



CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 0759)

2004/2005 THIRD QUARTER RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") 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 and nine months ended 31st January 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

Notes	Three months ended 31st January		Nine months ended 31st January		
	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	
Turnover	2	134,135	111,395	427,523	346,945
Cost of sales		(103,813)	(82,435)	(332,179)	(259,522)
Gross profit		30,322	28,960	95,344	87,423
Selling and distribution expenses		(3,330)	(3,588)	(9,290)	(9,196)
General and administrative expenses		(16,631)	(18,559)	(52,271)	(51,670)
Other operating expenses		(331)	–	(993)	(662)
Operating profit	2,3	10,030	6,813	32,790	25,895
Interest income		60	34	122	126
Interest expense		(3,283)	(4,514)	(10,618)	(13,569)
Share of losses of an associate		–	(49)	–	(27)
Profit before taxation		6,807	2,284	22,294	12,425
Taxation	4	(1,474)	(621)	(3,995)	(2,219)
Profit attributable to shareholders		5,333	1,663	18,299	10,206
Earnings per share					
– Basic	6	0.77 cent	0.24 cent	2.64 cents	1.47 cents
– Diluted	6	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

Notes	As at 31st January 2005 HK\$'000 (Unaudited)	As at 30th April 2004 HK\$'000 (Audited)
NON-CURRENT ASSETS		
Fixed assets	438,121	457,213
Investment in associates	33	33
Deposit for acquisition of land	6,255	4,764
Total non-current assets	444,409	462,010
CURRENT ASSETS		
Inventories	46,607	83,973
Trade receivables	7	106,580
Bills receivable	601	2,181
Prepayments, deposits and other current assets	7,391	8,402
Investment	7,727	8,580
Tax recoverable	58	471
Pledged bank deposits	24,806	25,058
Bank balances and cash	35,120	24,506
Total current assets	228,890	245,429
CURRENT LIABILITIES		
Short-term bank borrowings	8	(212,115)
Trade payables	9	(38,434)
Bills payable	(3,563)	(2,890)
Accruals and other payables	(27,656)	(25,730)
Finance lease obligations, current portion	(2,920)	(6,017)
Taxation payable	(4,400)	(2,420)
Dividend payable	(2)	–
Total current liabilities	(289,090)	(294,704)
Net current liabilities	(60,200)	(49,275)
Total assets less current liabilities	384,209	412,735
NON-CURRENT LIABILITIES		
Long-term bank loans, non-current portion	8	(33,196)
Finance lease obligations, non-current portion	(1,447)	(2,971)
Deferred tax	(21,906)	(23,076)
Total non-current liabilities	(56,549)	(98,973)
Net assets	327,660	313,762
CAPITAL AND RESERVES		
Share capital	69,303	69,303
Reserves		
Proposed final dividend	–	3,465
Others	258,357	240,994
Shareholders' equity	327,660	313,762

Notes:

1. Principal accounting policies

The quarterly condensed consolidated accounts for the three months and nine months ended 31st January 2005 comply with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public 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			
	Three months ended 31st January		Nine months ended 31st January	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Coils manufacturing	120,558	96,988	390,418	303,859
Ferrite powder manufacturing	10,508	3,374	26,408	3,374
Capacitors manufacturing	2,593	4,034	6,812	10,881
Electronic components trading	197	5,948	2,769	25,290
Information technology services	144	1,051	794	3,541
Others	135	–	322	–
	134,135	111,395	427,523	346,945

	Operating profit/(loss)			
	Three months ended 31st January		Nine months ended 31st January	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Coils manufacturing	8,557	9,547	30,010	31,893
Ferrite powder manufacturing	1,494	(778)	2,542	(778)
Capacitors manufacturing	141	(814)	666	(2,914)
Electronic components trading	(353)	(117)	(249)	464
Information technology services	105	(1,025)	(406)	(2,770)
Others	86	–	227	–
	10,030	6,813	32,790	25,895

3. Operating profit

Operating profit is stated after (crediting)/charging the following:

	Three months ended 31st January		Nine months ended 31st January	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Crediting				
Gain on disposal of investment properties	–	–	50	–
Unrealised gain on investment	–	126	–	378
Charging				
Depreciation of property, plant and equipment	16,151	15,136	48,260	44,640
Unrealised loss on investment	–	–	939	–
Cost of inventories sold	103,395	81,709	330,905	257,405
Staff costs (including directors' emoluments)	30,111	27,969	92,144	81,405

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% (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 January		Nine months ended 31st January	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax				
– current tax	959	256	3,717	956
– over-provision in prior periods	–	–	–	(19)
Overseas tax				
– current tax	331	725	1,476	820
– over-provision in prior periods	–	(384)	–	(384)
Deferred taxation	184	–	(1,198)	822
	1,474	597	3,995	2,195
Share of taxation attributable to an associate	–	24	–	24
	1,474	621	3,995	2,219

5. Dividend

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

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st January 2005 is based on the profit attributable to shareholders of approximately HK\$5,333,000 (2004: HK\$1,663,000) and the weighted average number of 693,028,811 (2004: 693,028,811) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January 2005 is based on the profit attributable to shareholders of approximately HK\$18,299,000 (2004: HK\$10,206,000) and the weighted average number of 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 during the three months and nine months ended 31st January 2005 and the three months ended 31st January 2004 would have no dilutive effect.

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

7. **Trade receivables**
The aging analysis of trade receivables is as follows:

	As at 31st January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Current	88,970	78,954
Overdue by 0 – 1 month	10,111	7,048
Overdue by 1 – 2 months	5,518	2,648
Overdue by 2 – 3 months	2,350	2,961
Overdue by more than 3 months	3,538	3,686
	<u>110,487</u>	<u>95,297</u>
Less: Provision for bad and doubtful debts	(3,907)	(3,039)
	<u>106,580</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 estimation. 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 January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Long-term bank loan, current portion	87,129	74,936
Others	124,986	123,423
	<u>212,115</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\$35,000,000 and the long-term bank loans amounting to approximately HK\$62,537,000 were repaid.

9. **Trade payables**
The aging analysis of trade payables is as follows:

	As at 31st January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Current	33,165	41,701
Overdue by 0 – 1 month	3,412	7,322
Overdue by 1 – 2 months	609	3,811
Overdue by 2 – 3 months	412	1,311
Overdue by more than 3 months	836	5,143
	<u>38,434</u>	<u>59,288</u>

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

Overview

The Group's turnover for the nine months ended 31st January 2005 was HK\$427,523,000 (2004: HK\$346,945,000), up 23.2% as compared with the corresponding period last year, which was attributable to the rise in turnover of coils manufacturing segment and ferrite powder manufacturing segment. However, turnover of electronic components trading segment and information technology segment decreased by 89.1% and 77.6% respectively as compared with the same period last year.

During the period under review, the Group's overall gross profit was HK\$95,344,000 (2004: HK\$87,423,000), with an increase of 9.1% as compared with the corresponding period last year. Gross profit margin decreased to 22.3% (2004: 25.2%), which was mainly due to the sustaining high raw materials prices and the increase in wages in Mainland China.

During the period, operating profit and profit attributable to shareholders were HK\$32,790,000 (2004: HK\$25,895,000) and HK\$18,299,000 (2004: HK\$10,206,000), up 26.6% and 79.3%, respectively as compared with the same period last year, whilst earnings before interest, tax, depreciation and amortisation was HK\$81,050,000 (2004: HK\$70,535,000).

Manufacturing Segment

The turnover of the coils manufacturing segment, the Group's core business, recorded a rise of 28.5% to HK\$390,418,000 (2004: HK\$303,859,000) for the nine months ended 31st January 2005 and accounted for 91.3% (2004: 87.6%) of the Group's turnover. The sales volume of SMD chip inductor, power inductor, toroid coil and transformer primarily drove the increase in turnover.

Turnover of ferrite powder manufacturing segment, which contributed in December 2003, was HK\$26,408,000 (2004: HK\$3,374,000) during the period. The operation of this business segment has moved on to a stable stage.

During the period, turnover of capacitor manufacturing segment decreased by 37.4% to HK\$6,812,000 (2004: HK\$10,881,000) as compared with the same period last year. The Group is currently striving to improve the mode of business operation of this segment, by which the business segment is expected to achieve a better performance in future.

FINANCIAL REVIEW

Funds Surplus and Liabilities

As at 31st January 2005, cash and bank deposits (denominated mainly in Hong Kong dollar, United States dollar, Renminbi, etc) was HK\$59,926,000 (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, 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 January 2005, the Group could comply with such financial ratios, which indicates that the Group's financial position was satisfactory.

As at 31st January 2005, the Group's total borrowings granted from banks and financial institutions was HK\$249,678,000 (as at 30th April 2004: HK\$280,273,000), of which HK\$215,035,000 (as at 30th April 2004: HK\$204,376,000) was current and HK\$34,643,000 (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, with a continuous decline in the total borrowings, interest expenses of the Group reduced by 21.7% to HK\$10,618,000 (2004: HK\$13,569,000) as compared with the corresponding period last year.

As at 31st January 2005, contingent liabilities amounted to HK\$26,006,000 (as at 30th April 2004: HK\$38,052,000), all of which HK\$26,006,000 (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 flow for the nine months ended 31st January 2005 amounted to HK\$11,370,000 (2004: HK\$25,384,000). Net cash flow from operating activities was HK\$86,777,000 (2004: HK\$74,817,000). Net cash flow from investing activities was minus HK\$30,256,000 (2004: minus HK\$41,733,000), the capital expenditure of which was mainly used in purchasing equipment and expanding manufacturing plant, thereby increasing the Group's production capacity. Net cash flow from financing activities was minus HK\$44,493,000 (2004: minus HK\$7,818,000). During the period, the Group obtained banking facilities, which were used for the acquisition of new equipment and as working capital. 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 January 2005, the Group's net gearing ratio* was 0.67 (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)*)

Charges on Assets

As at 31st January 2005, certain assets of the Group with an aggregate carrying value of HK\$48,470,000 (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 expects that the first phase of the construction work for a new plant on a land with a parcel of 35,000 square meters (which would be purchased under an agreement made with the local government in Mainland China last financial year) can be completed in the interim of next financial year. The plant will be used to expand production lines for powder inductor, transformer and capacitor as well as for godown purpose. In addition, a wholly-owned subsidiary of the Group, which was incorporated in Dongguan in December 2004 and will be principally engaged in manufacture and sale of transformers, aims at exploring the local market.

EMPLOYEES AND REMUNERATION POLICY

The Group had approximately 6,500 employees as at 31st January 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 SHARES

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

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises the 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 accounting principles and practices adopted by the Group and the third quarterly results announcement for the nine months ended 31st January 2005.

PUBLICATION OF FURTHER INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in force prior to 31st March, 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1st July 2004 under the transitional arrangement, will be published on the website of the Stock Exchange in due course.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 18th March 2005

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

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