

08/09

5 6 7

CEC-COILS®

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: 759)

FIRST QUARTERLY REPORT 2008/2009 第1季度報告

	<i>Pages</i> 頁次
CORPORATE INFORMATION 公司資料	1
CONDENSED CONSOLIDATED INCOME STATEMENT 簡明綜合收益表	2
CONDENSED CONSOLIDATED BALANCE SHEET 簡明綜合資產負債表	3
CONDENSED CONSOLIDATED CASH FLOW STATEMENT 簡明綜合現金流量表	4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 簡明綜合權益變動表	5
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 簡明綜合財務報表附註	6
MANAGEMENT DISCUSSION AND ANALYSIS 管理層論述及分析	12
OTHER INFORMATION 其他資料	16

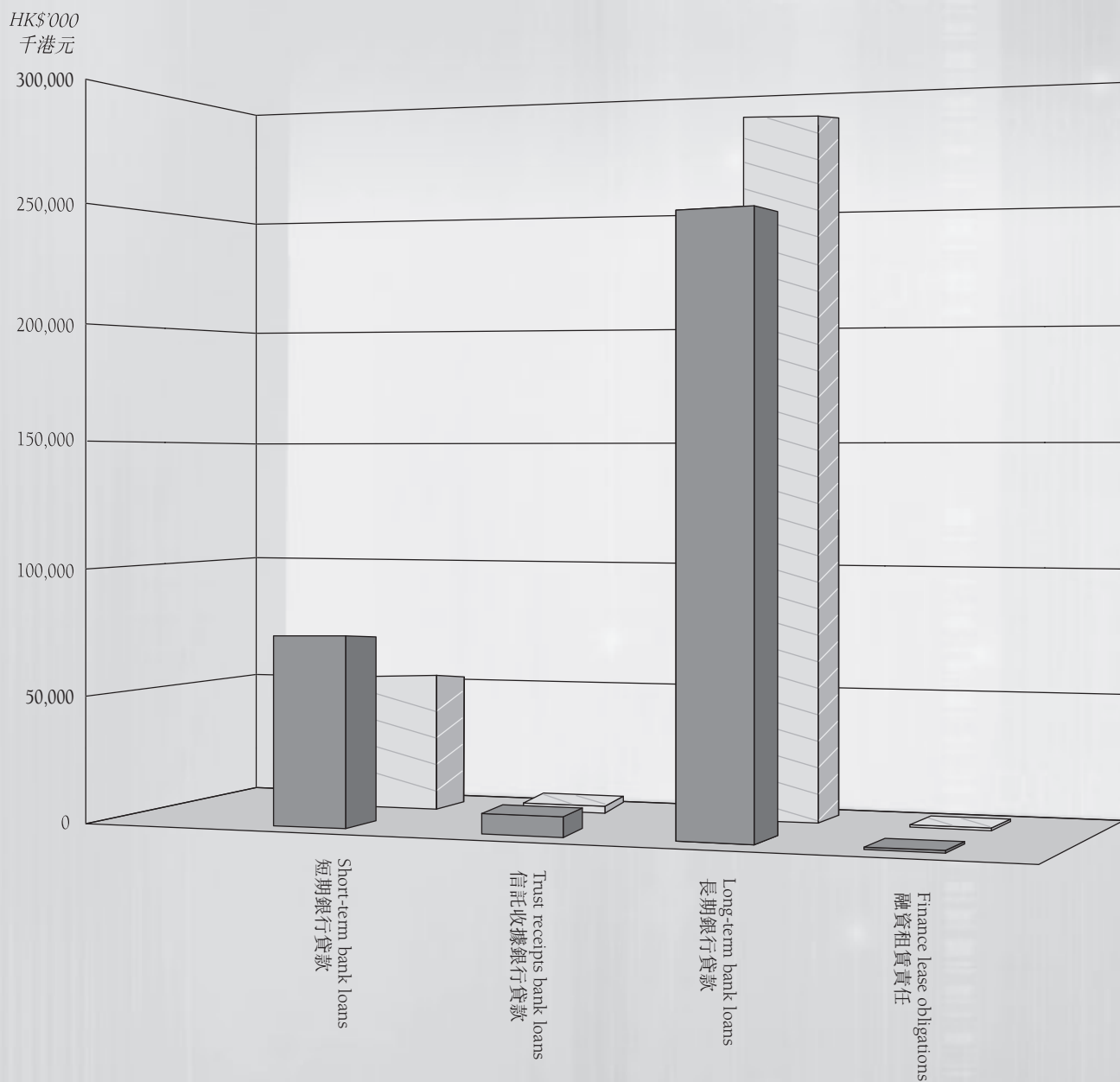
Summary

of credit facilities utilisation

融資 信貸動用摘要

As at 31 July 2008

於2008年7月31日



■ 31/7/2008

▨ 30/4/2008

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lam Wai Chun (*Chairman*)
Ms. Tang Fung Kwan
(*Deputy Chairman and Managing Director*)
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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co.
Appleby

PRINCIPAL BANKERS

China Construction Bank
CITIC Ka Wah Bank Limited
Dah Sing 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
Shops 1712-1716, 17th 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

Listed on The Stock Exchange of
Hong Kong Limited
Stock Code: 759

2008/2009 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 2008 and the unaudited condensed consolidated balance sheet as at 31 July 2008 of the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 31 July	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (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	9	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	10	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	11	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	12	127,924	154,571
Deferred income tax		7,582	9,250
		135,506	163,821
Current liabilities			
Borrowings	12	208,410	184,049
Accounts payable	13	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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Three months ended 31 July	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Net cash generated from operating activities	11,972	16,063
Net cash used in investing activities	(25,621)	(19,355)
Net cash used in financing activities	(5,942)	(14,154)
Decrease in cash and cash equivalents	(19,591)	(17,446)
Translation adjustments	60	73
Cash and cash equivalents at beginning of period	70,316	31,586
Cash and cash equivalents at end of period	50,785	14,213
Analysis of the balance of cash and cash equivalents:		
Bank balances and cash	50,785	26,080
Bank overdrafts	–	(11,867)
	50,785	14,213

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company			Total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000			
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
Balance at 1 May 2008	71,661	126,948	229,006	427,615	248	427,863
Change in fair value of available-for-sale financial assets	–	(403)	–	(403)	–	(403)
Currency translation differences	–	10,981	–	10,981	–	10,981
Net income recognised directly in equity	–	10,578	–	10,578	–	10,578
Profit/(loss) for the period	–	–	4,184	4,184	–	4,184
Total recognised income for 2008	–	10,578	4,184	14,762	–	14,762
Balance at 31 July 2008	71,661	137,526	233,190	442,377	248	442,625

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 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 HK\$'000	Others HK\$'000	Total HK\$'000	Electronic components manufacturing HK\$'000	Others HK\$'000	Total 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Segment information (continued)

(a) Primary segments (continued)

	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		Total assets		Capital expenditures		Additions to prepayment for construction of building	
	Three months ended				Three months ended		Three months ended	
	31 July				31 July		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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Expenses by nature

	Three months ended 31 July	
	2008 HK\$'000	2007 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 HK\$'000	2007 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 HK\$'000	2007 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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. Movements in property, plant and equipment

During the three months ended 31 July 2008, the additions to property, plant and equipment were approximately HK\$21,791,000 (2007: HK\$21,191,000); the total net book value of disposals and write-offs of property, plant and equipment were approximately HK\$22,000 (2007: HK\$13,000).

10. Accounts receivable

The aging analysis of accounts receivable is as follows:

	As at 31 July 2008 HK\$'000	As at 30 April 2008 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.

11. Share capital

	As at 31 July 2008 HK\$'000	As at 30 April 2008 HK\$'000
Authorised:		
1,000,000,000 (As at 30 April 2008: 1,000,000,000) shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
716,610,798 (As at 30 April 2008: 716,610,798) shares of HK\$0.10 each	71,661	71,661

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. Borrowings

	As at 31 July 2008 HK\$'000	As at 30 April 2008 HK\$'000
Non-current		
Bank borrowings	127,924	154,571
Current		
Bank borrowings	208,260	183,829
Finance lease liabilities	150	220
	208,410	184,049
	336,334	338,620

13. 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		
Overdue by 0 – 1 month	51,002	42,541
Overdue by 1 – 2 months	242	2,662
Overdue by 2 – 3 months	1,426	8
Overdue by more than 3 months	–	–
	339	444
	53,009	45,655

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 2008, no option was granted under the Scheme (2007: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. Capital commitments

	As at 31 July 2008 <i>HK\$'000</i>	As at 30 April 2008 <i>HK\$'000</i>
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	1,444	725

16. Related party transaction

Key management compensation

	Three months ended 31 July	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Wages and salaries	1,450	1,426
Pension costs – defined contribution plans	123	108
	1,573	1,534



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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Fund Surplus and Liabilities (continued)

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.





MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Cash Flow Summary

	For the three months ended 31 July	
	2008 HK\$'000	2007 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).



OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 July 2008, 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 (Note 2)	Corporate interests (Note 3)	Trust interests (Note 3)	Total interests (Note 3)	
Mr. Lam Wai Chun	27,823,188	441,597,660	441,597,660	469,420,848	65.51%
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	5,617,440	–	–	5,617,440	0.78%
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 441,597,660 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 441,597,660 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 469,420,848 shares were arrived at after eliminating the duplications.

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

Coils Electronic Co., Limited

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

OTHER INFORMATION

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

(b) Shares of associated corporation(s) of the Company *(continued)*

Notes:

4. 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.
5. 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 subparagraph (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.
6. All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held by Mr. Lam Wai Chun were long positions.
7. Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

Save as disclosed above, as at 31 July 2008, 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 2008, 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.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 July 2008, 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:

OTHER INFORMATION

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

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	469,420,848 (Note 2)	-	-	-	65.51%
Ka Yan China Development (Holding) Company Limited	-	-	-	441,597,660 (Notes 2 and 3)	61.62%
Ka Yan China Investments Limited	-	437,217,660 (Notes 2 and 3)	-	-	61.01%
HSBC International Trustee Limited	-	-	437,217,660 (Notes 2 and 3)	-	61.01%

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	Trust interests	Beneficial owner	
Toko, Inc.	-	-	-	36,785,402	5.13%*

Notes:

- All the above interests in the shares of the Company were long positions.
- The 441,597,660 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.
- 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 437,217,660 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 2008, the actual duplicate interests held by Ka Yan China Investments Limited and HSBC International Trustee Limited in the Company was 441,597,660 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 2008 (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 2008.

OTHER INFORMATION

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 2007 Agreement (as defined below) which include a condition relating to specific performance of the controlling shareholder of the Company:

- 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 (the “2007 Agreement”) for an aggregate amount of HK\$300,000,000 (the “2007 Facility”).

Under the provisions of 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.

For the 2007 Agreement, 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. As at 31 July 2008, the aggregate carrying value of the outstanding loan under the 2007 Agreement was approximately HK\$223,056,000.

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 Quarterly Report for the three months ended 31 July 2008.

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 2008. 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 2008.

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

08/09

5 6 7

香港九龍觀塘巧明街110號興運工業大廈2樓
2nd Floor, Hing Win Factory Building, 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong