CEC INTERNATIONAL HOLDINGS LIMITED
（CEC國際控股有限公司）*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0759)

2005/2006 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 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st July **2005** ***HK$'000*** **(Unaudited)**	 2004 *HK$'000* (Unaudited) (Restated)
Turnover	*3*	**145,213**	143,171
Cost of sales		**(113,843)**	(111,365)
Gross profit		**31,370**	31,806
Other revenue		**1,451**	25
Selling and distribution expenses		**(2,937)**	(3,162)
General and administrative expenses		**(15,778)**	(17,190)
Operating profit		**14,106**	11,479
Finance costs	*4*	**(5,042)**	(3,943)
Profit before taxation	*3,5*	**9,064**	7,536
Taxation	*6*	**(2,485)**	(1,602)
Profit attributable to equity holders of the Company		**6,579**	5,934
Earnings per share			
– Basic	*8*	**0.95 cent**	0.86 cent
– Diluted	*8*	**N/A**	N/A

* *For identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 31st July 2005 HK$'000 (Unaudited)	As at 30th April 2005 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**385,854**	388,597
Investment properties		**11,675**	6,670
Leasehold land and land use rights		**13,392**	13,471
Investment in associates		**25**	25
Available-for-sale financial asset		**6,304**	–
Investment securities		**–**	8,580
Deposit for acquisition of land use rights		**6,254**	6,254
Deposit for property, plant and equipment		**2,632**	–
Total non-current assets		**426,136**	423,597
CURRENT ASSETS			
Inventories		**52,751**	56,762
Trade receivables		**145,200**	97,632
Bills receivable		**49**	88
Prepayments, deposits and other receivables		**9,554**	6,053
Available-for-sale financial assets		**1,114**	–
Other investments		**–**	1,192
Tax recoverable		**143**	84
Pledged bank deposits		**25,000**	24,879
Bank balances and cash		**63,226**	43,770
Total current assets		**297,037**	230,460
CURRENT LIABILITIES			
Short-term bank borrowings	*9*	**(161,621)**	(211,791)
Trade payables		**(47,098)**	(46,401)
Bills payable		**(2,023)**	(5,212)
Accruals and other payables		**(26,303)**	(26,089)
Finance lease obligations, current portion		**(2,198)**	(2,588)
Taxation payable		**(8,916)**	(6,581)
Total current liabilities		**(248,159)**	(298,662)
Net current assets /(liabilities)		**48,878**	(68,202)
Total assets less current liabilities		**475,014**	355,395
NON-CURRENT LIABILITIES			
Long-term bank loans, non-current portion	*9*	**(134,698)**	(22,406)
Finance lease obligations, non-current portion		**(1,001)**	(1,491)
Deferred tax		**(17,343)**	(17,740)
Total non-current liabilities		**(153,042)**	(41,637)
Net assets		**321,972**	313,758
EQUITY			
Share capital		**69,303**	69,303
Reserves			
Proposed final dividend		**4,851**	4,851
Others		**247,818**	239,604
Total equity		**321,972**	313,758

Notes:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated quarterly accounts ("Quarterly Accounts") 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. These Quarterly Accounts should be read in conjunction with the annual accounts for the year ended 30th April 2005.

The accounting policies and methods of computation used in the preparation of these Quarterly Accounts are consistent with those used in the annual accounts for the year ended 30th April 2005 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKASs which are effective for accounting periods commencing on or after 1st January 2005. The major changes to the Group's accounting policies and the effect of adopting these new accounting policies are set out in note 2 below.

2. Impact of new/revised HKFRSs and HKASs

The major and significant effects of the adoption of the new/revised HKFRSs and HKASs on the Group's accounting policies and amounts disclosed in the Quarterly Accounts are summarised as follows:

(A) HKAS 17 "Leases"

In prior years, leasehold land and buildings held for own use were stated at revaluation less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the property revaluation reserve.

With the adoption of HKAS 17 as from 1st May 2005, where the land and building elements of the leasehold properties held for own use can be allocated reliably at the inception of the lease, the land element is accounted for as operating lease.

Such leasehold land will no longer be revalued. Instead, any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term.

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. However, as from 1st May 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

This new accounting policy has been adopted retrospectively and reflected by way of prior year adjustment and restatement of comparative figures.

Net increases/(decreases) in the following items on restatement of balance sheets

	As at 30th April 2005 *HK$'000*	As at 31st July 2004 *HK$'000*
Assets:		
Leasehold land and land use rights	**13,471**	13,708
Property, plant and equipment	**(41,075)**	(33,600)
Liabilities and reserves:		
Property revaluation reserve	**(22,727)**	(17,447)
Deferred tax	**(6,404)**	(3,619)
Retained profits	**1,527**	1,174

Net increases/(decreases) in the following items on restatement of income statement

	Three months ended 31st July	
	2005 *HK$'000*	2004 *HK$'000*
Depreciation	**(197)**	(197)
Rental expenses	**79**	79

(B) HKAS 32 "Financial Instruments: Disclosure and Presentation"
HKAS 39 "Financial Instruments: Recognition and Measurement"

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

(i) The Group adopted the transitional provisions of HKAS 32 and HKAS 39 and all "investment securities" and "other investments" were redesignated as "available-for-sale financial assets" as at 1st May 2005. Available-for-sale financial assets are measured at fair value and changes in fair value are recognised in the investment revaluation reserve. This has resulted in a decrease in available-for-sale financial assets and a corresponding decrease in investment revaluation reserve of approximately HK$2,355,000 as at 31st July 2005 (1st May 2005: HK$1,017,000).

(ii) HKAS 39 requires that where an entity sells trade receivables with recourse, these trade receivables should be accounted for as a collateralised borrowing, since it does not qualify for derecognition. In the past, the Group followed the principles under the replaced accounting standard SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets" and disclosed such type of transaction as contingent liabilities.

The Group has adopted HKAS 32 and HKAS 39 prospectively. For trade receivables sold with recourse, the change in the accounting policy has resulted in an increase in trade receivables and a corresponding increase in borrowings of approximately HK$8,669,000 as at 31st July 2005.

(C) HKAS 40 "Investment Property"
HKAS 12 "Income Taxes" – HKAS Interpretation 21 ("HKAS-Int 21") -Recovery of revalued non-depreciable assets

In prior years, investment properties were carried at valuation assessed by professionally qualified valuers on an open market value basis. Increases in valuations were credited to the investment property revaluation reserve. Decreases in valuations were first set off against the investment property revaluation reserve on a portfolio basis and thereafter were charged to the income statement. No deferred taxation was provided on revaluation surplus of investment properties.

On adoption of HKAS 40, investment properties are carried at fair value with the changes in fair value reported directly in the income statement. Deferred tax is provided on revaluation surplus of investment properties in accordance with HKAS-Int 21 on HKAS 12.

The Group has adopted HKAS 40 prospectively. The effects of change in accounting policy are as follows:

Net increases/ (decreases) in the following items on balance sheet

	As at 1st May 2005 *HK$'000*
Liabilities and reserves:	
Investment property revaluation reserve	(520)
Deferred tax	91
Retained profits	429

3. Segment information

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, capacitors, ferrite powder and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products.

With reference to 2004/2005 annual report, the directors of the Company re-classified certain segmental information. Coils manufacturing, capacitors manufacturing and ferrite powder manufacturing were combined and classified as "Electronic components manufacturing". Besides, information technology services, electronic components trading and others, being the non-core business, were combined and classified as "Others". Certain comparative figures of segmental information for the period ended 31st July 2004 have been re-classified to conform with the current period's presentation.

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

	Turnover Three months ended 31st July		**Profit/ (loss) before taxation Three months ended 31st July**	
	2005	2004	**2005**	2004
	HK$'000	*HK'$000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Electronic components manufacturing	**144,842**	140,399	**8,739**	7,751
Others	**371**	2,772	**325**	(215)
	145,213	143,171	**9,064**	7,536

4. Finance costs

	Three months ended 31st July	
	2005	2004
	HK$'000	*HK$'000* (Restated)
Interest expenses	**4,866**	3,612
Arrangement fee on long-term bank loan	**176**	331
	5,042	3,943

5. Profit before taxation

Profit before taxation is stated after crediting and charging the following:

	Three months ended 31st July	
	2005	2004
	HK$'000	*HK$'000* (Restated)
Crediting		
Gain on disposal of investment properties	**–**	50
Income from available-for-sale financial asset	**1,305**	–
Interest income	**146**	25
Charging		
Depreciation of property, plant and equipment	**16,699**	15,677
Cost of inventories sold	**113,317**	110,808
Staff costs (including directors' emoluments)	**30,687**	30,627

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% (2004: 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 31st July	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**2,107**	1,228
Oversea taxation		
– current tax	**848**	1,083
Deferred taxation	**(470)**	(709)
	2,485	1,602

7. Dividend

The Directors resolved not to declare any dividend in respect of the three months ended 31st July 2005 (2004: Nil).

8. Earnings per share

The calculation of basic earnings per share for the three months ended 31st July 2005 is based on the profit attributable to equity holders of the Company of approximately HK$6,579,000 (2004: HK$5,934,000) and 693,028,811 (2004: 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 (if any) during the three months ended 31st July 2004 and 31st July 2005 respectively would have no dilutive effect.

9. Bank loans

(a) Short-term bank borrowings

	As at 31st July 2005	As at 30th April 2005
	HK$'000	*HK$'000*
Long-term bank loans, current portion	**98,214**	89,337
Others	**63,407**	122,454
	161,621	211,791

(b) Long-term bank loans

During the period, the Group obtained long-term bank loans in the amount of HK$200,880,000 and the long-term bank loans amounting to approximately HK$79,711,000 were repaid.

10. Comparative figures

Comparative figures have been adjusted to confirm with the current presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's turnover for the three months ended 31st July 2005 was HK$145,213,000 (2004: HK$143,171,000) with an increase of 1.4% as compared with the corresponding period last year. During the period, the turnover of electronic components manufacturing segment, the Group's core business, slightly increased by 3.2% to HK$144,842,000 (2004: HK$140,399,000), which accounted for 99.7% (2004: 98.1%) of the Group's turnover. The turnover of the Group's non-core businesses for the period was HK$371,000 (2004: HK$2,772,000), which accounted for 0.3% (2004: 1.9%) of the overall turnover. The under-performed electronic components trading segment had completely terminated its business operation during the period.

During the period, the Group's gross profit was HK$31,370,000 (2004: HK$31,806,000), down 1.4% as compared with the corresponding period last year. Gross profit margin was 21.6% (2004: 22.2%), down 0.6% as compared with the corresponding period last year. The decrease in gross profit margin was mainly attributable to the continued increase in raw materials prices, oil price, energy charges and wages for labour arisen from the shortage of labour in Mainland China, all of which have been exerting pressure on the Group's cost of production. During the period, operating profit and earnings before interest, tax, depreciation and amortisation ("EBITDA") increased to HK$14,106,000 (2004: HK$11,479,000) and HK$30,805,000 (2004: HK$27,156,000), respectively. Profit attributable to equity holders for the period was HK$6,579,000 (2004: HK$5,934,000), up 10.9% as compared with the same period last year.

As at 31st July 2005, the Group's inventory was HK$52,751,000 (30th April 2005: HK$56,762,000). Such decrease in inventory was resulted from the Group's persistent improvement in the management of purchasing, manufacturing and logistics during the period. The Group will actively continue to control the inventory within the reasonable level, which is a target set for the management of purchasing, manufacturing and logistics.

The Group's trade receivables increased to HK$145,200,000 (30th April 2005: HK$97,632,000) as at 31st July 2005. Such increase in the trade receivables was primarily attributable to the Group's adoption of new accounting standards issued by The Hong Kong Institute of Certified Public Accountants. The factoring of trade receivables with recourse, which was previously treated as contingent liabilities in accounting, was treated as current borrowings and transferred to the Group's trade receivables commencing from this financial year. On the other hand, it is a trend for the market to generally have a prolonged credit period, which has accelerated the increase of the Group's trade receivables. As the rising trade receivables will exert pressure on the cash flow and increase the risk of bad debt, the Group will proactively revise its credit management policy with a view to controlling its trade receivables, both in quality and quantity.

FINANCIAL REVIEW

Funds Surplus and Liabilities

As at 31st July 2005, cash and bank balance (denominated mainly in Hong Kong dollar, United States dollar, Renminbi) was HK$88,226,000 (30th April 2005: HK$68,649,000). The banking facilities were secured by mortgages on the Group's certain land and buildings, pledges of the Group's bank deposits, available-for-sale financial asset and machinery, and corporate guarantees provided by the Company and of its certain subsidiaries. In addition, the Group is required to meet certain restrictive financial covenants with the major banks. As at 31st July 2005, the Group could comply with such financial ratios, which indicates that the Group's financial position was satisfactory.

As at 31st July 2005, the Group's total borrowings granted from banks and financial institutions was HK$299,518,000 (30th April 2005: HK$238,276,000), of which HK$163,819,000 (30th April 2005: HK$214,379,000) was current and HK$135,699,000 (30th April 2005: HK$23,897,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. As mentioned above, factoring of trade receivables with recourse was treated as current borrowings in accounting. Therefore, as at 31st July 2005, the Group had no significant contingent liabilities (30th April 2005: factoring of trade receivables with recourse of HK$21,896,000).

On 27th April 2005, the Company entered into a 3-year transferable term loan and revolving credit facility agreement for an aggregate amount of HK$243,000,000 with a group of banks. The facility was fully drawn down before the end of May 2005 and mainly used to re-organize the Group's debt structure, including the overall current borrowings, non-current borrowings and factoring of trade receivables with recourse. As at 31st July 2005, the re-organization of the Group's debt structure was not yet wholly completed, and thus the Group recorded a comparatively higher level of cash in hand than that at the financial year-end-date of last year. In addition, factoring of trade receivables with recourse was treated as current borrowings in accounting in accordance with the revised accounting standards, which rendered the total borrowings higher than that at the financial year-end-date of last year.

Financial Resources and Capital Structure

The Group's net cash inflow for the three months ended 31st July 2005 amounted to HK$34,894,000 (2004: HK$20,648,000). Net cash outflow from operating activities was HK$19,335,000 (2004: inflow of HK$19,010,000). Net cash inflow from financing activities was HK$71,895,000 (2004: HK$17,541,000). During the period, the increase in net cash inflow from financing activities was mainly attributable to the draw-down of the aggregate amount of HK$243,000,000 under the aforesaid 3-year transferable term loan and revolving credit facility agreement entered into with a group of banks and the accounting treatment of factoring of trade receivables with recourse as current borrowings under the revised accounting standards. In the meantime, with the change of accounting standards, factoring of trade receivables with recourse was transferred to the Group's trade receivables, which gave rise to an increase in the Group's trade receivables and an increase on net cash outflow from operating activities.

As at 31st July 2005, the Group's net gearing ratio* was 0.67 (30th April 2005: 0.64). The rise in net gearing ratio was due to the aforesaid increase in total borrowings. The Group will complete its re-organization of debt structure in the next quarter, and is still extremely prudent to control its financial resources.

(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)*

For the three months ended 31st July 2005, the Group's interest expenses was HK$4,866,000 (2004: HK$3,612,000). The rise in interest expenses was mainly due to (1) an increase in the Group's total borrowings during the period as mentioned above; (2) the interbank offer rate and prime rate of Hong Kong remarkably soared in the past year, which lead to a rise of more than 2% in the Group's average interest rate of borrowings as compared with that of the corresponding period last year. Faced with such interest-rate hike cycle, the Group will endeavour to reduce all kinds of expenditure (including capital expenditure) and to strengthen the effective use of financial resources so as to reduce borrowings.

For the three months ended 31st July 2005, net cash outflow from investing activities was HK$19,035,000 (2004: HK$15,412,000), the capital expenditure of which was mainly used in purchasing equipment and expanding manufacturing plant, thereby increasing the Group's production capacity.

Cash Flow Summary

	For the three months ended 31st July	
	2005	2004
	HK$'000	*HK$'000*
Net cash (outflow)/inflow from operating activities	**(19,335)**	19,010
Net cash outflow from investing activities	**(19,035)**	(15,412)
Net cash inflow from financing activities	**71,895**	17,541
Exchange adjustment	**1,369**	(491)
Increase in cash and cash equivalents	**34,894**	20,648

Charges on Assets

As at 31st July 2005, certain assets of the Group with an aggregate carrying value of HK$43,599,000 (as at 30th April 2005: HK$46,221,000) were pledged to secure banking facilities and finance lease.

Exchange Risks

The Group's business is mainly conducted in Mainland China, Hong Kong and South-east Asia and the major revenue currencies and major currencies in purchase commitments primarily denominated in Hong Kong dollar, Renminbi ("RMB") and United States dollar. Since The People's Bank of China announced an appreciation of 2% of RMB against United States dollar at the end of July 2005, the Group's certain revenues and expenses denominated in RMB may be subject to significant impact arising from the fluctuations in RMB in the future, but the fluctuation in RMB has been only preliminary and mild for the time being. As such, the Directors are 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, but will closely monitor the fluctuations in exchange rates of the currencies.

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

FUTURE PLAN AND PROSPECTS

The Group will continue to consolidate coils manufacturing segment, its core line of business, with prudence in operation to steadily develop the business step by step. The Group's focus for the next few quarters will be the deployment of internal resources, including optimization of the management in trade receivables, purchasing, inventory logistics and production efficiency. Meanwhile, the Group will also improve its production management flow, quality and environmental protection system with a view to enhancing the existing supply capacity and expediting the production cycle as well as attracting the quality customers in terms of its persistent commitment of high product quality for achieving the objective of steady growth. As for the Group's financing management, the Group will adopt a firm and prudent approach. Save all unnecessary expenditure, all investment plans and capital expenditure must get through a stringent feasibility study to assess the return on investment and risks which are acceptable by the Group before they are implemented. Furthermore, the amount of investment is subject to the existing financial covenants imposed by banks.

EMPLOYEES AND REMUNERATION POLICY

The Group had approximately 6,500 employees as at 31st July 2005. 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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the three months ended 31st July 2005.

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises the three 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. The written terms of reference of the Audit Committee has been modified in accordance with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 and the first quarter results announcement for the three months ended 31st July 2005.

As at the date of this announcement, the Board of Directors 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 three Independent Non-executive Directors, namely Mr Au Son Yiu, Mr. Lee Wing Kwan, Denis and Dr. Tang Tin Sek.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 23rd September 2005

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