

CEC 國際 控 股 有 限 公 司  
CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)  
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號 : 0759)

First Quarterly Report 第 1 季 度 報 告

2007/2008

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## CORPORATE INFORMATION

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### DIRECTORS

#### *Executive Directors*

Mr. Lam Wai Chun (*Chairman*)  
Ms. Tang Fung Kwan  
(*Deputy Chairman and Managing Director*)  
Mr. Chua You Sing  
(*retired on 27 September 2007*)  
Ms. Li Hong

#### *Independent Non-executive Directors*

Mr. Au Son Yiu  
Mr. Lee Wing Kwan, Denis  
Dr. Tang Tin Sek  
Mr. Goh Gen Cheung  
Professor Zhu Yuhe

### AUDIT COMMITTEE

Dr. Tang Tin Sek (*Chairman*)  
Mr. Au Son Yiu  
Mr. Lee Wing Kwan, Denis  
Mr. Goh Gen Cheung

### REMUNERATION COMMITTEE

Mr. Au Son Yiu (*Chairman*)  
Dr. Tang Tin Sek  
Mr. Lee Wing Kwan, Denis  
Mr. Goh Gen Cheung  
Professor Zhu Yuhe  
Ms. Tang Fung Kwan

### COMPANY SECRETARY

Ms. Li Lai Sheung

### AUDITORS

PricewaterhouseCoopers  
*Certified Public Accountants*

### LEGAL ADVISERS

F. Zimmern & Co.  
Richards Butler  
Appleby Hunter Bailhache

### PRINCIPAL BANKERS

China Construction Bank  
CITIC Ka Wah Bank Limited  
Dah Sing Bank Limited  
Hang Seng Bank Limited  
Standard Chartered Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor, Hing Win Factory Building  
110 How Ming Street  
Kwun Tong, Kowloon  
Hong Kong

### HEADQUARTERS IN MAINLAND CHINA

Li Xin Jie, Yong An Lu  
Dong Feng Zhen  
Zhongshan  
Guangdong  
Mainland China

### SHARE REGISTRARS AND TRANSFER OFFICES

*Bermuda Principal Share Registrar*  
Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

*Hong Kong Branch Share Registrar*  
Computershare Hong Kong Investor  
Services Limited  
46th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

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

E-mail: [info@ceccoils.com](mailto:info@ceccoils.com)

Listed on The Stock Exchange of  
Hong Kong Limited  
Stock Code: 0759

## 2007/2008 FIRST QUARTER RESULTS

The Board of Directors (the “Board”) of CEC International Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated income statement, condensed consolidated cash flow statement, condensed consolidated statement of changes in equity of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 July 2007 and the unaudited condensed consolidated balance sheet as at 31 July 2007 of the Group.

### CONDENSED CONSOLIDATED INCOME STATEMENT

|   | Note | Three months ended 31 July      |                                 |
|---|------|---------------------------------|---------------------------------|
|   |      | 2007<br>HK\$'000<br>(Unaudited) | 2006<br>HK\$'000<br>(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   |      | 6,900                           | 6,841                           |
| Attributable to:  |      |                                 |                                 |
| – equity holders of the Company   |      | 7,124                           | 6,841                           |
| – minority interest   |      | (224)                           | –                               |
|   |      | 6,900                           | 6,841                           |
| Earnings per share for profit attributable to equity holders of the Company during the period | 8    |                                 |                                 |
| – basic   |      | 0.99 cent                       | 0.95 cent                       |
| – diluted   |      | N/A                             | N/A                             |

## CONDENSED CONSOLIDATED BALANCE SHEET

|   | Note | As at 31 July<br>2007<br>HK\$'000<br>(Unaudited) | As at 30 April<br>2007<br>HK\$'000<br>(Audited) |
|---|------|--|---|
| <b>ASSETS</b>   |      |  |   |
| <b>Non-current assets</b>                                   |      |  |   |
| Leasehold land and land use rights                          |      | 33,025   | 31,117  |
| Property, plant and equipment                               | 9    | 363,586  | 355,836   |
| Investment properties                                       |      | 9,148  | 9,148   |
| Available-for-sale financial assets                         |      | 8,328  | 7,895   |
| Deposit for acquisition of property,<br>plant and equipment |      | –  | 3,623   |
|   |      | <b>414,087</b>                                   | <b>407,619</b>                                  |
| <b>Current assets</b>                                       |      |  |   |
| Inventories   |      | 102,525  | 79,574  |
| Accounts receivable   | 10   | 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  |
|   |      | <b>338,699</b>                                   | <b>319,968</b>                                  |
| <b>Total assets</b>   |      | <b>752,786</b>                                   | <b>727,587</b>                                  |
| <b>EQUITY</b>   |      |  |   |
| Share capital   | 11   | 71,661   | 71,661  |
| Reserves  |      |  |   |
| Proposed final dividend                                     |      | 6,808  | 6,808   |
| Others  |      | 310,075  | 295,782   |
| <b>Total equity</b>   |      | <b>388,544</b>                                   | <b>374,251</b>                                  |
| <b>LIABILITIES</b>  |      |  |   |
| <b>Non-current liabilities</b>                              |      |  |   |
| Borrowings  | 12   | 33,093   | 38,329  |
| Deferred income tax   |      | 9,548  | 10,777  |
|   |      | <b>42,641</b>                                    | <b>49,106</b>                                   |
| <b>Current liabilities</b>                                  |      |  |   |
| Borrowings  | 12   | 231,852  | 224,972   |
| Accounts payable  | 13   | 56,840   | 47,424  |
| Accruals and other payables                                 |      | 24,994   | 25,204  |
| Taxation payable  |      | 7,915  | 6,630   |
|   |      | <b>321,601</b>                                   | <b>304,230</b>                                  |
| <b>Total liabilities</b>                                    |      | <b>364,242</b>                                   | <b>353,336</b>                                  |
| <b>Total equity and liabilities</b>                         |      | <b>752,786</b>                                   | <b>727,587</b>                                  |
| <b>Net current assets</b>                                   |      | <b>17,098</b>                                    | <b>15,738</b>                                   |
| <b>Total assets less current liabilities</b>                |      | <b>431,185</b>                                   | <b>423,357</b>                                  |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

|   | Three months ended 31 July      |                                 |
|---|---------------------------------|---------------------------------|
|   | 2007<br>HK\$'000<br>(Unaudited) | 2006<br>HK\$'000<br>(Unaudited) |
| Net cash generated from operating activities          | 16,063                          | 21,505                          |
| Net cash used in investing activities                 | (19,355)                        | (18,359)                        |
| Net cash used in financing activities                 | (14,154)                        | (8,892)                         |
| Decrease in cash and cash equivalents                 | (17,446)                        | (5,746)                         |
| Translation adjustments                               | 73                              | 79                              |
| Cash and cash equivalents at beginning of period      | 31,586                          | 44,053                          |
| Cash and cash equivalents at end of period            | 14,213                          | 38,386                          |
| Analysis of the balance of cash and cash equivalents: |                                 |                                 |
| Cash and bank balances                                | 26,080                          | 38,386                          |
| Bank overdrafts                                       | (11,867)                        | –                               |
|   | 14,213                          | 38,386                          |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

|  | Attributable to equity holders of the Company |                            |                              |                   | Minority interest<br>HK\$'000 | Total equity<br>HK\$'000 |
|--|---|----------------------------|------------------------------|-------------------|-------------------------------|--------------------------|
|  | Share capital<br>HK\$'000                     | Other reserves<br>HK\$'000 | Retained profits<br>HK\$'000 | Total<br>HK\$'000 |                               |                          |
| Balance at 1 May 2006  | 71,661  | 64,515                     | 204,800                      | 340,976           | –                             | 340,976                  |
| Change in fair value of available-for-sale financial assets    | –   | (135)                      | –                            | (135)             | –                             | (135)                    |
| Currency translation differences                               | –   | 331                        | –                            | 331               | –                             | 331                      |
| Net income recognised directly in equity                       | –   | 196                        | –                            | 196               | –                             | 196                      |
| Profit for the period  | –   | –                          | 6,841                        | 6,841             | –                             | 6,841                    |
| Total recognised income for 2006                               | –   | 196                        | 6,841                        | 7,037             | –                             | 7,037                    |
| Balance at 31 July 2006  | 71,661  | 64,711                     | 211,641                      | 348,013           | –                             | 348,013                  |
| Balance at 1 May 2007  | 71,661  | 85,926                     | 216,664                      | 374,251           | –                             | 374,251                  |
| Change in fair value of available-for-sale financial assets    | –   | 429                        | –                            | 429               | –                             | 429                      |
| Currency translation differences                               | –   | 6,740                      | –                            | 6,740             | –                             | 6,740                    |
| Net income recognised directly in equity                       | –   | 7,169                      | –                            | 7,169             | –                             | 7,169                    |
| Profit/(loss) for the period                                   | –   | –                          | 7,124                        | 7,124             | (224)                         | 6,900                    |
| Total recognised income for 2007                               | –   | 7,169                      | 7,124                        | 14,293            | (224)                         | 14,069                   |
| Capital contribution by a minority shareholder of a subsidiary | –   | –                          | –                            | –                 | 224                           | 224                      |
| Balance at 31 July 2007  | 71,661  | 93,095                     | 223,788                      | 388,544           | –                             | 388,544                  |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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           |          | Total    | Electronic components           |          | Total    |
|                        | manufacturing                   | Others   |          | manufacturing                   | Others   |          |
|                        | 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         | 176,796                         | 336      | 177,132  | 172,464                         | 300      | 172,764  |
| 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  |                                 |          | 6,900    |                                 |          | 6,841    |
| Capital expenditures   | 23,035                          | 25       | 23,060   | 18,510                          | -        | 18,510   |
| Depreciation           | 17,667                          | 11       | 17,678   | 16,720                          | 11       | 16,731   |
| Amortisation           | 187                             | -        | 187      | 152                             | -        | 152      |



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. Segment information (continued)

#### (a) Primary segments (continued)

|                          | Electronic components<br>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             |
| <b>Total assets</b>      |  |           |           |           | <b>752,786</b> | <b>727,587</b> |
| Segment liabilities      | 346,455                                | 335,422   | 324       | 507       | 346,779        | 335,929        |
| Unallocated liabilities  |  |           |           |           | 17,463         | 17,407         |
| <b>Total liabilities</b> |  |           |           |           | <b>364,242</b> | <b>353,336</b> |

#### (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          |
| <b>Total</b>   | <b>177,132</b>             | <b>172,764</b> | <b>23,060</b>              | <b>18,510</b> | <b>752,786</b> | <b>727,587</b> |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. Other income

|                 | Three months ended 31 July |          |
|-----------------|----------------------------|----------|
|                 | 2007                       | 2006     |
|                 | HK\$'000                   | HK\$'000 |
| Interest income | 327                        | 379      |

### 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 | (125)                      | (1,166)  |

### 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      |
|  | 4,156                      | 4,445    |

### 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                       | 2006     |
|                       | HK\$'000                   | HK\$'000 |
| Hong Kong profits tax |                            |          |
| – current tax         | 1,543                      | 934      |
| Overseas taxation     |                            |          |
| – current tax         | 957                        | 1,239    |
| Deferred taxation     | (1,234)                    | (466)    |
|                       | 1,266                      | 1,707    |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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. Movements in property, plant and equipment

During the three months ended 31 July 2007, the additions to property, plant and equipment were approximately HK\$21,191,000 (2006: HK\$15,361,000); the total net book value of disposals and write-offs of property, plant and equipment were approximately HK\$13,000 (2006: HK\$321,000).

### 10. Accounts receivable

The aging analysis of accounts receivable is as follows:

|   | As at 31 July<br>2007<br>HK\$'000 | As at 30 April<br>2007<br>HK\$'000 |
|---|-----------------------------------|------------------------------------|
| 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                              |
|   | <b>176,089</b>                    | 175,118                            |
| Less: provision for impairment of accounts receivable | <b>(1,192)</b>                    | <b>(1,317)</b>                     |
|   | <b>174,897</b>                    | 173,801                            |

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. Share capital

Movements in share capital are as follows:

|  | Three months ended<br>31 July 2007 |                              | Year ended<br>30 April 2007 |                              |
|--|------------------------------------|------------------------------|-----------------------------|------------------------------|
|  | Number<br>of shares                | Nominal<br>value<br>HK\$'000 | Number<br>of shares         | Nominal<br>value<br>HK\$'000 |
| Shares of HK\$0.10 each<br>Authorised: |                                    |                              |                             |                              |
| Beginning and end of period/year       | 1,000,000,000                      | 100,000                      | 1,000,000,000               | 100,000                      |
| Issued and fully paid:                 |                                    |                              |                             |                              |
| Beginning and end of period/year       | 716,610,798                        | 71,661                       | 716,610,798                 | 71,661                       |

### 12. Borrowings

|                           | As at 31 July<br>2007<br>HK\$'000 | As at 30 April<br>2007<br>HK\$'000 |
|---------------------------|-----------------------------------|------------------------------------|
| <b>Non-current</b>        |                                   |                                    |
| Bank borrowings           | 32,942                            | 38,109                             |
| Finance lease liabilities | 151                               | 220                                |
|                           | 33,093                            | 38,329                             |
| <b>Current</b>            |                                   |                                    |
| Bank overdrafts           | 11,867                            | –                                  |
| Bank borrowings           | 219,655                           | 224,592                            |
| Finance lease liabilities | 330                               | 380                                |
|                           | 231,852                           | 224,972                            |
|                           | 264,945                           | 263,301                            |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. Accounts payable

The aging analysis of accounts payable is as follows:

|                               | As at 31 July<br>2007<br>HK\$'000 | As at 30 April<br>2007<br>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                                |
|                               | 56,840                            | 47,424                             |

### 14. Share options scheme

On 26 September 2002, a new share option scheme (the “Scheme”) was adopted by the Company. The purpose of the Scheme is to provide any full-time employees (including executive directors) of the Company or any of its subsidiaries and non-executive directors of the Company or any of its subsidiaries (including independent non-executive directors of the Company) with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

During the three months ended 31 July 2007, no option was granted under the Scheme (2006: Nil).

### 15. Capital commitments

|  | As at 31 July<br>2007<br>HK\$'000 | As at 30 April<br>2007<br>HK\$'000 |
|--|-----------------------------------|------------------------------------|
| Capital commitments in respect of leasehold land and land use rights as well as property, plant and equipment: |                                   |                                    |
| Contracted but not provided for  | 8,780                             | 4,134                              |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. Related party transaction

Key management compensation

|  | Three months ended 31 July |              |
|--|----------------------------|--------------|
|  | 2007                       | 2006         |
|  | HK\$'000                   | HK\$'000     |
| .....                                      |                            |              |
| Wages and salaries                         | 1,426                      | 1,190        |
| Pension costs – defined contribution plans | 108                        | 92           |
|  | <b>1,534</b>               | <b>1,282</b> |

### 17. Event after the balance sheet date

On 17 September 2007, the Company (as borrower), Coils Electronic Co., Limited (as original guarantor), an indirect wholly-owned subsidiary of 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”). The Facility 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### 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 made in the same period last year. 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))

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW *(continued)*

#### *Fund Surplus and Liabilities (continued)*

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*

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

#### **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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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### FINANCIAL REVIEW *(continued)*

#### 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.

## OTHER INFORMATION

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 July 2007, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

#### (a) Shares of the Company

| Name of director   | Number of shares of HK\$0.10 each |                         |                         |                         | Percentage of issued share capital |
|--------------------|-----------------------------------|-------------------------|-------------------------|-------------------------|------------------------------------|
|                    | Personal interests<br>(Note 2)    | Corporate interests     | Trust interests         | Total interests         |                                    |
| Mr. Lam Wai Chun   | 21,031,188                        | 428,555,660<br>(Note 3) | 428,555,660<br>(Note 3) | 449,586,848<br>(Note 3) | 62.74%                             |
| Ms. Tang Fung Kwan | 3,502,611                         | –                       | –                       | 3,502,611               | 0.49%                              |
| Ms. Li Hong        | 548,000                           | –                       | –                       | 548,000                 | 0.08%                              |
| Mr. Au Son Yiu     | 4,801,440                         | –                       | –                       | 4,801,440               | 0.67%                              |
| Dr. Tang Tin Sek   | 3,714,000                         | –                       | –                       | 3,714,000               | 0.52%                              |

#### Notes:

- All the above interests in the shares of the Company were long positions.
- Personal interests were interests held by the relevant directors as beneficial owners.
- The 428,555,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust, namely Ka Yan China Family Trust (the “Trust”). By virtue of his being a founder of the Trust, Mr. Lam Wai Chun was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The 428,555,660 shares in the corporate interests and trust interests related to the same block of shares in the Company and duplicated each other. Accordingly, Mr. Lam Wai Chun’s total interests of 449,586,848 shares were arrived at after eliminating the duplications.

## OTHER INFORMATION

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES (continued)

## (b) Shares of associated corporation(s) of the Company

*Coils Electronic Co., Limited*

| Name of director                 | Number of non-voting<br>deferred shares of HK\$1.00 each |                        |                     |                    | Percentage<br>of issued<br>non-voting<br>deferred<br>shares |
|----------------------------------|--|------------------------|---------------------|--------------------|---|
|                                  | Personal<br>interests                                    | Corporate<br>interests | Family<br>interests | Total<br>interests |   |
| Mr. Lam Wai Chun (Notes 4 and 5) | 7,500,000  | 6,000,000              | 500,000             | 14,000,000         | 100%  |

## Notes:

- Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK\$1.00 each, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of HK\$1.00 each issued by Coils Electronic Co., Limited, in which Coils International Holdings Limited, a direct wholly-owned subsidiary of the Company, held the entire issued ordinary share capital.
- 6,000,000 non-voting deferred shares of HK\$1.00 each were held by Ka Yan China Development (Holding) Company Limited and 500,000 non-voting deferred shares of HK\$1.00 each were held by Ms. Law Ching Yee respectively in Coils Electronic Co., Limited, representing approximately 42.86% and approximately 3.57% respectively of the 14,000,000 non-voting deferred shares of HK\$1.00 each in the share capital of Coils Electronic Co., Limited. Mr. Lam Wai Chun was deemed to be interested in all these shares under the SFO by virtue of, in the case of shares held by Ka Yan China Development (Holding) Company Limited, the reasons set out in Note 3 to sub-paragraph (a) above and, in the case of Ms. Law Ching Yee, the fact that Ms. Law Ching Yee is the spouse of Mr. Lam Wai Chun.
- All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held by Mr. Lam Wai Chun were long positions.
- Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

Save as disclosed above, as at 31 July 2007, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code.

Save as disclosed above, as at 31 July 2007, neither the directors or chief executive of the Company nor their spouses or children under the age of 18 had been granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

## OTHER INFORMATION

### INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 July 2007, according to the register required to be kept by the Company under section 336 of the SFO, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

#### Shares of the Company

*Substantial shareholders (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"))*

| Name  | Number of shares held   |                                |                                |                                | Percentage of issued share capital |
|---|-------------------------|--------------------------------|--------------------------------|--------------------------------|------------------------------------|
|   | Family interests        | Corporate interests            | Trust interests                | Beneficial owner               |                                    |
| Ms. Law Ching Yee                                     | 449,586,848<br>(Note 2) | –                              | –                              | –                              | 62.74%                             |
| Ka Yan China Development<br>(Holding) Company Limited | –                       | –                              | –                              | 428,555,660<br>(Notes 2 and 3) | 59.80%                             |
| Ka Yan China Investments Limited                      | –                       | 423,785,660<br>(Notes 2 and 3) | –                              | –                              | 59.14%                             |
| HSBC International Trustee Limited                    | –                       | –                              | 423,785,660<br>(Notes 2 and 3) | –                              | 59.14%                             |

*Other person as recorded in the register kept by the Company pursuant to section 336 of the SFO*

| Name       | Number of shares held |                     |                  |                  | Percentage of issued share capital |
|------------|-----------------------|---------------------|------------------|------------------|------------------------------------|
|            | Family interests      | Corporate interests | Trusts interests | Beneficial owner |                                    |
| Toko, Inc. | –                     | –                   | –                | 36,785,402       | 5.13%*                             |

## OTHER INFORMATION

### INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

#### Shares of the Company (continued)

Notes:

1. All the above interests in the shares of the Company were long positions.
  2. The 428,555,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust. By virtue of Mr. Lam Wai Chun being a founder of the Trust, Ms. Law Ching Yee was deemed to be interested in all the shares held by her spouse, Mr. Lam Wai Chun, for the purpose of the SFO.
  3. The interests of Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited were in respect of the same 423,785,660 shares and duplicated each other. Such shares formed part of the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 31 July 2007, the actual duplicate interests held by Ka Yan China Investments Limited and HSBC International Trustee Limited in the Company was 428,555,660 shares which were also the same shares held by Ka Yan China Development (Holding) Company Limited as referred to in the Note 2 above.
- \* The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 July 2007 (i.e. 716,610,798 shares).

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interests (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 31 July 2007.

### DISCLOSURE PURSUANT TO RULE 13.21 THE LISTING RULES

In accordance with the disclosure requirements of rule 13.21 of the Listing Rules, the Company makes the following disclosures in relation to the details of the 2005 Agreement (as defined below) and the 2007 Agreement (as defined below), all of which include a condition relating to specific performance of the controlling shareholder of the Company:

- (a) On 27 April 2005, the Company (as borrower) entered into a 3-year transferable term loan and revolving credit facility agreement (the “2005 Agreement”) for an aggregate amount of HK\$243,000,000 (the “2005 Facility”) with Coils Electronic Co., Limited (“Coils”) and CEC-Coils Singapore Pte Ltd. (collectively, as original guarantors), being two indirect wholly-owned subsidiaries of the Company, and a group of banks. The 2005 Facility consist of (1) a term loan for an aggregate amount of HK\$194,400,000 and (2) a revolving credit facility for an aggregate amount of HK\$48,600,000.
- (b) On 17 September 2007, the Company (as borrower), Coils (as original guarantor) and a group of banks entered into a 3-year transferable term loan facility agreement (the “2007 Agreement”) for an aggregate amount of HK\$300,000,000 (the “2007 Facility”).

Under the provisions of the 2005 Agreement and the 2007 Agreement, it would be an event of default, inter alia, if Mr. Lam Wai Chun, the Chairman of the Company and a controlling shareholder of the Company, ceases to be the Chairman of the Company or ceases to be involved actively in the management and business of the Group.

## OTHER INFORMATION

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### DISCLOSURE PURSUANT TO RULE 13.21 THE LISTING RULES *(continued)*

For the 2005 Facility, if the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2005 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2005 Facility, together with accrued interest, and all other amounts accrued or outstanding under all finance documents (including the 2005 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2005 Facility shall immediately become payable on demand. As at 31 July 2007, the aggregate carrying value of the outstanding loan under the 2005 Agreement was approximately HK\$96,943,000.

For the 2007 Facility, if the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2007 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2007 Facility, together with accrued interest, and all other amounts accrued or outstanding under all finance documents (including the 2007 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2007 Facility shall immediately become payable on demand.

### 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 Quarterly Report for the three months ended 31 July 2007.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions for the three-month period to 31 July 2007. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code throughout 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

# Summary

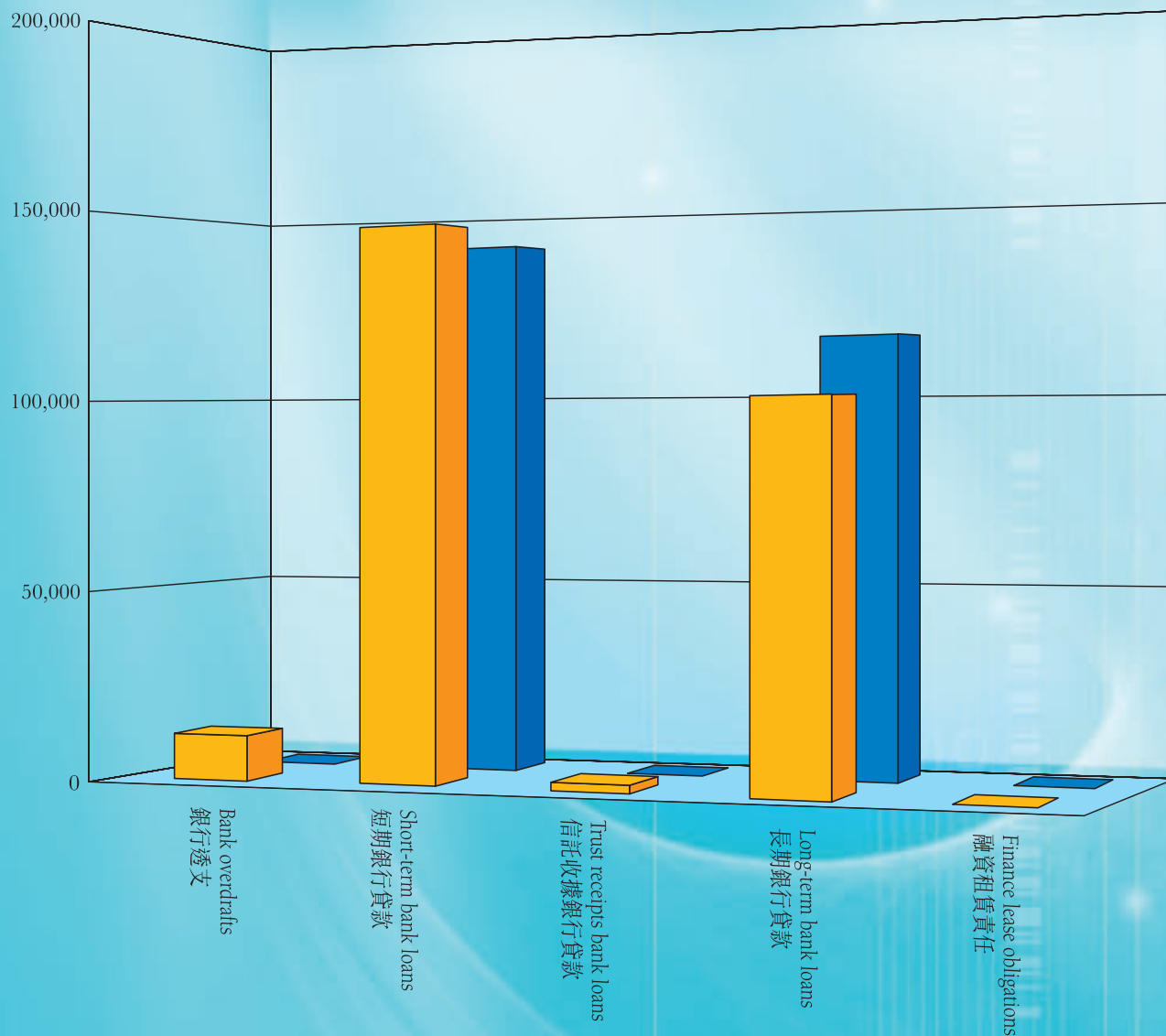
## of credit facilities utilisation

### 融資 信貸 動用 摘要

As at 31 July 2007

於2007年7月31日

HK\$'000  
千港元



31/7/2007

30/4/2007

