183,956
Bills and account payables	10	45,980	54,742
Accruals and other payables		24,429	31,647
Taxation payable		5,626	9,473
		<u>317,774</u>	<u>279,818</u>
Total liabilities		<u>359,383</u>	<u>380,691</u>
Total equity and liabilities		<u><u>725,630</u></u>	<u><u>721,667</u></u>
Net current (liabilities)/assets		<u><u>(9,001)</u></u>	<u><u>29,254</u></u>
Total assets less current liabilities		<u><u>407,856</u></u>	<u><u>441,849</u></u>

Notes:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated third quarterly financial statements (the “Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants. The Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 April 2006.

The accounting policies used in the preparation of the Financial Statements are consistent with those used in the annual financial statements for the year ended 30 April 2006 with the addition of certain new standards or amendments of Hong Kong Financial Reporting Standards (“HKFRS”) issued and became effective during the period ended 31 January 2007. The adoption of such standards or amendments has no significant effect on the Group’s results.

The Group has not early adopted any new/revised HKFRSs, HKASs, amendments and interpretations which have been issued on or before 31 January 2007 but are not effective for the financial year ending 30 April 2007. The Group is in the process of assessing their impact on the Group’s results and operations.

2. Segment information

(a) Primary segments

	Nine months ended 31 January 2007			Nine months ended 31 January 2006		
	Electronic components manufacturing HK\$'000	Others HK\$'000	Total HK\$'000	Electronic components manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Sales	528,265	3,302	531,567	451,911	2,647	454,558
Inter-segment sales	-	(2,040)	(2,040)	-	(1,610)	(1,610)
External sales	<u>528,265</u>	<u>1,262</u>	<u>529,527</u>	<u>451,911</u>	<u>1,037</u>	<u>452,948</u>
Operating profit	35,134	1,441	36,575	38,856	797	39,653
Finance costs			(14,729)			(14,316)
Profit before taxation			21,846			25,337
Taxation			(3,532)			(6,940)
Profit for the period			<u>18,314</u>			<u>18,397</u>
Capital expenditures	<u>44,162</u>	<u>300</u>	<u>44,462</u>	<u>48,257</u>	<u>3,428</u>	<u>51,685</u>
Depreciation	<u>50,165</u>	<u>69</u>	<u>50,234</u>	<u>49,893</u>	<u>87</u>	<u>49,980</u>
Amortisation	<u>487</u>	<u>-</u>	<u>487</u>	<u>269</u>	<u>-</u>	<u>269</u>
	Electronic components manufacturing		Others		Total	
	As at 31/1/2007 HK\$'000	As at 30/4/2006 HK\$'000	As at 31/1/2007 HK\$'000	As at 30/4/2006 HK\$'000	As at 31/1/2007 HK\$'000	As at 30/4/2006 HK\$'000
Other information						
Segment assets	715,098	707,490	10,511	14,124	725,609	721,614
Unallocated assets					21	53
Total assets					<u>725,630</u>	<u>721,667</u>
Segment liabilities	341,487	356,690	652	1,020	342,139	357,710
Unallocated liabilities					17,244	22,981
Total liabilities					<u>359,383</u>	<u>380,691</u>

(b) Secondary segments

	Sales		Capital expenditures		Total assets	
	Nine months ended 31 January		Nine months ended 31 January		As at	As at
	2007	2006	2007	2006	31/1/2007	30/4/2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	173,902	169,950	12,661	9,377	116,837	118,700
Mainland China	241,697	180,961	31,050	42,279	549,244	541,691
Taiwan	37,257	32,175	716	29	26,975	24,136
Europe	17,777	17,713	–	–	3,495	4,093
Singapore	31,402	24,581	–	–	23,586	26,332
Others	27,492	27,568	35	–	5,493	6,715
	<u>529,527</u>	<u>452,948</u>	<u>44,462</u>	<u>51,685</u>	<u>725,630</u>	<u>721,667</u>

3. Other gains, net

	Three months ended 31 January		Nine months ended 31 January	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	360	278	1,145	565
Gain on disposal of investment properties	855	–	855	–
Dividend income	–	–	–	1,339
	<u>1,215</u>	<u>278</u>	<u>2,000</u>	<u>1,904</u>

4. Expenses by nature

	Three months ended 31 January		Nine months ended 31 January	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of leasehold land and land use rights	179	111	487	269
Depreciation of property, plant and equipment	16,961	16,722	50,234	49,980
Cost of inventories sold	142,926	118,599	423,499	352,242
Employee benefit expense (including directors' emoluments)	45,285	37,446	128,105	103,876
Impairment loss on goodwill	300	–	300	–
Provision for slow moving and obsolete inventories	771	–	771	–
(Reversal of)/provision for impairment of receivables	(1,531)	(27)	(3,428)	493
	<u>(1,531)</u>	<u>(27)</u>	<u>(3,428)</u>	<u>493</u>

5. Finance costs

	Three months ended 31 January		Nine months ended 31 January	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses	4,720	4,250	13,823	13,085
Amortisation of deferred borrowing costs	260	431	906	1,231
	<u>4,980</u>	<u>4,681</u>	<u>14,729</u>	<u>14,316</u>

6. Taxation

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. 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		Nine months ended	
	31 January		31 January	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax – current tax	(353)	2,288	1,687	6,916
Overseas taxation – current tax	1,469	1,390	3,790	3,349
Deferred taxation	(558)	(1,578)	(1,945)	(3,325)
	<u>558</u>	<u>2,100</u>	<u>3,532</u>	<u>6,940</u>

7. Dividend

The Board resolved not to declare any dividend in respect of the nine months ended 31 January 2007 (2006: Nil).

8. Earnings per share

The calculation of basic earnings per share for the three months ended 31 January 2007 is based on the profit attributable to equity holders of the Company of approximately HK\$4,453,000 (2006: HK\$4,591,000) and 716,610,798 (2006: 716,610,798) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31 January 2007 is based on the profit attributable to equity holders of the Company of approximately HK\$18,463,000 (2006: HK\$18,397,000) and the weighted average number of 716,610,798 (2006: 701,573,009) shares in issue during the period.

No information in respect of diluted earnings per share is presented as there was no dilutive potential share during the three months and nine months ended 31 January 2006 and 31 January 2007 respectively.

9. Bills and account receivables

The aging analysis of bills and account receivables, net of impairment losses, is as follows:

	As at 31 January 2007 HK\$'000	As at 30 April 2006 HK\$'000
Current	147,800	134,827
Overdue by 0 – 1 month	7,483	20,197
Overdue by 1 – 2 months	5,662	3,305
Overdue by 2 – 3 months	2,196	4,293
	<u>163,141</u>	<u>162,622</u>

Management of the Group performs ongoing credit and collectibility evaluations of each customer. The Group offers an average credit period ranging from one to four months to its customers who have good payment records and well-established relationships with the Group.

10. Bills and account payables

The aging analysis of bills and account payables is as follows:

	As at 31 January 2007 HK\$'000	As at 30 April 2006 HK\$'000
Current	42,165	48,142
Overdue by 0 – 1 month	2,782	4,945
Overdue by 1 – 2 months	700	446
Overdue by 2 – 3 months	137	838
Overdue by more than 3 months	196	371
	<u>45,980</u>	<u>54,742</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 31 January 2007, the turnover of the Group was HK\$529,527,000 (2006: HK\$452,948,000), with an increase of 16.9% as compared with the corresponding period last year. The turnover of electronic components manufacturing segment, the Group's core business, was HK\$528,265,000 (2006: HK\$451,911,000) which accounted for 99.8% (2006: 99.8%) of the Group's turnover. Analysis by geographical location showed that Mainland China and other countries in

Asia mainly contributed to the turnover growth. The turnover of Mainland China reported approximately HK\$241,697,000 (2006: HK\$180,961,000), up 33.6% as compared with the corresponding period last year. In addition, turnover from Singapore and Taiwan were approximately HK\$31,402,000 (2006: HK\$24,581,000) and HK\$37,257,000 (2006: HK\$32,175,000) respectively, up 27.7% and 15.8% respectively as compared with the same period last year.

During the period under review, the prices of raw materials and energy cost had been staying high. The prices of major raw materials such as nickel and zinc rose by approximately 132% and 52% respectively as compared with those of the corresponding period last year, whilst the prices of metal raw materials showed a sign of pick-up after a slide during the period. Moreover, the uptrend for staff wages of Mainland China led to an increase of approximately 6% in the average wage of production staff as compared with the same period last year. All of these drove up the overall production cost. Gross profit margin declined by 2% to 20% (2006: 22%) as compared with the same period last year. Gross profit for the period was HK\$105,681,000 (2006: HK\$99,437,000). Profit attributable to equity holders of the Company for the period was HK\$18,463,000 (2006: HK\$18,397,000). Net profit margin slipped 0.6% to 3.5% (2006: 4.1%) as compared with the corresponding period last year, which was mainly attributable to the decline in gross profit margin and the rise of approximately 5% in the average salary of sales and marketing, administrative and management personnel during the period, as well as the expansion of some subsidiaries and representative offices of the Group in the overseas and Mainland China during the period resulting in increases in selling and administrative expenses as compared with those of the corresponding period last year.

As at 31 January 2007, the Group's total accounts receivables was HK\$163,141,000 (30 April 2006: HK\$162,622,000), which was similar to that of the financial year-end date of last year. The Group's total inventory was HK\$76,804,000 (30 April 2006: HK\$ 65,428,000), up approximately 17.4% as compared with that of the financial year-end date of last year. The sustained rise in prices of raw materials had impact on such increase to certain extent.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 31 January 2007, the Group's bank balance and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$58,015,000 (30 April 2006: HK\$73,008,000). The banking facilities amounting to HK\$273,886,000 were secured by mortgages on the Group's certain land and buildings, pledges of the Group's bank deposits, available-for-sale financial assets and machinery, and corporate guarantees provided by the Company and its certain subsidiaries. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 31 January 2007, the Group complied with such financial covenants, which indicates that the Group's financial position remained satisfactory.

As at 31 January 2007, the Group's total borrowings granted from banks and financial institutions amounted to HK\$271,730,000 (30 April 2006: HK\$271,321,000), of which HK\$241,739,000 (30 April 2006: HK\$183,956,000) will be repayable within one year and HK\$29,991,000 (30 April 2006: HK\$87,365,000) will be repayable within a period of more than one year but not exceeding five years. As at 31 January 2007, the Group's net gearing ratio* was 0.58 (30 April 2006: 0.59). The net gearing ratio was similar to that of the financial year-end date of last year reflecting that the Group has been making a continued control on its financial resources with prudence during the period.

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

Financial Resources and Capital Structure

For the nine months ended 31 January 2007, the Group's net cash outflow (decrease in cash and cash equivalents) was HK\$12,236,000 (2006: net cash inflow (increase in cash and cash equivalents) of HK\$20,301,000). The net cash inflow from operating activities was HK\$43,157,000 (2006: HK\$29,223,000). The net cash outflow from financing activities was HK\$16,795,000 (2006: inflow of HK\$36,927,000). The net cash inflow from financing activities of the corresponding period last year was comparatively higher than that of the period under review due to the draw-down of the aggregate amount of HK\$243,000,000 under the 3-year transferable term loan and revolving credit facility agreement by the Company during the same period last year. In respect of interest expenses, for the nine months ended 31 January 2007, the Group's interest expenses amounted to HK\$13,823,000 (2006: HK\$13,085,000), up approximately 5.6% as compared with the corresponding period last year.

For the nine months ended 31 January 2007, net cash outflow from investing activities was HK\$42,845,000 (2006: HK\$47,760,000). Part of the capital expenditure was used in purchasing properties for self-use for the expansion of Hong Kong headquarters, while the remaining portion was used for the purchase of machinery and equipment and the expansion of plant in order to enhance the production capacity.

Cash Flow Summary

	For the nine months ended 31 January	
	2007	2006
	HK\$'000	HK\$'000
Net cash inflow from operating activities	43,157	29,223
Net cash outflow from investing activities	(42,845)	(47,760)
Net cash (outflow)/inflow from financing activities	(16,795)	36,927
Exchange adjustment	4,247	1,911
	<u>(12,236)</u>	<u>20,301</u>
(Decrease)/increase in cash and cash equivalents		

As at 31 January 2007, the Group's current ratio was 1.0 (30 April 2006: 1.1). The lower current ratio was due to the increase of HK\$57,783,000 in the outstanding balance of the Group's short-term borrowings as at 31 January 2007, as compared with that as at the financial year-end date of last year. On the contrary, the outstanding balance of the Group's long-term borrowings as at 31 January 2007 reduced by HK\$57,374,000, as compared with that as at the financial year-end date of last year. On the other hand, the purchase of properties and construction of plant amounting to approximately HK\$17,681,000 for the long-term expansion during the period under review also exerted influence on the current ratio. The Board will continue to focus on controlling the working capital and the change of capital structure with a view to improving the current ratio.

Charges on Assets

As at 31 January 2007, certain assets of the Group with an aggregate carrying value of approximately HK\$38,621,000 (30 April 2006: HK\$41,356,000) were pledged to secure banking facilities and finance lease of the Group.

Exchange Risks

The Group's business is mainly conducted in Mainland China, Hong Kong and South-east Asia. The major revenue currencies are primarily denominated in Hong Kong dollar, Renminbi and United States dollar; whilst the major currencies in purchase commitments are primarily denominated in Hong Kong dollar, Renminbi, United States dollar and Japanese Yen. As most of the Group's operating expenses for production arise from Mainland China, the appreciation of Renminbi will have a negative impact on the Group's certain payments for purchase commitments in Renminbi. The Board is closely monitoring the fluctuations in exchange rates of the currencies.

The Group's borrowings are mainly settled in Hong Kong dollars. The Board believes that there is no substantial exchange risk.

FUTURE PLAN AND PROSPECTS

The prices of some major raw materials for the Group are still volatile. In addition, the soaring wages of Mainland China posing a problem of pushing up the cost, together with the sustained appreciation of Renminbi, will lead to increases in the production cost and expenses of Mainland China. Accordingly, the Board believes that the pressure of rising cost will continue for some time. The Group will make more flexible settlements in terms of the credit periods granted by its major suppliers for bargaining better purchasing prices. In the meantime, the Group will also endeavour to reduce the wear and tear of raw materials arisen from the production process. On the other hand, the Group will negotiate with the relevant customers on those products, which are significantly influenced by the rise of production cost, with a view to yielding better market prices.

The Group will continue to proactively explore the existing coils market for promoting the overall turnover. In the meantime, the Group will develop the energy-saving products and continue to put resources into purchasing facilities for research and development and recruiting technological research staff in line with the coming launch of new energy-saving products.

EMPLOYEES

The Group employed approximately 7,400 (2006: 6,500) employees as at 31 January 2007. The remuneration of the employees is determined by reference to market benchmark, individual performance and work experience, subject to periodic review, while bonus entitlement depends on the Group's results and employees' individual performance. Other employee benefits include pension scheme and medical insurance. Subsidies on training and education are also provided. Under the share option scheme of the Company, options may be granted to eligible employees to subscribe for shares in the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company had not redeemed any of its listed shares during the nine months ended 31 January 2007. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the nine months ended 31 January 2007.

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises the four independent non-executive directors, with Dr. Tang Tin Sek, who is a Certified Public Accountant practising in Hong Kong with substantial experience in corporate finance, auditing and financial management, acting as Chairman of the Audit Committee. 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 accounting principles and practices adopted by the Group, the internal control of the Group and the third quarterly results for the nine months ended 31 January 2007.

By Order of the Board
Tang Fung Kwan
Deputy Chairman and Managing Director

Hong Kong, 22 March 2007

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Mr. Chua You Sing and Ms. Li Hong; and four Independent Non-executive Directors, namely Mr. Au Son Yiu, Mr. Lee Wing Kwan, Denis, Dr. Tang Tin Sek and Mr. Goh Gen Cheung.

Websites: <http://www.ceccoils.com>
<http://www.0759.com>
<http://www.irasia.com/listco/hk/cecint>

* *For identification purpose only*