



CEC INTERNATIONAL HOLDINGS LIMITED

(CEC 國際控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0759)

2007/2008 INTERIM 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 six months ended 31 October 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 31 October		Six months ended 31 October	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	2	216,429	179,154	393,561	351,918
Cost of sales	4	(173,264)	(142,688)	(313,906)	(280,809)
Gross profit		43,165	36,466	79,655	71,109
Other income	3	466	406	793	785
Selling and distribution expenses	4	(4,435)	(3,587)	(7,933)	(7,082)
General and administrative expenses	4	(25,719)	(19,545)	(46,716)	(38,079)
Operating profit		13,477	13,740	25,799	26,733
Finance costs	5	(5,678)	(5,304)	(9,834)	(9,749)
Profit before taxation		7,799	8,436	15,965	16,984
Taxation	6	(626)	(1,267)	(1,892)	(2,974)
Profit for the period		<u>7,173</u>	<u>7,169</u>	<u>14,073</u>	<u>14,010</u>
Attributable to:					
– equity holders of the Company		7,305	7,169	14,429	14,010
– minority interest		(132)	–	(356)	–
		<u>7,173</u>	<u>7,169</u>	<u>14,073</u>	<u>14,010</u>
Earnings per share for profit attributable to equity holders of the Company during the period	8				
– basic		<u>1.02 cents</u>	1.00 cent	<u>2.01 cents</u>	<u>1.96 cents</u>
– diluted		<u>1.02 cents</u>	1.00 cent	<u>2.01 cents</u>	<u>1.96 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 October 2007 <i>HK\$'000</i> (Unaudited)	As at 30 April 2007 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		36,334	31,117
Property, plant and equipment		362,616	355,836
Investment properties		9,148	9,148
Available-for-sale financial assets		8,214	7,895
Deposit for acquisition of property, plant and equipment		1,760	3,623
		418,072	407,619
Current assets			
Inventories		104,897	79,574
Accounts receivable	9	190,196	173,801
Prepayment, deposits and other receivables		8,511	8,477
Tax recoverable		–	21
Pledged bank deposits		26,996	26,509
Bank balances and cash		176,475	31,586
		507,075	319,968
Total assets		925,147	727,587
EQUITY			
Share capital		71,661	71,661
Reserves			
Proposed final dividend		–	6,808
Others		318,926	295,782
		390,587	374,251
Minority interest		94	–
Total equity		390,681	374,251
LIABILITIES			
Non-current liabilities			
Borrowings		226,313	38,329
Deferred income tax		8,462	10,777
		234,775	49,106
Current liabilities			
Borrowings		206,351	224,972
Accounts payable	10	59,077	47,424
Accruals and other payables		30,064	25,204
Taxation payable		4,199	6,630
		299,691	304,230
Total liabilities		534,466	353,336
Total equity and liabilities		925,147	727,587
Net current assets		207,384	15,738
Total assets less current liabilities		625,456	423,357

Notes:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements (the “Interim 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 (“HKICPA”). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 April 2007.

The accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 30 April 2007, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the financial year beginning 1 May 2007. The adoption of such standards, amendments and interpretations has no significant effect on the Group’s results but will have certain disclosure impacts on the annual financial statements of this financial year.

The Group has not early adopted any new standards, amendments or interpretations which have been issued on or before 31 October 2007 but are not effective for the financial year ending 30 April 2008. The Group is in the process of assessing their impact on the Group’s results and operations.

2. Segment information

(a) Primary segments

	Six months ended 31 October 2007			Six months ended 31 October 2006		
	Electronic components manufacturing HK\$'000	Others HK\$'000	Total HK\$'000	Electronic components manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Turnover						
Sales	392,958	2,243	395,201	351,189	2,119	353,308
Intersegment sales	–	(1,640)	(1,640)	–	(1,390)	(1,390)
External sales	<u>392,958</u>	<u>603</u>	<u>393,561</u>	<u>351,189</u>	<u>729</u>	<u>351,918</u>
Operating results						
Operating profit	25,471	328	25,799	26,547	186	26,733
Finance costs			(9,834)			(9,749)
Profit before taxation			15,965			16,984
Taxation			(1,892)			(2,974)
Profit for the period			<u>14,073</u>			<u>14,010</u>
Capital expenditures	<u>43,350</u>	<u>31</u>	<u>43,381</u>	<u>32,255</u>	<u>–</u>	<u>32,255</u>
Depreciation	<u>36,025</u>	<u>23</u>	<u>36,048</u>	<u>33,253</u>	<u>20</u>	<u>33,273</u>
Amortisation	<u>408</u>	<u>–</u>	<u>408</u>	<u>308</u>	<u>–</u>	<u>308</u>

	Electronic components manufacturing		Others		Total	
	As at	As at	As at	As at	As at	As at
	31/10/2007	30/4/2007	31/10/2007	30/4/2007	31/10/2007	30/4/2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other information						
Segment assets	914,210	716,216	10,937	11,350	925,147	727,566
Unallocated assets					-	21
Total assets					<u>925,147</u>	<u>727,587</u>
Segment liabilities	521,450	335,422	355	507	521,805	335,929
Unallocated liabilities					<u>12,661</u>	<u>17,407</u>
Total liabilities					<u>534,466</u>	<u>353,336</u>

(b) Secondary segments

	Turnover		Total assets		Capital expenditures	
	Six months ended		As at	As at	Six months ended	
	31 October				31 October	
	2007	2006	31/10/2007	30/4/2007	2007	2006
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Hong Kong	114,918	117,587	283,848	123,617	11,540	8,907
Mainland China	193,881	157,875	589,100	544,549	31,793	22,634
Taiwan	23,479	24,404	19,902	26,203	48	714
Europe	12,201	13,375	3,165	4,525	-	-
Singapore	11,904	20,840	16,811	19,011	-	-
Others	37,178	17,837	12,321	9,682	-	-
	<u>393,561</u>	<u>351,918</u>	<u>925,147</u>	<u>727,587</u>	<u>43,381</u>	<u>32,255</u>

3. Other income

	Three months ended		Six months ended	
	31 October		31 October	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	444	406	771	785
Dividend income	22	-	22	-
	<u>466</u>	<u>406</u>	<u>793</u>	<u>785</u>

4. Expenses by nature

	Three months ended 31 October		Six months ended 31 October	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Amortisation of prepaid operating lease payment	221	156	408	308
Cost of inventories sold	172,397	142,581	312,197	280,573
Depreciation of property, plant and equipment	18,370	16,542	36,048	33,273
Employee benefit expense (including directors' emoluments)	49,787	42,101	98,822	82,820
Reversal of provision for impairment of accounts receivable	(232)	(731)	(357)	(1,897)
	<u>221</u>	<u>156</u>	<u>408</u>	<u>308</u>
	<u>172,397</u>	<u>142,581</u>	<u>312,197</u>	<u>280,573</u>
	<u>18,370</u>	<u>16,542</u>	<u>36,048</u>	<u>33,273</u>
	<u>49,787</u>	<u>42,101</u>	<u>98,822</u>	<u>82,820</u>
	<u>(232)</u>	<u>(731)</u>	<u>(357)</u>	<u>(1,897)</u>

5. Finance costs

	Three months ended 31 October		Six months ended 31 October	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest expense	5,214	5,000	9,172	9,103
Amortisation of deferred borrowing costs	464	304	662	646
	<u>5,214</u>	<u>5,000</u>	<u>9,172</u>	<u>9,103</u>
	<u>464</u>	<u>304</u>	<u>662</u>	<u>646</u>
	<u>5,678</u>	<u>5,304</u>	<u>9,834</u>	<u>9,749</u>

6. Taxation

The Company is incorporated in Bermuda and 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. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 12% to 27% (2006: 7.5% to 27%) on their taxable income determined according to Mainland China tax laws. 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 31 October		Six months ended 31 October	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong profits tax – current tax	244	1,106	1,787	2,040
Overseas taxation including Mainland China – current tax	1,463	1,082	2,420	2,321
Deferred taxation	(1,081)	(921)	(2,315)	(1,387)
	<u>244</u>	<u>1,106</u>	<u>1,787</u>	<u>2,040</u>
	<u>1,463</u>	<u>1,082</u>	<u>2,420</u>	<u>2,321</u>
	<u>(1,081)</u>	<u>(921)</u>	<u>(2,315)</u>	<u>(1,387)</u>
	<u>626</u>	<u>1,267</u>	<u>1,892</u>	<u>2,974</u>

7. Dividend

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

8. Earnings per share

The calculation of basic earnings per share for the three months ended 31 October 2007 is based on the profit attributable to equity holders of the Company of approximately HK\$7,305,000 (2006: HK\$7,169,000) and 716,610,798 (2006: 716,610,798) shares in issue during the period.

The calculation of basic earnings per share for the six months ended 31 October 2007 is based on the profit attributable to equity holders of the Company of approximately HK\$14,429,000 (2006: HK\$14,010,000) and 716,610,798 (2006: 716,610,798) shares in issue during the period.

For the three months and six months ended 31 October 2006 and 31 October 2007, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

9. Accounts receivable

The aging analysis of accounts receivable is as follows:

	As at 31 October 2007 HK\$'000	As at 30 April 2007 HK\$'000
Current	175,383	158,243
Overdue by 0 – 1 month	9,931	11,506
Overdue by 1 – 2 months	4,032	1,979
Overdue by 2 – 3 months	850	2,004
Overdue by more than 3 months	966	1,386
	191,162	175,118
Less: provision for impairment of accounts receivable	(966)	(1,317)
	<u>190,196</u>	<u>173,801</u>

Management of the Group and the Company's Accounts Receivable Supervisory Committee perform on-going credit and collectibility evaluation 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. Accounts payable

The aging analysis of accounts payable is as follows:

	As at 31 October 2007 <i>HK\$'000</i>	As at 30 April 2007 <i>HK\$'000</i>
Current	57,368	45,567
Overdue by 0 – 1 month	1,048	902
Overdue by 1 – 2 months	–	257
Overdue by 2 – 3 months	204	479
Overdue by more than 3 months	457	219
	<u>59,077</u>	<u>47,424</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 31 October 2007, the turnover of the Group was HK\$393,561,000 (2006: HK\$351,918,000), achieving an 11.8% growth over the corresponding period last year. During the period, the Group recorded a gross profit of HK\$79,655,000 (2006: HK\$71,109,000) and gross profit margin was 20.2% (2006: 20.2%), similar to that of the corresponding period last year. During the period under review, the acute labour shortage in Mainland China led to a hefty rise in the overall wages for staff. The production labour cost of the Group jumped approximately 10% (including the impact of appreciation in Renminbi) over the corresponding period last year. On the other hand, despite the rising prices of metal raw materials and energy cost, the same gross profit margin level was maintained during the period and this was attributable to the Group's devotion to improving production flow and undertaking research and development on applied materials. Profit attributable to equity holders of the Company for the period was HK\$14,429,000 (2006: HK\$14,010,000).

As at 31 October 2007, the accounts receivable of the Group amounted to HK\$190,196,000 (30 April 2007: HK\$173,801,000), up approximately 9% compared with that of the financial year-end date of last year, which was mainly linked to the 11.8% growth in the Group's turnover over that of the corresponding period last year. The accounts receivable turnover days reduced by 5 days to 83 days (30 April 2007: 88 days) compared with that of the financial year-end date of last year. The Group's inventories rose to HK\$104,897,000 (30 April 2007: HK\$79,574,000), up approximately 32% compared with that of the financial year-end date of last year, mainly spurred by a rise in raw materials in response to the increase of turnover. Aiming to lower the inventory level, the Group will continue to strive to improve the management of purchasing, production and logistics. During the period, the Group incurred general and administrative expenses amounting to HK\$46,716,000 (2006: HK\$38,079,000), up 23% over the corresponding period last year, mainly pulled by: (1) the recruitment of additional staff and professionals for sales, engineering and administration in its Hong Kong headquarters, Taiwan and Beijing; (2) the expansion of offices of its Hong Kong headquarters and those in Taiwan and Beijing; (3) a decrease in reversal of provision for impairment of accounts receivable compared with that of the corresponding period last year; and (4) a loss in foreign exchange arisen from currency fluctuation.

FINANCIAL REVIEW

Fund Surplus and Liabilities

On 17 September 2007, the Company and a group of banks entered into a 3-year transferable term loan facility agreement of up to an aggregate amount of HK\$300,000,000, which was wholly drawn down on 29 October 2007. Part of the facility amounting to HK\$81,000,000 was used to prepay all of the Company's outstanding indebtedness under a HK\$243,000,000 transferable term loan and revolving credit facility agreement dated 27 April 2005. As at 31 October 2007, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$176,475,000 (30 April 2007: HK\$31,586,000). The banking facilities amounting to HK\$438,668,000 were secured by mortgages on the Group's certain land and buildings, pledges of the Group's bank deposits and available-for-sale financial assets, 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 October 2007, the Group could comply with such financial covenants, which indicates that the Group's financial position remained satisfactory.

As at 31 October 2007, the Group's total borrowings granted from banks and financial institutions amounted to HK\$432,664,000 (30 April 2007: HK\$263,301,000), of which HK\$206,351,000 (30 April 2007: HK\$224,972,000) will be repayable within one year and HK\$226,313,000 (30 April 2007: HK\$38,329,000) will be repayable within a period of more than one year but not exceeding five years. As at 31 October 2007, the Group's net gearing ratio* was 0.59 (30 April 2007: 0.56). A higher net gearing ratio as compared with that of the financial year-end date of last year was mainly due to the expansion of the Group's core business by purchasing production facilities for its coils business. For the six months ended 31 October 2007, the capital expenditure was HK\$43,381,000 (2006: HK\$32,255,000), up approximately 34% over the corresponding period last year.

(* *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 six months ended 31 October 2007, the Group's net cash inflow (increase in cash and cash equivalents) was HK\$140,454,000 (2006: HK\$1,485,000). The substantial increase in cash resulted from the draw-down of the aforesaid syndicated loan by the Company during the period. The net cash inflow from financing activities was HK\$149,231,000 (2006: HK\$2,809,000). The net cash inflow from operating activities was HK\$32,433,000 (2006: HK\$28,848,000). The Group's interest expense amounted to HK\$9,172,000 (2006: HK\$9,103,000) for the six months ended 31 October 2007.

For the six months ended 31 October 2007, net cash outflow from investing activities was HK\$41,210,000 (2006: HK\$30,172,000), the capital expenditure of which was mainly used for the purchase of machinery and equipment and expansion of plants for enhancing production capacity.

Cash Flow Summary

	For the six months ended	
	31 October	
	2007	2006
	HK\$'000	HK\$'000
Net cash inflow from operating activities	32,433	28,848
Net cash outflow from investing activities	(41,210)	(30,172)
Net cash inflow from financing activities	149,231	2,809
	<hr/>	<hr/>
Increase in cash and cash equivalents	<u>140,454</u>	<u>1,485</u>

Charges On Assets

As at 31 October 2007, certain assets of the Group with an aggregate carrying value of approximately HK\$39,128,000 (30 April 2007: HK\$38,620,000) were pledged to secure banking facilities and finance leases 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. Therefore, there are some natural hedges in the Group's currency exposures. However, the mild yet consistent appreciation of Renminbi, it would have some negative impact on the Group's profit. By virtue of the mild and somewhat predictable fluctuation in Renminbi, the Board considers that it is not necessary for the Group to purchase any highly cost foreign exchange futures or options contract for hedging against exchange risks for the time being, but will continue to 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 in this respect.

FUTURE PLAN AND PROSPECTS

In the next half year, the Group will pursue its policy laid down earlier this financial year by re-devising the industrial handicrafts and upholding to improve the existing production mode and to optimize production flow, thereby lowering the inventory level effectively so as to reduce the logistics cost.

EMPLOYEES

The Group employed approximately 8,400 (2006: 7,900) employees as at 31 October 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 six months ended 31 October 2007. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the six months ended 31 October 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 31 October 2007, except for the deviation from the Code Provision A.4.1 which requires that non-executive directors should be appointed for a specific term, subject to re-election.

All the independent non-executive directors of the Company have not been appointed for a specific term, but are subject to retirement by rotation at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws of the Company. The Company considers that sufficient measure has been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises 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 interim results for the six months ended 31 October 2007.

By Order of the Board

Tang Fung Kwan

Deputy Chairman and Managing Director

Hong Kong, 18 December 2007

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

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

* *For identification purpose only*