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

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

2006/2007 FIRST QUARTER 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 ended 31 July 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 31 July	
		2006	2005
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*2*	**172,764**	145,213
Cost of sales		**(138,121)**	(113,843)
Gross profit		**34,643**	31,370
Other gains, net		**379**	1,451
Selling and distribution expenses		**(3,495)**	(2,937)
General and administrative expenses		**(18,534)**	(15,778)
Operating profit	*3*	**12,993**	14,106
Finance costs	*4*	**(4,445)**	(5,042)
Profit before taxation		**8,548**	9,064
Taxation	*5*	**(1,707)**	(2,485)
Profit attributable to equity holders of the Company		**6,841**	6,579
Earnings per share for profit attributable to equity holders of the Company during the period	*7*		
– Basic		**0.95 cent**	0.95 cent
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 31 July 2006 HK$'000 (Unaudited)	As at 30 April 2006 HK$'000 (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**26,875**	23,865
Property, plant and equipment		**369,260**	370,681
Investment properties		**10,970**	10,970
Available-for-sale financial assets		**6,943**	7,079
		414,048	412,595
Current assets			
Inventories		**65,812**	65,428
Bills and accounts receivables	*8*	**173,773**	162,622
Other receivables		**9,779**	7,961
Tax recoverable		**–**	53
Pledged bank deposits		**25,673**	25,446
Bank balances and cash		**38,386**	47,562
		313,423	309,072
Total assets		**727,471**	721,667
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**71,661**	71,661
Reserves			
Proposed final dividend		**6,449**	6,449
Others		**269,903**	262,866
Total equity		**348,013**	340,976
LIABILITIES			
Non-current liabilities			
Borrowings		**67,977**	87,365
Deferred tax		**13,053**	13,508
		81,030	100,873
Current liabilities			
Borrowings		**195,387**	183,956
Bills and accounts payables	*9*	**58,905**	54,742
Accruals and other payables		**33,343**	31,647
Taxation payable		**10,793**	9,473
		298,428	279,818
Total liabilities		**379,458**	380,691
Total equity and liabilities		**727,471**	721,667
Net current assets		**14,995**	29,254
Total assets less current liabilities		**429,043**	441,849

Notes:

1. **Basis of preparation and accounting policies**

These unaudited condensed consolidated first 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 July 2006. 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 and interpretations which have been issued on or before 31 July 2006 but are not effective for the financial year ended 30 April 2007. The Group is in the process of assessing their impact on the Group's results and operations.

2. **Segment information**

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

	Turnover Three months ended 31 July		**Profit/(loss) before taxation Three months ended 31 July**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Electronic components manufacturing	**172,464**	144,842	**8,789**	8,739
Others	**300**	371	**(241)**	325
	172,764	145,213	**8,548**	9,064

3. **Operating profit**

Operating profit is stated after crediting and charging the following:

	Three months ended 31 July	
	2006	2005
	HK$'000	*HK$'000*
Crediting		
Income from available-for-sale financial assets	**–**	1,305
Interest income	**379**	146
Charging		
Amortisation	**152**	79
Depreciation	**16,731**	16,699
Cost of inventories sold	**137,992**	113,317
Staff costs (including directors' emoluments)	**40,719**	30,687

4. **Finance costs**

	Three months ended 31 July	
	2006	2005
	HK$'000	*HK$'000*
Interest expenses	**4,103**	4,866
Amortisation of deferred borrowing costs	**342**	176
	4,445	5,042

5. **Taxation**

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 31 July	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**934**	2,107
Oversea taxation		
– current tax	**1,239**	848
Deferred taxation	**(466)**	(470)
	1,707	2,485

6. Dividend

The Board resolved not to declare any dividend in respect of the three months ended 31 July 2006 (2005: Nil).

7. Earnings per share

The calculation of basic earnings per share for the three months ended 31 July 2006 is based on the profit attributable to equity holders of the Company of approximately HK$6,841,000 (2005: HK$6,579,000) and 716,610,798 (2005: 693,028,811) 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 ended 31 July 2005 and 31 July 2006 respectively.

8. Bills and accounts receivables

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

	As at 31 July	As at 30 April
	2006	2006
	HK$'000	*HK$'000*
Current	**142,883**	134,827
Overdue by 0 – 1 month	**20,045**	20,197
Overdue by 1 – 2 months	**9,224**	3,305
Overdue by 2 – 3 months	**1,621**	4,293
	173,773	162,622

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

9. Bills and accounts payables

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

	As at 31 July	As at 30 April
	2006	2006
	HK$'000	*HK$'000*
Current	**55,362**	48,142
Overdue by 0 – 1 month	**1,240**	4,945
Overdue by 1 – 2 months	**1,636**	446
Overdue by 2 – 3 months	**278**	838
Overdue by more than 3 months	**389**	371
	58,905	54,742

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The turnover of the Group for the three months ended 31 July 2006 was HK$172,764,000 (2005: HK$145,213,000) with an increase of 19.0% as compared with the corresponding period last year. The turnover of electronic components manufacturing segment, the Group's core business, was HK$172,464,000 (2005: HK$144,842,000), which accounted for 99.8% (2005: 99.7%) of the Group's turnover. A sales analysis by geographical location indicates that the turnover growth mainly contributed from Hong Kong, Mainland China, America and Asia, of which the turnover from Hong Kong and Mainland China recorded approximately HK$133,270,000 (2005: HK$111,894,000) and accounted for approximately 77% (2005: 77%) of the Group's turnover.

During the period under review, driven by the sustained rise in metallic materials and energy cost as well as the pressure of increasing wages in Mainland China, the average wage of production staff increased by approximately 6% as compared with the corresponding period last year, pushing up the overall production cost. Accordingly, gross profit margin decreased by 1.5% to 20.1% (2005: 21.6%) as compared with the corresponding period last year. Gross profit for the period was HK$34,643,000 (2005: HK$31,370,000). Profit attributable to equity holders of the Company for the period was HK$6,841,000 (2005: HK$6,579,000). Net profit margin reduced by 0.5% to 4.0% (2005: 4.5%) as compared with the corresponding period last year, which mainly due to the decline in gross profit margin and rise of approximately 11% in the average salary of sales and marketing, administrative and management personnel during the period.

As at 31 July 2006, The Group's accounts receivables rose to HK$173,773,000 (31 July 2005: HK$145,200,000). Such increase was primarily attributable to the increase in the Group's turnover as compared with the corresponding period last year. In addition, there had been a tendency of general practice of granting extended credit period in the market, which sped up the increase in overall accounts receivables. In view of the greater pressure on working capital and higher risk of bad debts accelerated by the increase in accounts receivables, the Company has established an accounts receivables supervisory committee led by an executive director of the Company aiming to review its credit management policy and to monitor closely the collection of accounts receivables. The Group's inventory was HK$65,812,000 (30 April 2006: HK$65,428,000), which was similar to that of the financial year-end date of last year. The Group will continue to enhance the management of purchasing, manufacturing and logistics and to actively control the inventory within the reasonable level.

Financial Review

Fund Surplus and Liabilities

As at 31 July 2006, the Group's bank balance and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$38,386,000 (30 April 2006: HK$47,562,000). The banking facilities amounting to HK$266,469,000 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 July 2006, the Group could comply with such financial covenants, which indicates that the Group's financial position was satisfactory.

As at 31 July 2006, the Group's total borrowings granted from banks and financial institutions amounted to HK$263,364,000 (30 April 2006: HK$271,321,000), of which HK$195,387,000 (30 April 2006: HK$183,956,000) will be repayable within one year and HK$67,977,000 (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 July 2006, the Group's net gearing ratio* was 0.58 (30 April 2006: 0.59). The decline in net gearing ratio reflected the results of the persistent and prudent control on 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))*

Financial Resources and Capital Structure

For the three months ended 31 July 2006, the Group's net cash outflow was HK$5,667,000 (2005: inflow of HK$34,894,000). The net cash inflow from operating activities was HK$21,505,000 (2005: outflow of HK$19,335,000). The net cash outflow from financing activities was HK$8,892,000 (2005: inflow of HK$71,895,000). The net cash inflow and net cash inflow from financing activities of the same period last year were comparatively higher than those 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 three months ended 31 July 2006, the Group's interest expenses amounted to HK$4,103,000 (2005: HK$4,866,000), down 16% as compared with the same period last year.

For the three months ended 31 July 2006, net cash outflow from investing activities was HK$18,359,000 (2005: HK$19,035,000), the capital expenditure of which was mainly utilised in the purchase of machinery and equipment and expansion of plant amounted to HK$12,212,000 (2005: HK$11,458,000) for raising production capacity.

Cash Flow Summary

	For the three months ended 31 July	
	2006	2005
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	**21,505**	(19,335)
Net cash outflow from investing activities	**(18,359)**	(19,035)
Net cash (outflow)/inflow from financing activities	**(8,892)**	71,895
Exchange adjustment	**79**	1,369
(Decrease)/increase in cash and cash equivalents	**(5,667)**	34,894

Charges on Assets

As at 31 July 2006, certain assets of the Group with an aggregate carrying value of approximately HK$38,336,000 (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 ("HKD"), Renminbi ("RMB") and United States dollar ("USD"); whilst the major currencies in purchase commitments are primarily denominated in HKD, RMB, USD and Japanese Yen. RMB has been on upward trend since The People's Bank of China announced an appreciation of RMB against USD 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 mild. As such, the Board 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, but will closely monitor 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 consolidation work at the Group's main plant in Zhongshan has been progressing well. Interior installation for the two new plants with a total gross floor area of approximately 19,800 square meters has been substantially completed. It is expected that the new manufacturing workshops will come into full production in the second quarter of this financial year. With the completion of construction of the new plants, the existing production model of the Group can be upgraded, thereby enhancing the production capacity of the Group to meet the customers' requirements on product quality and quantity. The Group is currently forming a comprehensive industrial workflow management team in its Hong Kong headquarters by recruiting more related professionals and using scientific management tools with a view to improving the Group's production handicrafts and workflow in all aspects for enhancing its overall production efficiency. On the other hand, the Group will set up a fully equipped laboratory with reliable standards in Hong Kong to engage in quality control of its products in order to satisfy the increasingly stringent requirements on product safety and environmental protection standards in future.

Employees

The Group employed approximately 7,600 (2005: 6,500) employees as at 31 July 2006. 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 three months ended 31 July 2006. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the three months ended 31 July 2006.

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 and the first quarter results for the three months ended 31 July 2006.

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.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 27 September 2006

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

* *For identification purpose only*