CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

（CEC 國 際 控 股 有 限 公 司）*

(Incorporated in Bermuda with limited liability)

(Stock Code: 759)

2008/2009 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 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 31 July	
		2008	2007
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*2*	**198,843**	177,132
Cost of sales	*4*	**(166,426)**	(140,642)
Gross profit		**32,417**	36,490
Other income – interest income		**165**	327
Other loss	*3*	**(22)**	(13)
Selling and distribution expenses	*4*	**(3,831)**	(3,498)
General and administrative expenses	*4*	**(20,644)**	(20,984)
Operating profit		**8,085**	12,322
Finance costs	*5*	**(3,657)**	(4,156)
Profit before taxation		**4,428**	8,166
Taxation	*6*	**(244)**	(1,266)
Profit for the period		**4,184**	6,900
Attributable to:			
– equity holders of the Company		**4,184**	7,124
– minority interest		**–**	(224)
		4,184	6,900
Earnings per share, basic and diluted	*8*	**0.58 cent**	0.99 cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at 31 July 2008** *HK$'000*	As at 30 April 2008 *HK$'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**40,335**	40,154
Property, plant and equipment		**374,456**	364,474
Investment properties		**26,705**	26,705
Prepayment for construction of building		**21,715**	17,843
Available-for-sale financial assets		**8,136**	8,528
		471,347	457,704
Current assets			
Inventories		**127,529**	114,396
Accounts receivable	*9*	**194,090**	181,095
Prepayments, deposits and other receivables		**10,093**	8,749
Tax recoverable		**–**	61
Pledged bank deposits		**27,570**	27,446
Bank balances and cash		**50,785**	70,316
		410,067	402,063
Total assets		**881,414**	859,767
EQUITY			
Share capital		**71,661**	71,661
Reserves			
Proposed final dividend		**3,583**	3,583
Others		**367,133**	352,371
		442,377	427,615
Minority interest		**248**	248
Total equity		**442,625**	427,863
LIABILITIES			
Non-current liabilities			
Borrowings		**127,924**	154,571
Deferred income tax		**7,582**	9,250
		135,506	163,821
Current liabilities			
Borrowings		**208,410**	184,049
Accounts payable	*10*	**53,009**	45,655
Accruals and other payables		**37,115**	34,525
Taxation payable		**4,749**	3,854
		303,283	268,083
Total liabilities		**438,789**	431,904
Total equity and liabilities		**881,414**	859,767
Net current assets		**106,784**	133,980
Total assets less current liabilities		**578,131**	591,684

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 2008.

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 2008.

The following new interpretations are mandatory for the first time for the financial year beginning 1 May 2008 but are currently not relevant to the Group.

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has not early adopted any new standards, amendments or interpretations which have been issued on or before 31 July 2008 but are not effective for the financial year ending 30 April 2009. 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 2008			Three months ended 31 July 2007		
	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	**198,407**	**1,186**	**199,593**	176,796	1,149	177,945
Intersegment sales	**–**	**(750)**	**(750)**	–	(813)	(813)
External sales	**198,407**	**436**	**198,843**	176,796	336	177,132
Operating results						
Operating profit	**7,874**	**211**	**8,085**	12,143	179	12,322
Finance costs			**(3,657)**			(4,156)
Profit before taxation			**4,428**			8,166
Taxation			**(244)**			(1,266)
Profit for the period			**4,184**			6,900
Capital expenditures	**21,791**	**–**	**21,791**	23,035	25	23,060
Additions to prepayment for construction of building	**3,872**	**–**	**3,872**	–	–	–
Depreciation	**17,890**	**13**	**17,903**	17,667	11	17,678
Amortisation	**246**	**–**	**246**	187	–	187

	Electronic components manufacturing		Others		Total	
	31/7/2008	30/4/2008	**31/7/2008**	30/4/2008	**31/7/2008**	30/4/2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other information						
Segment assets	**853,016**	830,902	**28,398**	28,804	**881,414**	859,706
Unallocated assets					**–**	61
Total assets					**881,414**	859,767
Segment liabilities	**426,217**	418,409	**241**	391	**426,458**	418,800
Unallocated liabilities					**12,331**	13,104
Total liabilities					**438,789**	431,904

(b) Secondary segments

	Turnover Three months ended 31 July		Total assets		Capital expenditures Three months ended 31 July		Additions to prepayment for construction of building Three months ended 31 July	
	2008	2007	**31/7/2008**	30/4/2008	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**50,868**	54,369	**174,546**	188,703	**91**	5,406	**–**	–
Mainland China	**104,610**	87,751	**658,540**	629,009	**21,694**	17,626	**3,872**	–
Other Asian countries	**29,840**	21,732	**38,860**	32,392	**6**	28	**–**	–
Europe and America	**13,525**	13,280	**9,468**	9,663	**–**	–	**–**	–
	198,843	177,132	**881,414**	859,767	**21,791**	23,060	**3,872**	–

3. Other loss

	Three months ended 31 July	
	2008	2007
	HK$'000	*HK$'000*
Net loss on disposals and written offs of property, plant and equipment	**22**	13

4. Expenses by nature

	Three months ended 31 July	
	2008	2007
	HK$'000	*HK$'000*
Amortisation of leasehold land and land use rights	**246**	187
Cost of inventories sold	**165,627**	139,800
Depreciation of property, plant and equipment	**17,903**	17,678
Employee benefit expenses (including directors' emoluments)	**53,016**	49,035
Provision for/(reversal) of impairment of accounts receivable	**186**	(125)

5. Finance costs

	Three months ended 31 July	
	2008	2007
	HK$'000	*HK$'000*
Interest expenses	**3,192**	3,958
Amortisation of deferred borrowing costs	**465**	198
	3,657	4,156

6. **Taxation**

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**333**	1,543
– over-provision in prior years	**(100)**	–
Overseas taxation		
– current tax	**1,679**	957
Deferred taxation	**(1,668)**	(1,234)
	244	1,266

7. **Dividend**

The Board resolved not to declare any dividend in respect of the three months ended 31 July 2008 (2007: Nil).

8. **Earnings per share**

The calculation of basic earnings per share for the three months ended 31 July 2008 is based on the profit attributable to equity holders of the Company of approximately HK$4,184,000 (2007: HK$7,124,000) and 716,610,798 (2007: 716,610,798) shares in issue during the period.

For the three months ended 31 July 2008 and 31 July 2007, diluted earnings per share equals basic earnings as there was no dilutive potential share.

9. **Accounts receivable**

The aging analysis of accounts receivable is as follows:

	As at 31 July	As at 30 April
	2008	2008
	HK$'000	*HK$'000*
Current	**179,022**	168,308
Overdue by 0 – 1 month	**8,867**	9,640
Overdue by 1 – 2 months	**4,467**	1,385
Overdue by 2 – 3 months	**1,734**	1,762
Overdue by more than 3 months	**2,289**	2,099
	196,379	183,194
Less: provision for impairment of accounts receivable	**(2,289)**	(2,099)
	194,090	181,095

Management of the Group and an Accounts Receivable Supervisory Committee set up by the Company perform on-going credit and collectability 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 2008 *HK$'000*	As at 30 April 2008 *HK$'000*
Current	**51,002**	42,541
Overdue by 0 – 1 month	**242**	2,662
Overdue by 1 – 2 months	**1,426**	8
Overdue by 2 – 3 months	**–**	–
Overdue by more than 3 months	**339**	444
	53,009	45,655

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the three months ended 31 July 2008, turnover of the Group amounted to HK$198,843,000 (2007: HK$177,132,000), reporting a rise of 12.3% when compared with that of the corresponding period last year. During the period under review, gross profit of the Group was HK$32,417,000 (2007: HK$36,490,000), reducing 11.2% over the corresponding period last year. Gross profit margin was 16.3% (2007: 20.6%), down 4.3% as compared with the same period last year. In recent years, the overall manufacturing industry has been operating in a predicament on the back of persistent appreciation of Renminbi, extremely volatile raw materials prices, and the uptrend of energy and labour costs, all of which gave rise to the rocketing production cost. The chain effect of the above cost-related factors has been putting a squeeze on the Group's operating profit in recent years. The Group has been dedicated to improving production flow and undertaking the research and development on applied materials for maximizing the production efficiency and reducing waste. However, it was still unable to offset the soaring production cost brought about by the above market factors. The Group's profit for the period was HK$4,184,000 (2007: HK$6,900,000), slipping 39.4% over the corresponding period last year.

As at 31 July 2008, the accounts receivable of the Group was HK$194,090,000 (30 April 2008: HK$181,095,000), showing an increase of 7.2% as compared with that of the financial year-end date of last year. The Group's inventories amounted to HK$127,529,000 (30 April 2008: HK$114,396,000), up 11.5% as compared with that of the financial year-end date of last year. The rises in accounts receivable and inventories resulted from the turnover growth of 12.3% as compared with that of corresponding period last year. The Group will continue to strictly control its accounts receivable and to strive for improving purchasing, production and logistics management and lowering its inventories so as to utilize its working capital in a more effective way. General and administrative expenses of the Group for the period amounted to HK$20,644,000 (2007: HK$20,984,000), at similar level of the same period last year, which indicates that the Group has been proactively controlling its cost and general operating expenses.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 31 July 2008, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$50,785,000 (30 April 2008: HK$70,316,000). As at 31 July 2008, the Group had aggregate banking facilities of approximately HK$508,156,000 (30 April 2008: HK$502,324,000) for overdrafts, loans, trade financing, etc. Unused facilities as at the same date amounted to approximately HK$167,586,000 (30 April 2008: HK$144,640,000). These facilities were secured by corporate guarantees executed by the Company and certain of its subsidiaries. As at 31 July 2008, approximately HK$81,586,000 (30 April 2008: HK$51,881,000) of the total used facilities 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. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 31 July 2008, the Group could comply with such financial covenants, which indicates that the Group's financial position remained satisfactory.

As at 31 July 2008, the Group's total borrowings granted from banks and financial institutions amounted to HK$336,334,000 (30 April 2008: HK$338,620,000), of which HK$208,410,000 (30 April 2008: HK$184,049,000) will be repayable within one year and HK$127,924,000 (30 April 2008: HK$154,571,000) will be repayable within a period of more than one year but not exceeding five years. As at 31 July 2008, the Group's gearing ratio* was 0.76 (30 April 2008: 0.79). The decline in gearing ratio reflects that the Group has been discreetly managing its financial assets.

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

Financial Resources and Capital Structure

For the three months ended 31 July 2008, the Group's net cash outflow (decrease in cash and cash equivalents) was HK$19,591,000 (2007: HK$17,446,000). The net cash inflow from operating activities was HK$11,972,000 (2007: HK$16,063,000), down 25% as compared with the same period last year, which was mainly attributable to the rises in the Group's accounts receivable and inventories in response to its turnover growth during the period under review. The net cash outflow from financing activities was HK$5,942,000 (2007: HK$14,154,000). For the three months ended 31 July 2008, the Group's interest expenses amounted to HK$3,192,000 (2007: HK$3,958,000), reducing 19.4% as compared with the corresponding period last year.

For the three months ended 31 July 2008, net cash outflow from investing activities was HK$25,621,000 (2007: HK$19,355,000), of which capital expenditure was mainly used for purchasing machinery and equipment and expanding its plants to enhance its productivity.

Cash Flow Summary

	For the three months ended 31 July	
	2008	2007
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**11,972**	16,063
Net cash outflow from investing activities	**(25,621)**	(19,355)
Net cash outflow from financing activities	**(5,942)**	(14,154)
Decrease in cash and cash equivalents	**(19,591)**	(17,446)

Charges On Assets

As at 31 July 2008, certain assets of the Group with an aggregate carrying value of approximately HK$39,406,000 (30 April 2008: HK$39,516,000) 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 and United States dollar. Given that Renminbi appreciates substantially, there would be a material 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

Given that the uptrend of cost in Mainland China and the unforeseen external economic circumstances, the Group believes that it will be operating under a challenging environment in the near future with the tremendous pressure of the rising cost. The Group will continue to improve industrial workflow and develop lower cost of applied materials with a view to enhancing production efficiency and reducing wear and tear. In the meantime, the Group has arranged to further review its existing sales policy and to revise pricing strategy. On one hand, the Group will review the existing products selling prices, cease the production of non-profitable products and put more resources into sustainable products for development. On the other hand, the Group is negotiating with some customers for the change of products prices, thereby allowing the Group to make reasonable profit while providing products with competitive price and quality. The Group will keep on joining hands with its core customers during hard times in terms of mutual benefits to achieve a win-win situation for jointly developing business under the challenging market condition.

EMPLOYEES

The Group employed approximately 7,900 (2007: 8,200) employees as at 31 July 2008. 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. During the period under review, no option was granted under the scheme (2007: Nil).

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 2008. 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 2008.

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 2008.

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

Hong Kong, 26 September 2008

As at the date of this announcement, 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*