CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

CEC 國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 759)

2014/2015 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of CEC International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 April 2015 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2015

	Note	**2015** *HK$'000*	2014 *HK$'000*
Revenue	2	**2,422,372**	1,830,561
Cost of sales	4	**(1,651,133)**	(1,283,190)
Gross profit		**771,239**	547,371
Other gains/(losses), net	3	**5,763**	(4,037)
Selling and distribution expenses	4	**(561,673)**	(360,716)
General and administrative expenses	4	**(155,431)**	(136,058)
Operating profit		**59,898**	46,560
Finance income		**66**	58
Finance costs		**(19,010)**	(15,085)
Finance costs, net	5	**(18,944)**	(15,027)
Profit before income tax		**40,954**	31,533
Income tax expense	6	**(13,246)**	(7,760)
Profit attributable to equity holders of the Company		**27,708**	23,773
Earnings per share, basic and diluted, attributable to equity holders of the Company	7	**HK4.15 cents**	HK3.57 cents
Dividend	8	**6,662**	4,663

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2015

	2015	2014
	HK$'000	*HK$'000*
Profit for the year	**27,708**	23,773
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss		
Revaluation surplus on buildings	**–**	7,450
Items that have been or may be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	**343**	(566)
Realisation of investment revaluation reserve upon disposal of available-for-sale financial assets	**(387)**	–
Currency translation differences	**1,870**	3,715
Total comprehensive income for the year attributable to equity holders of the Company	**29,534**	34,372

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2015

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Land use rights		**19,694**	20,173
Property, plant and equipment		**595,408**	502,163
Investment properties		**92,277**	81,460
Available-for-sale financial assets		**541**	9,120
Prepaid rent on operating leases		**77,514**	61,280
Deposits paid for acquisition of property, plant and equipment		**1,705**	3,636
Deferred tax assets		**2,895**	2,194
		790,034	680,026
Current assets			
Inventories		**297,760**	218,516
Accounts and bills receivables	*9*	**55,625**	86,402
Deposits, prepayments and other receivables		**53,009**	42,509
Pledged bank deposits		**49,116**	30,906
Cash and cash equivalents		**68,386**	79,479
		523,896	457,812
Total assets		**1,313,930**	1,137,838
EQUITY			
Share capital		**66,619**	66,619
Reserves			
Proposed final dividend		**6,662**	4,663
Others		**484,577**	461,705
Total equity		**557,858**	532,987
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**1,599**	633
Provision for reinstatement cost		**10,895**	6,628
		12,494	7,261
Current liabilities			
Borrowings		**623,011**	499,085
Accounts payable	*10*	**25,355**	23,770
Accruals and other payables		**77,050**	63,559
Taxation payable		**18,162**	11,176
		743,578	597,590
Total liabilities		**756,072**	604,851
Total equity and liabilities		**1,313,930**	1,137,838
Net current liabilities		**(219,682)**	(139,778)
Total assets less current liabilities		**570,352**	540,248

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets which are carried at fair value.

In accordance with the transitional arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

Since the establishment of the coils business, the Group's operation has been financed both by bank borrowings and internal resources. As at 30 April 2015, the Group's current liabilities exceeded its current assets by HK$219,682,000. This liquidity shortfall was attributable to (i) bank borrowings contractually due for repayment after one year contain a repayment on demand clause amounting to HK$116,225,000 being classified as current liabilities in accordance with HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause"; and (ii) certain of the Group's non-current assets including property, plant and equipment as at 30 April 2015 were financed mainly by the Group's internal funding and short-term borrowings. Among the bank borrowings, HK$415,305,000 were import and trust receipts loans, while the remaining balances were term loans, bank advance for factored receivables and overdrafts. In addition, as at 30 April 2015, the Group had unutilised bank facilities of HK$295,765,000.

The management always closely monitors the Group's financial performance and liquidity position. In preparing the Group's financial statements for the year ended 30 April 2015, the management has taken into account all information that could reasonably be expected to be available. In particular, the management has prepared cash flow projection of the Group covering a period of not less than twelve months from the balance sheet date on the basis that (i) the Group will continue to generate positive cash flow from operations, (ii) the Group will have continuous financial support from its banks in the coming twelve months from the balance sheet date; and (iii) the banks will not exercise their discretions to demand immediate repayment of the Group's borrowings in the coming twelve months. The directors hence believe that the bank borrowings will be repaid in accordance with the scheduled dates set out in the relevant loan agreements and that the banking facilities with the principal banks will be renewed when their current terms expire given the good track records and relationship the Group has with the banks. The directors, after considering the cash flow projection and after taking into account the reasonably possible changes in the operational performance and the continuous availability of the banking facilities, are of the opinion that the Group will have adequate financial resources to support its operations and will be able to meet its liabilities as and when they fall due within the next twelve months from 1 May 2015. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis.

New/revised standards and interpretations and amendments to existing standards effective during the year ended 30 April 2015

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 May 2014:

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the consolidated financial statements.

Amendment to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of Cash-generating Units which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment did not have a significant impact on the Group's financial statements.

There are no other new standards or amendments and interpretations to existing standards that are effective for the first time for the financial year beginning on or after 1 May 2014 that are expected to have a material impact on the Group's result and financial position.

New/revised standards and interpretations and amendments to existing standards have been issued but are not effective

The following new/revised standards and interpretations and amendments to existing standards have been issued but are not mandatory for the year ended 30 April 2015:

HKAS 19 (Amendment)	Defined benefits plan(1)
Annual improvement project	Annual improvement 2010-2012 cycle(1)
	Annual improvement 2011-2013 cycle(1)
	Annual improvement 2012-2014 cycle(2)
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in a joint operation(2)
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation(2)
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(2)
HKAS 27 (Amendment)	Equity accounting in Separate Financial Statements(2)
HKFRS 10, 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception(2)
HKAS 1 (Amendment)	The disclosure initiative(2)
HKFRS 15	Revenue from contracts with customers(3)
HKFRS 9	Financial instruments(4)
HKFRS 9 (Amendment)	General hedge accounting(4)

(1) Effective for the Group for annual period beginning on 1 May 2015
(2) Effective for the Group for annual period beginning on 1 May 2016
(3) Effective for the Group for annual period beginning on 1 May 2017
(4) Effective for the Group for annual period beginning on 1 May 2018

The Group is in the process of making an assessment on the impact of these new/revised standards and interpretations and amendments to existing standards and have, on a preliminary basis, concluded that such new/revised standards, interpretations and amendments will not have a significant impact on its results of operation and financial position.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2. SEGMENT INFORMATION

The Executive Directors of the Group ("Management") reviews the Group's internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and assess the business principally based on natures of products sold.

During the year, the Group has three reporting segments, namely (i) retail business; (ii) electronic components manufacturing ("Coils Business"); and (iii) investment property holding. Segment information provided to Management for decision-making is measured in a manner consistent with that in the financial statements.

The segment information provided to the Management for the reportable segments for the years ended 30 April 2015 and 2014 is as follows:

	Retail business		Electronic components manufacturing		Investment property holding		Eliminations		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**2,133,805**	1,442,981	**285,771**	385,051	**2,796**	2,529	**–**	–	**2,422,372**	1,830,561
Intersegment sales	**–**	–	**–**	–	**1,585**	1,571	**(1,585)**	(1,571)	**–**	–
	2,133,805	1,442,981	**285,771**	385,051	**4,381**	4,100	**(1,585)**	(1,571)	**2,422,372**	1,830,561
Segment results										
Operating profit/(loss)	**68,637**	51,157	**(13,263)**	1,577	**11,957**	1,592			**67,331**	54,326
Corporate expenses									**(7,433)**	(7,766)
Finance costs, net									**(18,944)**	(15,027)
Profit before income tax									**40,954**	31,533
Income tax expense									**(13,246)**	(7,760)
Profit for the year									**27,708**	23,773
Depreciation and amortisation	**58,237**	36,348	**16,421**	23,545	**–**	11			**74,658**	59,904
Closure cost of a factory of the Coils Business	**–**	–	**11,078**	–	**–**	–			**11,078**	–
Total distribution cost and administrative expenses	**661,761**	437,098	**46,694**	50,281	**1,216**	1,629			**709,671**	489,008
Additions to non-current assets (other than financial instruments)	**184,440**	104,021	**1,713**	5,665	**–**	–			**186,153**	109,686

	Retail business		Electronic components manufacturing		Investment property holding		Eliminations		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**874,412**	653,769	**351,055**	407,743	**93,095**	82,188	**(7,727)**	(8,259)	**1,310,835**	1,135,441
Unallocated assets										
– Deferred income tax									**2,895**	2,194
– Corporate assets									**200**	203
									1,313,930	1,137,838
Segment liabilities	**82,785**	61,724	**29,975**	32,095	**8,068**	8,135	**(7,727)**	(8,259)	**113,101**	93,695
Borrowings									**623,011**	499,085
Unallocated liabilities										
– Deferred income tax									**1,599**	633
– Taxation payable									**18,162**	11,176
– Corporate liabilities									**199**	262
Total liabilities									**756,072**	604,851

Geographical information

	Revenue		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including the Hong Kong Special Administrative Region)	**2,315,925**	1,717,863	**789,959**	679,922
Other regions	**106,447**	112,698	**75**	104
	2,422,372	1,830,561	**790,034**	680,026

Revenue by geographical location is determined on the basis of the destination of shipment or place of sales to the customers.

Non-current assets by geographical location are determined based on the location of the relevant assets.

The Group has a large number of customers. For the year ended 30 April 2015, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2014: same).

3. OTHER GAINS/(LOSSES), NET

	2015	2014
	HK$'000	*HK$'000*
Fair value gains on investment properties	**10,732**	1,159
Net loss on disposal of property, plant and equipment	**(4,238)**	(2,230)
Impairment loss on properties, plant and equipment	**(1,118)**	(2,966)
Gain on disposal of available-for-sale financial assets	**387**	–
	5,763	(4,037)

4. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, and general and administrative expenses are analysed as follows:

	2015	2014
	HK$'000	*HK$'000*
Auditors' remuneration	**2,928**	2,322
Amortisation of land use rights	**545**	545
Cost of inventories recognised as expenses included in cost of sales	**1,514,355**	1,101,451
Depreciation of property, plant and equipment	**74,113**	59,359
Direct operating expenses arising from investment properties that generate rental income	**356**	467
Employee benefit expenses (including directors' emoluments)	**335,916**	307,935
Net exchange (gains)/losses		
– recognised in cost of sales	**(14,046)**	(7,118)
– recognised in general and administrative expenses	**(1,516)**	(402)
Operating lease rentals		
– basic rent (i)	**227,365**	132,074
– turnover rent	**11,163**	16,306
Provision for impairment of accounts receivable	**169**	1,041
Provision for impairment of inventories	**1,875**	12,958
Closure cost of a factory of the Coils Business (ii)	**11,078**	–
Utility expenses	**70,864**	51,994
Freight and transportation	**46,665**	34,810
Other expenses	**86,407**	66,222
Total cost of sales, selling and distribution expenses and general and administrative expenses	**2,368,237**	1,779,964

Notes:

(i) Included in the operating lease rentals was provision for prepaid rental and rentals of the onerous contracts with respect to certain loss-making retail stores amounting to HK$6,051,000 (2014: Nil).

(ii) During the year, the Group ceased operations of one of its factories located in Nanjing, the PRC. In this accordance, the Group incurred one-off closure cost amounting to approximately HK$11,078,000, which comprised staff redundancy cost of approximately HK$1,893,000, and provision for inventories of HK$3,388,000, accounts receivable of HK$3,652,000 and prepayments of HK$2,145,000.

5. FINANCE COSTS, NET

	2015	2014
	HK$'000	*HK$'000*
Interest expense on bank borrowings *(Note)*		
– wholly repayable within five years	**18,213**	14,116
– not wholly repayable within five years	**797**	969
Total interest expense incurred during the year	**19,010**	15,085
Interest income from bank deposits	**(66)**	(58)
	18,944	15,027

Note:

The classification by repayment period is based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

6. INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated income statement represents:

	2015	2014
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**12,699**	9,737
– (over)/under-provision in prior years	**(89)**	32
Overseas income tax including Mainland China		
– current tax	**371**	146
– over-provision in prior years	**–**	(72)
Deferred income tax	**265**	(2,083)
Total income tax expense	**13,246**	7,760

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until year 2035. Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax at the rate of 25% (2014: 25%) on their taxable income determined according to Mainland China tax laws. Other overseas income tax has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of approximately HK$27,708,000 (2014: HK$23,773,000) and the weighted average number of 666,190,798 (2014: 666,190,798) shares in issue during the year.

For the years ended 30 April 2015 and 30 April 2014, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

8. DIVIDEND

	2015	2014
	HK$'000	*HK$'000*
Proposed final dividend of HK1.00 cent (2014: HK0.70 cent) per share	**6,662**	4,663

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

9. ACCOUNTS AND BILLS RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Accounts receivables	**60,196**	78,506
Less: provision for impairment of receivables	**(10,238)**	(6,528)
Accounts receivables – net	**49,958**	71,978
Bills receivables	**5,667**	14,424
Accounts and bills receivables – net	**55,625**	86,402

The ageing analysis of accounts receivable is as follows:

	2015	2014
	HK$'000	*HK$'000*
0-30 days	**31,510**	42,790
31-60 days	**12,225**	18,257
61-90 days	**5,041**	8,738
91-120 days	**1,718**	2,984
Over 120 days	**9,702**	5,737
	60,196	78,506
Less: provision for impairment of receivables	**(10,238)**	(6,528)
	49,958	71,978

As at 30 April 2015 and 30 April 2014, the carrying amount of accounts and bills receivables approximated its fair value.

The Group performs on-going credit and collectability evaluation of each customer. The Group primarily offers an average credit period ranging from 30 to 120 days to its non-retail business customers (2014: 30 to 120 days).

10. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	2015	2014
	HK$'000	*HK$'000*
0-30 days	**17,268**	20,413
31-60 days	**4,249**	2,443
61-90 days	**3,202**	641
91-120 days	**278**	64
Over 120 days	**358**	209
	25,355	23,770

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21 September 2015 to Friday, 25 September 2015(both dates inclusive), during which period no transfer of shares of the Company will be effected. Shareholders whose names appear on the register of members of the Company on Friday, 25 September 2015 are entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 25 September 2015 (the "2015 Annual General Meeting"). In order to qualify to attend and vote at the 2015 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Friday, 18 September 2015.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2015 Annual General Meeting. For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 6 October 2015 to Friday, 9 October 2015(both dates inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Monday, 5 October 2015. Shareholders whose names appear on the Company's register of members on Friday, 9 October 2015, will be qualified for the proposed final dividend. The payment of final dividend will be made on or about Friday, 23 October 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Reviewing the financial year 2014-2015 ("the Year"), the Group recorded total revenue of HK$2,422,372,000 (2014: HK$1,830,561,000), representing an increase of about 32% comparing with the corresponding period last year. The increase was mainly resulted from the operation of the retail business of 759 STORE that recorded revenue of HK$2,133,805,000 (2014: HK$1,442,981,000), an increase of about 48% comparatively. During the Year, 759 STORE added a number of 57 shops. As at 30 April 2015, the total number of shops reached 249 (2014: 192 shops), which included 5 restaurants and one bakery workshop. The overall gross profit margin of the Group was 31.8% (2014: 29.9%), an increase of 1.9 percentage points, which could be attributed to the increasingly higher proportion of high profit margin retail businesses, by 88% of total revenue (2014: 79%).

In the Year, the Group's consolidated profit amounted to HK$27,708,000 (2014: HK$23,773,000), representing an increase of 17% comparing with the corresponding period last year. Consolidated profit margin was 1.1% (2014: 1.3%). In the Year, the Group continued to scale back its manufacturing business and closed down the operation in the Nanjing plant with an one-off provision of HK$11,078,000 that included accounts receivable, inventories, and staff costs. There is also loss from operation of the Nanjing plant of HK$2,476,000 that occurred in the last year of the operation. Manufacturing business during the Year therefore recorded an operating loss of HK$13,263,000 (2014: operating profit of HK$1,577,000). With this attribute, retail business therefore became the major source of operating profit for the Group, which amounted to HK$68,637,000 (2014: HK$51,157,000), and an increase of 34%. As the Group continue to ramp up its retail business which continue to account for majority of its business, consolidated operating profit increased to HK$59,898,000 (2014: HK$46,560,000). And, the operating loss attributed to the manufacture business's production scale back, which resulted in an one-off provision and certain related expenses, was not deduction for tax purpose. Thus, the Year's tax expenditure increased significantly by 71% to HK$13,246,000 (2014: HK$7,760,000).

The management realizes that the Group falls short of a solid capital base, and requires enormous capital to develop its retail network. As a result, it is imperative that we should improve logistic efficiency and reduce inventory level (thus increasing inventory turnover) so that the escalating warehousing cost could be reduced, cash flow pressure could be alleviated, and most importantly operating capital could be deployed efficiently. In the Year, the retail business continued to develop and 57 shops were opened. Retail revenue thus increased by 48%, while inventory level also increased proportionately to a consolidated inventory of HK$297,760,000 as at 30 April 2015 (2014: HK$218,516,000), representing an increase of 36% over the previous year. Inventory turnover that reflects the average number of days required to consume the inventory was 57 days (2014: 54 days), slightly increased from a year before. As at 30

April 2015, total deposits, prepayment, and other receivables (including prepaid rents and deposits of retail shops) increased commensurately with the increase in the number of shops of 759 STORE to HK$130,523,000 (2014: HK$103,789,000), an increase of 26%. Accounts receivable reduced due to the scale back of the manufacturing business. As at 30 April 2015, accounts receivable amounted to HK$55,625,000 (2014: HK$86,402,000), decreased by 36% comparing with the previous financial year end. Excluding the impact of the retail business, accounts receivable turnover stood at 86 days, a decrease of 3 days comparing with the previous financial year end (2014: 89 days).

Retail business

759 STORE, established in July 2010, cultivates its retail business with reference to the Japanese livelihood consumption model. 759 STORE persists in the maxim of "lower margin with high turnover", and has therefore adopted the policy of quick turnover, wide varieties of selection, providing consumers with leisurely shopping environment, and satisfactory service. The objective is to provide an alternative yet unique choice for the mass neighborhood market. As at 30 April 2015, the Group's retail shops stood at a number of 249 (2014: 192) shops. Nowadays, the retail business of 759 STORE has transformed from just selling snacks and beverages in the initial stage to the current stage of more varieties of merchandise and new attempts. We have also properly explored beyond the retail market to span the mass livelihood market, including bakery workshops and restaurants. Currently, the Group's "759" branded shops are as follows:

759 STORE and 759 STORE SUPERMARKET
Sells mainly snacks, beverages, rice and grain, non-staple food, frozen food, alcohols, pet snacks, household goods, kitchenware, household electrical appliances, personal care supplies, cosmetics, supplies for babies, toys, novelties, accessories, etc.

759 KAWAIILAND and 759 SKYLAND
Specializes in selling personal care supplies, cosmetics, supplies for babies, toys, novelties, accessories, etc.

759 KAGUYA and 759 STORE HOUSEHOLD MARKET
Specializes in selling household goods, kitchenware, household electric appliances, etc.

759 SHINGUYA
Specializes in selling fashionable pajamas and beddings

759 TOYSLAND
Specializes in selling supplies for babies, toys, etc.

759 WONTON NOODLE; 759 CART NOODLE; 759 CHA CHAAN TENG; 759 CAFE
Provides restaurant services

759 BAKERY
Specializes in selling self-baked food and supplies packed breads to 759 STORE shops within the vicinity

In the Year, retail business recorded a revenue of HK$2,133,805,000 (2014: HK$1,442,981,000), an increase of about 48% and representing 88% of the Group's total revenue (2014: 79%). As at 30 April 2015, we had 249 shops (2014: 192 shops), of which there were 5 restaurants and one bakery workshop. A total of 57 shops were added in the Year, representing an increase of 30%. 759 STORE aims at serving its neighborhood with shops branching across 18 districts, penetrating the residential area, into the shopping arcades and shops in both public and private estates. 759 STORE commands a total retail area of about 431,000 square feet (2014: 271,000 square feet), with average area per store of about 1,733 square feet (2014: 1,411 square feet). The increase in the average area per shop was attributable to the fact that newly added stores are bigger in size, thus furnishing more comfortable shopping environment for shoppers and providing sustainably increasing varied supplies of goods. In the Year, our merchandise covers snacks, beverages, rice and grain, non-staple foods, frozen foods, alcohols, pet snacks, household goods, kitchenware, household electric appliances, personal care supplies, cosmetics, supplies for babies, toys, novelties, accessories, etc. Shops of smaller areas and are located close to other shops are developed into boutique shops to cater for the special needs of the neighbors. In the Year, the overall rental market continued to see an upward trend in its rents and, therefore, total rental expenses for the Group increased to represent about 10.6% of retail business revenue (2014: 9.8%).

In terms of direct salary, the Group believes that only reasonable salary level can encourage various hierarchy of staff be settled in comfortable jobs, so that they will strive to work hard, thus serving our customers satisfactorily. The salary and allowances for our front-line staff force represented 7.9% of the segment's total revenue (2014: 8.1%). This reflects our front-line staff force have demonstrated a work efficiency that can slightly alleviate the impact from the upward trend of their salary. On the other hand, average front-line employees per shop stood at 4.0 persons (2014: 4.1 persons), roughly the same as a year before. The experience gained by our employees has enabled them to handle the expanded average floor area per shop, increasing varieties of goods, and expanding scale of sales.

Our retail business adopts a parallel import mode in container loads. Pricing is formulated based on predetermined percentages and parameters. As a result, consistent gross profit margin should be maintained level. The Year's gross profit of the retail business was HK$732,248,000 (2014: HK$488,720,000). Gross profit margin was at 34.3% (2014: 33.9%). The Group has continued to develop and increase the scale of its retail network. The policy of high turnover has enabled the Group to place stable, long-term and big orders to overseas distributors and manufacturers. In this way, because of the stable demand, suppliers can have more room to reduce its cost and provide competitive export prices to 759 STORE. The selling and distribution expenses, and administrative expenses were HK$553,968,000 and HK$107,793,000 respectively (2014: HK$350,278,000 and HK$86,820,000), representing an increase of 58% and 24% respectively. The increase in selling and distribution expenses were resulted from the increase in revenue that increased by 48% and the increase in rental expenses. And, provision in the Year for prepaid rental and rentals of the onerous contracts with respect to certain unsatisfactorily performed shops amounted to HK$6,051,000. On the administrative front, the resources of coil business located in Hong Kong and overseas were fully diverted, in the previous year and before, to the retail business. Currently, our existing organization structure and administrative system are resourcefully enough to cater for the business development in the Year and beyond. As a result, our administrative expenses remained stagnant and did not increase together with the increase in revenue. With the scale of retail business gradually expanding, the segment's operating profit in the Year amounted to HK$68,637,000 (2014: HK$51,157,000), representing an increase of 34%. Operating profit margin was 3.2% (2014: 3.5%).

In the Year, the revenue of the retail business continued to grow. The establishment of a unique procurement and supply chain system has been the critical factor of 759 STORE's successful development. 759 STORE has been extremely persistent in pricing autonomy and flexibility, and is persistent in pricing with reasonable formulae. Therefore, we have to rely on self-import for developing our source of supply. Our procurement team is composed of the core staff who served the coil business in prior years. After a few years' development, our procurement commands a sourcing network that spans worldwide. 759 STORE has so far sourced from 63 (2014: 60) different countries and areas. Currently its merchandise categories includes snacks, beverages, rice and grain, non-staple food, frozen food, alcohols, pet snacks, household goods, kitchenware, household electric appliances, personal care supplies, cosmetics, supplies for babies, toys, novelties, accessories, etc. Merchandise sold during the Year aggregated 23,500 varieties (2014: 14,500). 759 STORE's imports from the international network are mainly from overseas manufacturers, farms, exporters and major local wholesalers. When pricing is made, we will base on the import price to formulate with constant percentages and parameters. When the price is workout, most often the price will be similar to the retail selling price in the place of origin. In this way, when customers shop on imported merchandises they just feel like shopping overseas with similar consumer prices of those sold overseas. Concerning the relationship with local suppliers, the founder has endeavored to develop the rapport with them. The development so far has not been encouraging due to the competitions and supplier's requirement on pricing constraints. Yet, we have made some progress in securing local suppliers who like to do business with us. As the suppliers do not want us to compete with superstores, the merchandise local suppliers have supplied us are mostly second/third-tier merchandise. And, it does not help the operation effectiveness of 759 STORE. Also, building rapport with local suppliers always comes with rumors and speculations, and competitions with our contenders, which tends to be not worthwhile. As such, while we will maintain long term and stable rapport with some of our existing local suppliers, we will not further our procurement effort with other local suppliers, and will only focus on self-import as our procurement strategy in the meantime.

Electronic components manufacturing business

The Group's electronic components manufacture business and coil products are widely used in various electronic consumer products, such as mobile communication equipment, illuminating products, household appliances, computer and its peripheral products, and power supply devices. In the Year, the Group continued to reduce the electronic components manufacture business's scale in an orderly manner, maintain a low level of resources input, as well as utilize our well-established automated production facilities, focus on providing coil product, service and support for its international customers of years' partnership in the electronic industry. In the Year, the Group officially terminated the operation of the Nanjing workshop and made full provision for its relevant assets. As a result of the arrangement of the terminated production, the revenue of the segment of the electronic components manufacture business in the Year reduced by 26% to HK$285,771,000 (2014: HK$385,051,000).

Concerning the terminated Nanjing workshop, the Group made full provision which included prepaid rents, accounts receivable, inventories and staff costs, totaling HK$11,078,000, and current year's operating loss of HK$2,476,000. The aforesaid arrangement has negatively impacted the electronic components manufacturing business segment's gross profit margin and operating profit. Gross profit for the segment was HK$36,551,000 (2014: HK$56,589,000), representing a decline of 35%. Gross profit margin was also affected and stood at 12.8% (2014: 14.7%), reduced by about 1.9 percentage point. The segment's operating loss was HK$13,263,000 (2014: operating profit of HK$1,577,000). However, not taken into account the loss generated from the Nanjing workshop, the Group's electronic components manufacturing business, conducted mainly in the main factory in Zhongshan, still maintained positive operating results.

The Group's current manufacture business is mainly based in Zhongshan, Guangdong. With many years' development and investment, the manufacture base commands complete production facilities, well-established management process and highly integrated production. It mainly assembles coils and produces components for coils, which include ferrite cores, ceramic brackets, metallic parts, plastic accessories, molds, and packing material. The packing material manufacture department also supplies 759 STORE with necessary shopping plastic bags, and props for shop display purposes. The manufacture base is equipped with automated production facilities. Thus, under nowadays ever-increasing salary pay environment, the base can still maintain a economical production scale and competitive production cost, while capital expenditure was maintained at a relatively low level of HK$1,713,000 (2014: HK$3,525,000).

In the Year, the selling and distribution expenses of the electronic components manufacture business amounted to HK$7,705,000 (2014: HK$10,437,000), representing a reduction of 26% when compared with the previous year. This could be attributed to the decrease in total revenue of the segment. Administrative expenses were HK$38,989,000 (2014: HK$39,844,000). The balance of accounts receivable and inventory also reduced with the decline in revenue, which amounted to HK$49,020,000 and HK$70,268,000 respectively (2014: HK$80,582,000 and HK$84,474,000), representing a reduction of 39% and 17% respectively. The Group will proactively carry out its strict credit policy and inventory control, so that liquid capital will not be put under pressure.

Investment Properties

The rental income for the Group in the financial year was HK$2,796,000 (2014: HK$2,529,000), increased by 11%.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2015, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$117,502,000 (2014: HK$110,385,000). As at 30 April 2015, the Group had aggregate banking facilities of HK$922,518,000 (2014: HK$609,325,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK$295,765,000 (2014: HK$98,431,000). At 30 April 2015, the utilized banking facilities amounting to HK$626,753,000 (2014:HK$510,894,000) were secured by charges on the Group's certain land and buildings, investment properties, pledges of the Group's accounts receivable, bank deposits, and inventories. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 30 April 2015, the Group could comply with such financial covenants.

In the Year, because of the rapid development of the retail business, together with the purchase of warehouse and factory property in order to tackle the logistic requirement for business expansion, the Group's bank loans as at 30 April 2015 amounted to HK$623,011,000(2014: HK$499,085,000), increased by HK$123,926,000. As at 30 April 2015, the Group's gearing ratio* was 0.48 (2014: 0.42), which increased by 0.06 as compared with previous financial year. At the same time, the Group did not have any contingent liabilities (2014: Nil).

(The ratio of (total borrowings less bank balances and cash) over (total borrowings less bank balances and cash plus total equity))*

Assets

As at 30 April 2015, the Group had an inventory balance of HK$297,760,000 (2014: HK$218,516,000). The increase in inventory could be attributed to the inventory requirement of newly added shops. Besides, we have significantly increased the order of merchandise from overseas, such as Europe and the America. As at 30 April 2015, containers of goods still under shipment amounted to HK$69,995,000 (2014: HK$42,443,000), an increase of 65%. At the same time, the Group's aggregate prepayment, deposits, and other receivables (including prepaid rents and deposits) that amounted to HK$130,523,000 (2014: HK$103,789,000) has also increased together with the increase in the number of stores of 759 STORE.

Interest Expenses

In the Year, interest expense of the Group amounted to HK$19,010,000 (2014: HK$15,085,000), increased by 26%.

Financial resources and capital structure

In the Year, the Group's net cash inflow was HK$ 6,605,000 (2014: HK$12,536,000 net cash outflow), while net cash inflow from operating activities was HK$66,256,000 (2014: HK$31,797,000),that increased by one-fold comparing with the previous financial year. The increase was mainly attributed to the rise in revenue and the increase in operating profit. During the Year, the Group's earnings before depreciation, interest and amortization went up by HK$28,092,000, while accounts receivable reduced by HK$26,956,000. All these had positive impacts on the net cash inflow from operating activities. Net cash outflow from investing activities amounted to HK$160,612,000 (2014: HK$81,572,000) in the Year, representing a significant increase of 97%. This could be attributable to the acquisition of certain properties that included warehouse and factory property, fitting-out of newly opened shops, which saw an investment of HK$97,245,000 and HK$44,061,000 respectively (2014: HK$16,270,000 and HK$37,809,000). During the Year, net cash inflow from financing activities amounted to HK$100,961,000 (2014: HK$37,239,000).

Cash Flow Summary

	2015	2014
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**66,256**	31,797
Net cash outflow from investing activities	**(160,612)**	(81,572)
Net cash inflow from financing activities	**100,961**	37,239
Increase/(decrease) in cash and cash equivalents	**6,605**	(12,536)

As at 30 April 2015, the Group's net current liabilities was HK$219,682,000 (2014: HK$139,778,000) while current ratio stood at 0.70 time (2014: 0.77 time), which included pledge loans of approximately HK$160,218,000 (HK$43,993,000 repayable within one year; HK$116,225,000 repayable after one year). Such loan of HK$116,225,000 due for repayment after one year but contain a repayment on demand clause have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause". Because of the expansion of the retail business in the past 12 months, the purchase of goods, prepaid rents and deposits have resulted in an additional cash outflow from operation. The Group did not resort to the capital market for additional funds. Instead, the Group relied on its internal resources and the banking facilities secured by charges on the Group's properties and other assets to support the additional cash flow required. After taking into account the available banking facilities, and the future demand for capital will be mitigated after the retail business development has entered into a consolidation stage, it is anticipated that in future the demand for capital funds will be relaxed. Hence the management believes that the Group is well positioned with operating fund to cope with its existing development plan.

Charges on Assets

As at 30 April 2015, certain assets of the Group with an aggregate carrying value of approximately HK$448,844,000 (2014: HK$371,890,000) were pledged to secure banking facilities of the Group.

Exchange Risks

The Group's business is mainly conducted in Hong Kong, Mainland China and South-east Asia. The major revenue currencies are primarily denominated in Hong Kong dollar, Renminbi and United States dollars; whilst the major currencies in purchase commitments and operation costs are primarily denominated in Japanese Yen, United States dollars, Euro, Hong Kong dollar and Renminbi. The Group will endeavor to be vigilant in monitoring the fluctuation in exchange market, and will proactively adjust the combination of imported merchandise in order to offset the impact that may occur from currency fluctuation. Presently, if the exchange rates of Japanese Yen and Euro go up significantly, it will impact the Group's overall cost of imports. Because of this, the Group will pay vigilant attention to the fluctuation of Japanese Yen and Euro.

Employees

As at 30 April 2015, the Group employed approximately 3,000 staff (2014: 3,100). The remuneration of the employees is determined by reference to market benchmark, individual performance, academic qualification and work experience, subject to periodic review. Other agreed employee benefits includes pension scheme, medical insurance, on-job training, education subsidy and other social security and paid leaves stipulated under the relevant jurisdiction of places of operation.

Social Responsibilities

The Group is proactive in carrying out the responsibilities of a corporate citizen. By participating in various kinds of charitable, volunteer, and recreational activities, we have encouraged our staff force to care about the community and have promoted a sound mind in a sound body as well as their balanced development. We have also made donation to charitable organizations and educational institutions and have endeavored to participate in social welfare activities.

FUTURE PLAN AND OUTLOOK

Retail Business

Since 2010 July the retail business started, it had already been five years. Looking to the future, the Group had established a new scope for the next 5-years development, of which the main points were listed as follows:

From January 2015, the figures had reviewed that total retail sales value in Hong Kong time and again reduced. In the meantime, since number of visitor arrivals also showed downward trend, the future of local retail market was not clear. Although those the retail business served were locals, the retail business was still affected by Hong Kong general economic environment and consumer sentiment, in which the Group would foreseeably face much keen competition in future. Shop rental cost had still stayed as one of the significant factors in the development of the retail business. The founder deeply understood that property rent would be hard to come down so that he completely ruled out the possibility of cost reduction caused by waiting for property rent to come down. It could be described in Cantonese as "唔使預", meaning "no need to take into account". Rental level remaining high and not coming down was common factor faced by the whole retail market. The Group would insist to take "lower margin with high turnover" policy, studying the feasibility of providing much more discount offers to storecard holders in order to generally increase the turnovers in shops as much as possible, controlling the ratio of rent to turnover. The Group would also adopt the ratio of rent to turnover as the only one index in the decision of whether rental contracts in each shop could be renewed. The rental contract of some shops would not be renewed since their ratios of rent to turnover were not up to the standard.

The Group's retail business at the moment mainly carried「759 STORE」. The Group in the meantime opened various specialty shops such as「759 KAWAIILAND」 and「759 SKYLAND」which carried personal care items, cosmetics, baby items, toys, fine gift items and accessories,「759 KAGUYA」and「759 STORE HOUSEHOLD MARKET」which carried household items, kitchen utensils, home electric appliances,「759 SHINGUYA」which carried fashionable pajamas, bedding items and「759 TOYSLAND」which carried toys. The business data so far gathered showed that, customers were much willing to give their patronage to shops of larger size in which more item categories and more products could be carried for customers to choose. Presently, the number of shops larger than 1,500 square feet represents approximately 40% of the total number of shops. The number of shops larger than 3,000 square feet represents about 12%, while these shops contributed 22% of the total revenue of retail business in the Year, much higher than the average. Though many sites in Hong Kong could still be considered as good sites for new shops, and the difficulty of opening next 100 new shops might relatively be not high and able to handle, the Group would not put increasing the total number of shops as development target, where the Group had no need and also no intention to open new shops in the way of stretching new shops into all possible areas, known as "planting flags". The Group would only find the sites of greater area and lower rent per sq ft. as potential sites of new shops, setting target as that the shops greater than 1,500 sq ft. should account for more than 65% of total shop number, gradually consolidating the item categories in various specialty shops, focusing on sculpturing「759 STORE」into「large grocery store」(small department store) in order to provide our customers much comprehensive range of items to choose.

To match the scope of developing「759 STORE」into「large grocery store」(small department store), the Group would employ more frontline managerial staff of supermarket experience so as to strengthen the product display ability across various product categories coping with our high product flow rate policy. For salary cost, the Group expected that the labor market would still go tight. In addition to the effect of local rent and cost of living which kept rising, salary level would continue to stay in a trend of upward adjustment. The Group fully understood that only effective salary and remuneration scheme could make staff lead stable lifes and enjoy their careers, maintaining service standard and productivity. The Group will keep reviewing the reasonable level of basic salaries and performance-linked incentive program, including shop's performance on sales output in general and the promotion sales output of individual products on and off in certain periods, so as to encourage staff to work well along with "lower margin with high turnover" policy of the Group.

The Group adopted a self-import model in container loads, and at this moment had established a global sourcing network in which the number of countries or areas of origin had reached 63. The management considered that self-import model was an important factor of market differentiation for the retail business. We understood that supermarkets carried all kinds of products, displaying numerous product categories with the products that their brands were well known by the public. On the other hand, convenience stores widely spreaded in the city, providing extreme convenient services to the public. In between these two kinds of business models,「759 STORE」did not have wide coverage of products as supermarkets did and also was not convenient as convenience stores. In this connection, the only thing「759 STORE」could do was, continuously introducing more alternative products by expanding the scope of procurement and number of countries, especially those of brands famous overseas but not well known in HK market as alternative or supplementary items for standard products in current HK retail market. Looking into the future, based on business data so far collected, the Group planned to strengthen the supply of best-sellers by improving the procurement arrangement for the top 1000 items of customer favourites, so as to decrease the probability of short supply. On the other hand, the statistics of storecard usage showed that, around 480,000 customers shopped with storecards more than once a week, and about 1,150,000 customers shopped with storecards once or more in every 4 weeks. The management believed the statistics revealing that the number of customer patronage, relative to Hong Kong population, had gradually come into saturation that「759 STORE」had to expend the width of product variety in respect to the old weighting that snack took highest share. The Group planned to raise the shares of food groceries, household items and personal care items. Since agricultural items, fishes and meats mainly came from Europe, sourcing from Europe will be targeted to account for 35% of the total import, details of which are as follows.

	Target	**2015**	2014
Japan	40%	**42.1%**	55.0%
Europe	35%	**15.6%**	13.6%
Korea	8%	**15.8%**	12.9%
Taiwan	5%	**9.2%**	9.4%
China	5%	**4.4%**	1.3%
Others	7%	**12.9%**	7.8%

	Target	**2015**	2014
Snack	30%	**48.9%**	60.2%
Cereals, oil and foodstuffs	38%	**36.5%**	32.9%
Household and Personal Care items	26%	**9.2%**	3.7%
Others	6%	**5.4%**	3.2%

The Group had completed the development of software and hardware regarding online sales platform for some time. It laid still for while since the Group had put its focus on developing and optimizing the retail business of brick and mortar shops. In the first quarter of the new financial year, the founder launched a 5-year "Youth Training Program" for those university graduates who wanted to develop their career in retail business. A number of fresh graduated university graduates had joined the Group under this program and their first mission was online sales. Coached by the founder himself, participants of the program was at this moment working hard to prepare and lead the newly established「759 ONLINE」, getting ready to start online sales business on 8 August 2015. Although the founder still had some concerns on heavy traffic in Hong Kong, expecting that the logistic cost for delivery would be high, he believed that online shopping was an inevitable trend and a good chance to train participants of the program as the future management of the retail business.「759 ONLINE」did not have budget to "burn money". Balanced budget was the only standard for「759 ONLINE」to move on. The Group hoped that precious business data could be gathered after「759 ONLINE」was launched so as to support the long term development of the retail business.

On the other hand, the Group was planning to start its wholesale business in January 2016 with its own sales team, in consideration of whether recruiting sales professionals externally. Working along with the wholesales customer interface built in「759 ONLINE」, the Group considered small-sized retailers as its target customers of wholesale business, wholesaling the bestsellers that「759 STORE」directly imported from overseas manufacturers. The management was studying in depth the feasibility on developing wholesales business, figuring out how to interact with wholesales customers. For retail network, the founder strongly insisted that HK was the only market and business area for「759 STORE」in the next 5 years and the Group would focus on providing Hong Kong locals much more shopping alternatives and much heartwarming services.

Concerning the restaurant business, the Group now operates 7 restaurants. Running a restaurant is not the same as running a retail shop, creating certain pressure in operation management, workflow and human resources. As a result, the Group anticipates that more time is necessary to accumulate experience and operation data for future development.

In the past 5 years, the development of the Group's retail business was rapid in pace. Tremendous amount of funds was required to cope with the development. As such, the trust and support of our principal bankers to provide sufficient credit facilities to the Group are of paramount important. The founder will keep working together closely with our existing principal bankers, and will endeavor to update our bankers with our latest operation conditions in high transparency. Also, the bankers will fully understand the flow rate of our imported goods by processing our import trade finance bills. In the next five years, the Group will maintain prudency in its financial management to ensure that its sources of funds be deployed for developing the retail business, and in good order. It is also ensured that we will not invest in other projects which are not related to the Group's business.

Manufacturing business

In the Year, the Nanjing workshop was terminated and was withdrawn from production operation. The Nanjing company will be transformed to become the warehouse and procurement center for the Group in Eastern China. It will coordinate with our other subsidiaries in Chongqing, Xiamen and Zhongshan to explore premium Made-in-China products for Hong Kong's 759 STORE, thus providing more choices for our customers. On the other hand, after the termination of the Nanjing workshop, the Group's manufacturing business will be concentrated in the Guangdong province. The Group will continue to deploy a policy of contracting the business on a step-by-step basis and with a target that its profit and loss account be maintained at a positive level.

APPRECIATION

I would like to represent the management to give true gratitude to the kai-fong who supported 759 STORE, the clients of coils business, hard working staff, partner suppliers of retail and coils business and our essential financing banks.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company had not redeemed any of its listed shares during the year ended 30 April 2015. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the year ended 30 April 2015.

CORPORATE GOVERNANCE PRACTICES CODE

The Board believes that good corporate governance is not only in the interest of the Company and its shareholders as a whole, but also increasingly important for maintaining and promoting investor confidence. The Board is responsible for ensuring a high quality of corporate governance. The Company has adopted the principles and complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 30 April 2015, except for the following deviations:

1. Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

   Before 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the "CEO") were performed by two different executive directors of the Company. Due to the re-allocation of the respective duties of the executive directors of the Company, Mr. Lam Wai Chun, the Chairman of the Board, has been appointed as the Managing Director of the Company with effect from 29 September 2009 and has carried out the responsibilities of the CEO since then. This constitutes a deviation from Code Provision A.2.1 which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, as Mr. Lam Wai Chun is the founder of the Group and possesses substantial and valuable experience in the industry that is relevant to the Group's operation, the Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders as a whole.

2. Under code provision E.1.2 of the Code, the Chairman of the Board should attend the annual general meeting of the Company.

   The Chairman of the Board did not attend the Annual General Meeting of the Company held on 25 September 2014 (the "2014 AGM") due to his illness at the material time. Ms. Tang Fung Kwan, the executive director of the Company, who took the chair of the 2014 AGM and other members of the Board (including the chairman of each of the Audit Committee and the Remuneration Committee and the members of the Nomination Committee) attended the 2014 AGM to ensure effective communication with the shareholders of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company, currently comprising three independent non-executive directors, has reviewed the accounting principles and practices adopted by the Group, the internal control of the Group and the annual results of the Company for the year ended 30 April 2015.

REMUNERATION COMMITTEE

The Company established a remuneration committee for the purpose of making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration committee also has the delegated responsibility to make recommendations to the Board on (i) the remuneration packages of individual executive directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment and (ii) the remuneration of non-executive directors. The remuneration committee currently comprises four members including one executive director, namely Ms. Tang Fung Kwan, and three independent non-executive directors, namely Mr. Au Son Yiu (chairman of the Remuneration Committee), Mr. Goh Gen Cheung and Mr. Chan Chiu Ying.

NOMINATION COMMITTEE

The Company established a nomination committee to review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board, to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy and to assess the independence of independent non-executive directors of the Company. The nomination committee currently comprises four members including one executive director, namely Mr. Lam Wai Chun (chairman of the Nomination Committee), and three independent non-executive directors, namely Mr. Au Son Yiu, Mr. Goh Gen Cheung and Mr. Chan Chiu Ying.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. 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 for the period from 1 May 2014 to 30 April 2015. The Model Code also applies to the relevant employees of the Group.

Further information on the corporate governance practices of the Company will be set out in 2014/2015 annual report of the Company, which will be sent to the shareholders of the Company by the end of August 2015.

ANNUAL GENERAL MEETING

The 2015 Annual General Meeting of the Company will be held on Friday, 25 September 2015 and the Notice of Annual General Meeting will be published and despatched in accordance with the Listing Rules in due course.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 29 July 2015

As at the date hereof, the Board comprises three Executive Directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan and Mr. Ho Man Lee; and three Independentt Non-executive Directors, namely Mr. Au Son Yiu, Mr. Goh Gen Cheung and Mr. Chan Chiu Ying.

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

* *For identification purpose only*