



# CEC INTERNATIONAL HOLDINGS LIMITED

(CEC 國際控股有限公司)\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0759)

## 2007/2008 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 2007 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 31 July	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	2	177,132	172,764
Cost of sales	4	(140,642)	(138,121)
Gross profit		36,490	34,643
Other income	3	327	379
Selling and distribution expenses	4	(3,498)	(3,495)
General and administrative expenses	4	(20,997)	(18,534)
Operating profit		12,322	12,993
Finance costs	5	(4,156)	(4,445)
Profit before taxation		8,166	8,548
Taxation	6	(1,266)	(1,707)
Profit for the period		<u>6,900</u>	<u>6,841</u>
Attributable to:			
– equity holders of the Company		7,124	6,841
– minority interest		(224)	–
		<u>6,900</u>	<u>6,841</u>
Earnings per share for profit attributable to equity holders of the Company during the period	8		
– basic		<u>0.99 cent</u>	<u>0.95 cent</u>
– diluted		<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 July 2007 <i>HK\$'000</i> (Unaudited)	As at 30 April 2007 <i>HK\$'000</i> (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights		33,025	31,117
Property, plant and equipment		363,586	355,836
Investment properties		9,148	9,148
Available-for-sale financial assets		8,328	7,895
Deposit for acquisition of property, plant and equipment		–	3,623
		414,087	407,619
<b>Current assets</b>			
Inventories		102,525	79,574
Accounts receivable	9	174,897	173,801
Prepayment, deposits and other receivables		8,443	8,477
Tax recoverable		–	21
Pledged bank deposits		26,754	26,509
Bank balances and cash		26,080	31,586
		338,699	319,968
<b>Total assets</b>		752,786	727,587
<b>EQUITY</b>			
Share capital		71,661	71,661
Reserves			
Proposed final dividend		6,808	6,808
Others		310,075	295,782
<b>Total equity</b>		388,544	374,251
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		33,093	38,329
Deferred income tax		9,548	10,777
		42,641	49,106
<b>Current liabilities</b>			
Borrowings		231,852	224,972
Accounts payable	10	56,840	47,424
Accruals and other payables		24,994	25,204
Taxation payable		7,915	6,630
		321,601	304,230
<b>Total liabilities</b>		364,242	353,336
<b>Total equity and liabilities</b>		752,786	727,587
<b>Net current assets</b>		17,098	15,738
<b>Total assets less current liabilities</b>		431,185	423,357

*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 (“HKICPA”). The 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 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 July 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

	Three months ended 31 July 2007			Three months ended 31 July 2006		
	Electronic components manufacturing	Others	Total	Electronic components manufacturing	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
Total sales	176,796	1,149	177,945	172,464	895	173,359
Intersegment sales	–	(813)	(813)	–	(595)	(595)
External sales	<u>176,796</u>	<u>336</u>	<u>177,132</u>	<u>172,464</u>	<u>300</u>	<u>172,764</u>
Operating results						
Operating profit	12,143	179	12,322	12,900	93	12,993
Finance costs			(4,156)			(4,445)
Profit before taxation			8,166			8,548
Taxation			(1,266)			(1,707)
Profit for the period			<u>6,900</u>			<u>6,841</u>
Capital expenditures	<u>23,035</u>	<u>25</u>	<u>23,060</u>	<u>18,510</u>	<u>–</u>	<u>18,510</u>
Depreciation	<u>17,667</u>	<u>11</u>	<u>17,678</u>	<u>16,720</u>	<u>11</u>	<u>16,731</u>
Amortisation	<u>187</u>	<u>–</u>	<u>187</u>	<u>152</u>	<u>–</u>	<u>152</u>
	Electronic components manufacturing		Others	Total		
	31/7/2007	30/4/2007	31/7/2007	30/4/2007	31/7/2007	30/4/2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other information:						
Segment assets	742,023	716,216	10,763	11,350	752,786	727,566
Unallocated assets					–	21
Total assets					<u>752,786</u>	<u>727,587</u>
Segment liabilities	346,455	335,422	324	507	346,779	335,929
Unallocated liabilities					17,463	17,407
Total liabilities					<u>364,242</u>	<u>353,336</u>

(b) Secondary segments

	Turnover		Capital expenditures		Total assets	
	Three months ended 31 July		Three months ended 31 July		31/7/2007	30/4/2007
	2007	2006	2007	2006	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	54,369	56,771	5,406	6,392	128,045	123,617
Mainland China	87,751	80,970	17,626	11,703	565,993	544,549
Taiwan	9,483	9,276	28	415	22,407	26,203
Europe	5,521	5,578	-	-	3,386	4,525
Singapore	5,669	8,010	-	-	20,625	19,011
Others	14,339	12,159	-	-	12,330	9,682
	<u>177,132</u>	<u>172,764</u>	<u>23,060</u>	<u>18,510</u>	<u>752,786</u>	<u>727,587</u>

3. Other income

	Three months ended 31 July	
	2007	2006
	HK\$'000	HK\$'000
Interest income	<u>327</u>	<u>379</u>

4. Expenses by nature

	Three months ended 31 July	
	2007	2006
	HK\$'000	HK\$'000
Amortisation of prepaid operating lease payments	187	152
Cost of inventories sold	139,800	137,992
Depreciation of property, plant and equipment	17,678	16,731
Employee benefit expenses (including directors' emoluments)	49,035	40,719
Reversal of provision for impairment of accounts receivable	<u>(125)</u>	<u>(1,166)</u>

5. Finance costs

	Three months ended 31 July	
	2007	2006
	HK\$'000	HK\$'000
Interest expenses	3,958	4,103
Amortisation of deferred borrowing costs	198	342
	<u>4,156</u>	<u>4,445</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 31 July	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong profits tax		
– current tax	1,543	934
Overseas taxation		
– current tax	957	1,239
Deferred taxation	(1,234)	(466)
	<u>1,266</u>	<u>1,707</u>

## 7. Dividend

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

## 8. Earnings per share

The calculation of basic earnings per share for the three months ended 31 July 2007 is based on the profit attributable to equity holders of the Company of approximately HK\$7,124,000 (2006: HK\$6,841,000) and 716,610,798 (2006: 716,610,798) shares in issue during the period.

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

## 9. Accounts receivable

The aging analysis of accounts receivable is as follows:

	As at 31 July 2007 <i>HK\$'000</i>	As at 30 April 2007 <i>HK\$'000</i>
Current	161,853	158,243
Overdue by 0 – 1 month	6,729	11,506
Overdue by 1 – 2 months	4,491	1,979
Overdue by 2 – 3 months	1,824	2,004
Overdue by more than 3 months	1,192	1,386
	<u>176,089</u>	<u>175,118</u>
Less: provision for impairment of accounts receivable	(1,192)	(1,317)
	<u>174,897</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 July 2007 HK\$'000	As at 30 April 2007 HK\$'000
Current	54,472	45,567
Overdue by 0 – 1 month	1,963	902
Overdue by 1 – 2 months	5	257
Overdue by 2 – 3 months	105	479
Overdue by more than 3 months	295	219
	<u>56,840</u>	<u>47,424</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the three months ended 31 July 2007, the turnover of the Group was HK\$177,132,000 (2006: HK\$172,764,000), registering a 2.5% increase as compared with that of the corresponding period last year. During the period under review, the Group reported a gross profit of HK\$36,490,000 (2006: HK\$34,643,000), with gross profit margin of 20.6% (2006: 20.1%) which was similar to that of the same period last year. The prices of metal raw materials and energy cost still stayed high and the escalating costs of production and operations in Mainland China continued during the period under review. With its persistence in improving production flow and undertaking research and development on applied materials, the Group was able to maintain its gross profit margin level. Profit attributable to equity holders of the Company for the period was HK\$7,124,000 (2006: HK\$6,841,000).

As at 31 July 2007, accounts receivable of the Group was HK\$174,897,000 (31 July 2006: HK\$173,773,000), just slightly up by 0.6% as compared with that of the corresponding period last year, which mainly resulted from a relatively higher turnover of the Group during the period. Inventories of the Group climbed to HK\$102,525,000 (30 April 2007: HK\$79,574,000), posing a 28.8% increase as compared with that as at the financial year-end date of last year, which was mainly caused by the rises in raw materials and finished goods. The Group will endeavor to continue to improve the management of purchasing, production and logistics so as to lower the inventory level. During the period, the Group's general and administrative expenses amounted to HK\$20,997,000 (2006: HK\$18,534,000), up 13.3% as compared with that of the corresponding period last year, mainly due to a reversal of provision for impairment of accounts receivable amounting to HK\$1,166,000. Excluding this reversal, the general and administrative expenses for the period was slightly up by approximately 6.6% as compared to that of the corresponding period last year.

### FINANCIAL REVIEW

#### *Fund Surplus and Liabilities*

As at 31 July 2007, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$26,080,000 (30 April 2007: HK\$31,586,000). The banking facilities amounting to HK\$265,319,000 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 July 2007, the Group could comply with such financial covenants, which indicates that the Group's financial position remained satisfactory.

As at 31 July 2007, the Group's total borrowings granted from banks and financial institutions amounted to HK\$264,945,000 (30 April 2007: HK\$263,301,000), of which HK\$231,852,000 (30 April 2007: HK\$224,972,000) will be repayable within one year and HK\$33,093,000 (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 July 2007, the Group's gearing ratio\* was 0.68 (30 April 2007: 0.70). The gearing ratio declined reflecting the effect of the Group's continuous stringent control on its financial resources.

(\* *The ratio of (total borrowings) over (total equity)*)

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. Part of the facility amounting to approximately HK\$81,000,000 will be applied 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 and the balance thereof will be used as general working capital of the Group, thereby enabling the Group to develop its business in the future. It is expected that the facility will be drawn down in the second quarter of this financial year. In addition to the provision of more working capital to the Group, the facility will also serve the purpose of improving the structure of the term of the Group's borrowings.

#### *Financial Resources and Capital Structure*

For the three months ended 31 July 2007, the Group's net cash outflow (decrease in cash and cash equivalents) was HK\$17,446,000 (2006: HK\$5,746,000). The net cash inflow from operating activities was HK\$16,063,000 (2006: HK\$21,505,000), down 25% as compared with that of the corresponding period last year, which was mainly due to the change of inventory level in response to the market demands during the period under review. The net cash outflow from financing activities was HK\$14,154,000 (2006: HK\$8,892,000). In respect of interest expenses, for the three months ended 31 July 2007, the Group's interest expenses amounted to HK\$3,958,000 (2006: HK\$4,103,000), down 4% as compared with that of the corresponding period last year.

For the three months ended 31 July 2007, net cash outflow from investing activities was HK\$19,355,000 (2006: HK\$18,359,000), the capital expenditure of which was mainly used for the purchase of machinery and equipment and expansion of plants for raising production capacity.

#### *Cash Flow Summary*

	<b>For the three months ended 31 July</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Net cash inflow from operating activities	<b>16,063</b>	21,505
Net cash outflow from investing activities	<b>(19,355)</b>	(18,359)
Net cash outflow from financing activities	<b>(14,154)</b>	(8,892)
Decrease in cash and cash equivalents	<b><u>(17,446)</u></b>	<u>(5,746)</u>



## **Charges on Assets**

As at 31 July 2007, certain assets of the Group with an aggregate carrying value of approximately HK\$39,725,000 (30 April 2007: HK\$38,620,000) 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. The current appreciation trend of Renminbi has posed a negative impact on the Group's profit. However, in view of the mild and somewhat predictable fluctuation in Renminbi, the Board is of the view 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 and 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.

## **FUTURE PLAN AND PROSPECTS**

The Group aims at keeping pace with its customers for joint development as well as giving immediate responses to the needs of its customers' development regions and the market demands to expand its related production business. The Group has commenced to construct a plant with usable area over 26,000 square meters in the neighbouring areas of Zhongshan plant in this quarter. It is expected that the construction of the plant will be completed in the first quarter of the next financial year. The plant will provide the Group with more spacious areas for development of its core business in the future. It will not only enhance the existing production capacity of coil products and its accessories, including ferrite magnetic cores and plastic accessories, but can also improve the existing production mode with better arrangement in production flow to effectively raise the quality of its products.

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. The facility will further strengthen the base of development for the Group. The facility amounting to approximately HK\$81,000,000 will be applied 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. In addition, the Group plans to purchase production facilities for an aggregate amount of approximately HK\$100,000,000 in the coming 30 months to increase the productivity of its core business, including raising the production capacity for coil products, manganese-zinc ferrite and plastic accessories by 30%, 35% and 30%, respectively, and an amount of approximately HK\$40,000,000 will be reserved for meeting the requirements of its customers in regional development.

## **EMPLOYEES**

The Group employed approximately 8,200 (2006: 7,600) employees as at 31 July 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 three months ended 31 July 2007. 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 2007.

## **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 first quarter results for the three months ended 31 July 2007.

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

Hong Kong, 27 September 2007

*After the retirement of Mr. Chua You Sing as Executive Director at the Annual General Meeting of the Company held on 27 September 2007, the Board comprises three Executive Directors, namely Mr. Lam Wai Chun (Chairman), Ms. Tang Fung Kwan (Deputy Chairman and Managing Director) 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*