CEC INTERNATIONAL HOLDINGS LIMITED
（CEC 國際控股有限公司）*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0759)

2005/2006 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of CEC International Holdings Limited (the "Company") is pleased to announce that the unaudited condensed consolidated accounts of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 31st October 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 31st October		Six months ended 31st October	
		2005	2004	**2005**	2004
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited) (Restated)
Turnover	*3*	**156,059**	150,217	**301,272**	293,388
Cost of sales		**(120,826)**	(116,765)	**(234,669)**	(228,130)
Gross profit		**35,233**	33,452	**66,603**	65,258
Other revenue		**175**	37	**1,626**	62
Selling and distribution expenses		**(3,057)**	(2,798)	**(5,994)**	(5,960)
General and administrative expenses		**(18,176)**	(18,450)	**(33,954)**	(35,640)
Operating profit		**14,175**	12,241	**28,281**	23,720
Finance costs	*4*	**(4,593)**	(4,054)	**(9,635)**	(7,997)
Profit before taxation	*3,5*	**9,582**	8,187	**18,646**	15,723
Taxation	*6*	**(2,355)**	(919)	**(4,840)**	(2,521)
Profit attributable to equity holders of the Company		**7,227**	7,268	**13,806**	13,202
Earnings per share					
– Basic	*8*	**1.04 cents**	1.05 cents	**1.99 cents**	1.90 cents
– Diluted	*8*	**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 31st October 2005 HK$'000 (Unaudited)	As at 30th April 2005 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**382,660**	388,597
Investment properties		**12,275**	6,670
Leasehold land and land use rights		**13,313**	13,471
Investment in associates		**25**	25
Available-for-sale financial asset		**6,381**	–
Investment securities		**–**	8,580
Deposit for acquisition of land use rights		**6,254**	6,254
Deposit for property, plant and equipment		**2,632**	–
		423,540	423,597
Current assets			
Inventories		**54,930**	56,762
Trade receivables		**150,310**	97,632
Bills receivable		**–**	88
Prepayments, deposits and other receivables		**8,781**	6,053
Available-for-sale financial assets		**1,029**	–
Other investments		**–**	1,192
Tax recoverable		**143**	84
Pledged bank deposits		**25,093**	24,879
Bank balances and cash		**46,202**	43,770
		286,488	230,460
Total assets		**710,028**	654,057
EQUITY			
Share capital		**71,661**	69,303
Reserves			
Proposed final dividend		**–**	4,851
Others		**256,050**	239,604
Total equity		**327,711**	313,758
LIABILITIES			
Non-current liabilities			
Long-term bank loans, non-current portion	*9*	**113,916**	22,406
Finance lease obligations, non-current portion		**858**	1,491
Deferred tax		**16,044**	17,740
		130,818	41,637
Current liabilities			
Short-term bank borrowings	*9*	**161,384**	211,791
Trade payables		**57,943**	46,401
Bills payable		**324**	5,212
Accruals and other payables		**25,170**	26,089
Finance lease obligations, current portion		**1,598**	2,588
Taxation payable		**5,080**	6,581
		251,499	298,662
Total liabilities		**382,317**	340,299
Total equity and liabilities		**710,028**	654,057
Net current assets/(liabilities)		**34,989**	(68,202)
Total assets less current liabilities		**458,529**	355,395

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim accounts for the six months ended 31st October 2005 (the "Interim Accounts") 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. The Interim Accounts should be read in conjunction with the annual accounts for the year ended 30th April 2005.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 30th April 2005 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKASs which are effective for accounting periods commencing on or after 1st January 2005. The major changes to the Group's accounting policies and the effect of adopting these new accounting policies are set out in note 2 below.

2. Impact of new/revised HKFRSs and HKASs

The major and significant effects of the adoption of the new/revised HKFRSs and HKASs on the Group's accounting policies and amounts disclosed in the Interim Accounts are summarised as follows:

(A) HKAS 17 "Leases"

In prior years, leasehold land and buildings held for own use were stated at revaluation less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the property revaluation reserve.

With the adoption of HKAS 17 as from 1st May 2005, where the land and building elements of the leasehold properties held for own use can be allocated reliably at the inception of the lease, the land element is accounted for as operating lease.

Such leasehold land will no longer be revalued. Instead, any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term.

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. However, as from 1st May 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

This new accounting policy has been adopted retrospectively and reflected by way of prior year adjustment and restatement of comparative figures.

Net increases/(decreases) in the following items on restatement of balance sheets

	As at 30th April 2005 *HK$'000*	As at 31st October 2004 *HK$'000*
Assets:		
Leasehold land and land use rights	**13,471**	13,629
Property, plant and equipment	**(41,075)**	(33,403)
Liabilities and reserves:		
Property revaluation reserve	**(22,727)**	(17,447)
Deferred tax	**(6,404)**	(3,619)
Retained profits	**1,527**	1,292

Net increases/(decreases) in the following items on restatement of income statement

	Six months ended 31st October	
	2005 *HK$'000*	2004 *HK$'000*
Depreciation	**(394)**	(394)
Rental expenses	**158**	158

(B) HKAS 32 "Financial Instruments: Disclosure and Presentation" HKAS 39 "Financial Instruments: Recognition and Measurement"

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

(i) The Group adopted the transitional provisions of HKAS 32 and HKAS 39 and all "investment securities" and "other investments" were redesignated as "available-for-sale financial assets" as at 1st May 2005. Available-for-sale financial assets are measured at fair value and changes in fair value are recognised in the investment revaluation reserve. This has resulted in a decrease in available-for-sale financial assets and a corresponding decrease in investment revaluation reserve of approximately HK$2,363,000 as at 31st October 2005 (1st May 2005: HK$1,017,000).

(ii) HKAS 39 requires that where an entity sells trade receivables with recourse, these trade receivables should be accounted for as a collateralised borrowing, since it does not qualify for derecognition. In the past, the Group followed the principles under the replaced accounting standard SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets" and disclosed such type of transaction as contingent liabilities.

The Group has adopted HKAS 32 and HKAS 39 prospectively. For trade receivables sold with recourse, the change in the accounting policy has resulted in an increase in trade receivables and a corresponding increase in borrowings of approximately HK$21,896,000 as at 1st May 2005. As at 31st October 2005, the Group had no trade receivables sold with recourse.

(iii) On 1st May 2005, the Group measured its financial assets and liabilities in accordance with the relevant transitional provisions of HKAS 39.

(C) HKAS 40 "Investment Property"
HKAS 12 "Income Taxes" – HKAS Interpretation 21 ("HKAS-Int 21") - Recovery of revalued non-depreciable assets

In prior years, investment properties were carried at valuation assessed by professionally qualified valuers on an open market value basis. Increases in valuations were credited to the investment property revaluation reserve. Decreases in valuations were first set off against the investment property revaluation reserve on a portfolio basis and thereafter were charged to the income statement. No deferred taxation was provided on revaluation surplus of investment properties.

On adoption of HKAS 40, investment properties are carried at fair value with the changes in fair value reported directly in the income statement. Deferred tax is provided on revaluation surplus of investment properties in accordance with HKAS-Int 21 on HKAS 12.

The Group has adopted HKAS 40 prospectively. The effects of change in accounting policy are as follows:

Net increases/(decreases) in the following items on balance sheet

	As at 1st May 2005 *HK$'000*
Liabilities and reserves:	
Investment property revaluation reserve	(520)
Deferred tax	91
Retained profits	429

3. Segment information

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, development, manufacture and sale of a wide range of coils, capacitors, ferrite powder and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products.

With reference to 2004/2005 annual report, the directors of the Company re-classified certain segmental information. Coils manufacturing, capacitors manufacturing and ferrite powder manufacturing were combined and classified as "Electronic components manufacturing". Besides, information technology services, electronic components trading and others, being the non-core business, were combined and classified as "Others". Certain comparative figures of segmental information for the three months ended and six months ended 31st October 2004 have been re-classified to conform to the current period's presentation.

Analysis of turnover and profit/(loss) before taxation by business segment is as follows:

	Turnover			
	Three months ended 31st October		**Six months ended 31st October**	
	2005 ***HK$'000***	2004 *HK$000* (Restated)	**2005** ***HK$'000***	2004 *HK$'000* (Restated)
Electronic components manufacturing	**155,690**	149,580	**300,532**	289,979
Others	**369**	637	**740**	3,409
	156,059	150,217	**301,272**	293,388

	Profit/(loss) before taxation			
	Three months ended 31st October		**Six months ended 31st October**	
	2005 ***HK$'000***	2004 *HK$'000* (Restated)	**2005** ***HK$'000***	2004 *HK$'000* (Restated)
Electronic components manufacturing	**9,320**	8,266	**18,059**	16,017
Others	**262**	(79)	**587**	(294)
	9,582	8,187	**18,646**	15,723

4. Finance costs

	Three months ended 31st October		**Six months ended 31st October**	
	2005 ***HK$'000***	2004 *HK$'000* (Restated)	**2005** ***HK$'000***	2004 *HK$'000* (Restated)
Interest expenses	**3,969**	3,723	**8,835**	7,335
Arrangement fee on long-term bank loan	**624**	331	**800**	662
	4,593	4,054	**9,635**	7,997

5. Profit before taxation

Profit before taxation is stated after crediting and charging the following:

	Three months ended 31st October		Six months ended 31st October	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Crediting				
Gain on disposal of investment properties	**–**	–	**–**	50
Income from available-for-sale financial assets	**34**	–	**1,339**	–
Interest income	**141**	37	**287**	62
Charging				
Depreciation of property, plant and equipment	**16,559**	16,038	**33,258**	31,715
Unrealised loss on other investment	**–**	939	**–**	939
Cost of inventories sold	**120,326**	116,466	**233,643**	227,274
Staff costs (including directors' emoluments)	**35,743**	31,406	**66,430**	62,033

6. Taxation

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 31st October		Six months ended 31st October	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax – current tax	**2,521**	1,530	**4,628**	2,758
Overseas taxation – current tax	**1,111**	62	**1,959**	1,145
Deferred taxation	**(1,277)**	(673)	**(1,747)**	(1,382)
	2,355	919	**4,840**	2,521

7. Dividend

The Board resolved not to declare any dividend in respect of the six months ended 31st October 2005 (2004: Nil).

8. Earnings per share

The calculation of basic earnings per share for the three months ended 31st October 2005 is based on the profit attributable to equity holders of the Company of approximately HK$7,227,000 (2004: HK$7,268,000) and the weighted average number of 695,079,419 (2004: 693,028,811) shares in issue during the period.

The calculation of basic earnings per share for the six months ended 31st October 2005 is based on the profit attributable to equity holders of the Company of approximately HK$13,806,000 (2004: HK$13,202,000) and the weighted average number of 694,054,115 (2004: 693,028,811) shares in issue during the period.

No information in respect of diluted earnings per share is presented as the exercise of the outstanding options (if any) during the three months and six months ended 31st October 2004 and 31st October 2005 respectively would have no dilutive effect.

9. Bank loans

(a) *Long-term bank loans*

During the period, the Group obtained long-term bank loans in the amount of HK$197,721,000 and the long-tem bank loans amounting to approximately HK$104,902,000 were repaid.

(b) *Short-term bank borrowings*

	As at 31st October 2005	As at 30th April 2005
	HK$'000	*HK$'000*
Bank overdrafts	**–**	15,438
Short-term bank loans	**64,543**	78,628
Trust receipts bank loans	**5,395**	28,388
Long-term bank loans, current portion	**91,446**	89,337
	161,384	211,791

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has been prudent in operating its business and making investment, with policy for optimizing its production and increasing the efficiency of management to enhance the competitiveness of its products and services in developing its core business step by step. Shareholders' return rate has been served as target in controlling the operating expenses, deployment of resources and capital expenditure. For the six months ended 31st October 2005, the Group's turnover, similar to that of the corresponding period last year, was HK$301,272,000 (2004: HK$293,388,000), of which 99.8% came from its core business, electronic components manufacturing segment, with a turnover of HK$300,532,000 (2004: HK$289,979,000).

During the period under review, the Group's gross profit was HK$66,603,000 (2004: HK$65,258,000). Gross profit margin was 22.1% (2004: 22.2%), with a slight decrease of 0.1% as compared with that of the corresponding period last year resulting from its utmost effort in improving its production and logistics efficiency for resisting the pressure exerted on cost of production by the soaring prices of raw materials in metal and plastics, energy charges and wages in Mainland China. Operating profit and profit attributable to equity holders for the period were HK$28,281,000 (2004: HK$23,720,000) and HK$13,806,000 (2004: HK$13,202,000), respectively. During the period, earnings before interest, tax, depreciation and amortisation ("EBITDA") was HK$61,252,000 (2004: HK$55,373,000). The remarkable rise in the interest rate of Hong Kong dollar as compared with that of the same period last year led to an increase in interest expenses. However, the profit indicators could be maintained reflecting the result of the Group's endeavour in controlling cost and operating expenses.

Recently, the employment markets in Hong Kong and Mainland China have been becoming more active than the past few years, with higher remuneration benchmark. The Group also kept up with the markets by reviewing the remuneration system of its subsidiaries and reasonably struck a balance between the positions and the levels of remuneration and fringe benefits. After the review, the Group's overall staff cost recorded a rise of 7.1% to HK$66,430,000 (2004: HK$62,033,000) during the period under review. The Group is currently committed to studying job assignments according to positions for optimizing the division of labour and work flow between departments, and increases work efficiency of staff through effective training programmes. In addition, the Group will introduce new system for performance appraisal in terms of work efficiency. Those with outstanding performance will be provided with generous incentive programmes, through which increases in work efficiency and their enthusiasm for work are expected to be achieved.

FINANCIAL REVIEW

Funds Surplus and Liabilities

As at 31st October 2005, bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$71,295,000 (30th April 2005: HK$68,649,000). The banking facilities were secured by mortgages on the Group's certain buildings, pledges of the Group's bank deposits, available-for-sale financial asset and machinery, and corporate guarantees provided by the Company and its certain subsidiaries. In addition, the Group is required to meet certain restrictive financial covenants with the major financing banks. As at 31st October 2005, the Group could comply with such financial ratios, which indicates that the Group's financial position was satisfactory.

As at 31st October 2005, the Group's total borrowings granted from banks and financial institutions was HK$277,756,000 (30th April 2005: HK$238,276,000), of which HK$162,982,000 (30th April 2005: HK$214,379,000) was current and HK$114,774,000 (30th April 2005: HK$23,897,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. As at 31st October 2005, the current ratio was 1.14 (30th April 2005: 0.77) at a relatively steady level; whilst the Group's average inventory turnover was of approximately 43 days (30th April 2005: 60 days) and the average trade receivable turnover was of approximately 81 days (30th April 2005: 82 days).

On 27th April 2005, the Company entered into a 3-year transferable term loan and revolving credit facility agreement for an aggregate amount of HK$243,000,000 with a group of banks. The facility was fully drawn down before the end of May 2005 and was mainly used to re-organize the Group's debt structure, including the overall current and non-current borrowings. As at 31st October 2005, the re-organization of the Group's main debt structure was completed, therefore, the level of cash in hand was similar to that at the financial year-end-date of last year.

Financial Resources and Capital Structure

The Group's net cash inflow for the six months ended 31st October 2005 amounted to HK$17,870,000 (2004: outflow of HK$3,051,000). Net cash inflow from operating activities was HK$5,293,000 (2004: HK$67,741,000). Net cash inflow from financing activities was HK$43,831,000 (2004: outflow of HK$45,382,000). During the period, the increase in net cash inflow from financing activities was mainly attributable to the draw-down of the aggregate amount of HK$243,000,000 under the aforesaid 3-year transferable term loan and revolving credit facility agreement. The Group expects that the use of fixed term loans in gradually replacing the short-term trade finance and trust receipt bank loans in future can procure relatively stable sources for working capital with a view to reducing the cost of capital.

As at 31st October 2005, the Group's net gearing ratio* was 0.63 (30th April 2005: 0.64). The level of net gearing ratio was similar to that at the financial year-end-date of last year due to the completed re-organization of the Group's main debt structure during the period. The Group will continuously adopt prudent approach to control its financial resources.

(The ratio of (total borrowings plus bills payable and contingent liabilities less total cash and bank deposits) over (net tangible assets less proposed final dividend))*

As to interest expenses, for the six months ended 31st October 2005, the Group's interest expenses was HK$8,835,000 (2004: HK$7,335,000). The rise in interest expenses was mainly due to (1) an increase in the Group's total borrowings during the period as mentioned above; (2) the interbank offer rate and prime rate of Hong Kong remarkably soared in the past year, which resulted in a rise of more than 2% in the Group's average interest rate of borrowings as compared with that of the corresponding period last year. Faced with such interest-rate hike cycle, the Group will endeavour to reduce all kinds of expenditure (including capital expenditure) and to strengthen the effective use of working capital so as to reduce borrowings.

For the six months ended 31st October 2005, net cash outflow from investing activities was HK$32,452,000 (2004: HK$25,204,000), the capital expenditure of which was mainly used in purchasing equipment and constructing manufacturing plant, which were approximately HK$16,675,000 (2004: HK$23,049,000) and approximately HK$8,868,000 (2004: Nil), respectively for raising the production capacity, and purchasing investment properties amounting to approximately HK$5,605,000 (2004: HK$1,551,000).

Cash Flow Summary

	For the six months ended 31st October	
	2005	2004
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**5,293**	67,741
Net cash outflow from investing activities	**(32,452)**	(25,204)
Net cash inflow/(outflow) from financing activities	**43,831**	(45,382)
Exchange adjustment	**1,198**	(206)
Increase/(decrease) in cash and cash equivalents	**17,870**	(3,051)

Charges on Assets

As at 31st October 2005, certain assets of the Group with an aggregate carrying value of HK$39,068,000 (30th April 2005: HK$46,221,000) were pledged to secure banking facilities and finance lease.

Exchange Risks

The Group's business is mainly conducted in Mainland China, Hong Kong and South-east Asia and the major revenue currencies and major currencies in purchase commitments primarily denominated in Hong Kong dollar, Renminbi ("RMB") and United States dollar. Since The People's Bank of China announced an appreciation of 2% of RMB against United States dollar at the end of July 2005, the Group's certain revenues and expenses denominated in RMB may be subject to significant impact arising from the fluctuations in RMB in the future, but the fluctuation in RMB has been only preliminary and mild for the time being. As such, the Board is of the view that it is not necessary for the Group to purchase any foreign exchange futures or options contract to hedge against exchange risks, but will closely monitor the fluctuations in exchange rates of the currencies.

The Group's borrowings are mainly settled in Hong Kong dollars. The Board believes that there is no substantial exchange risk.

FUTURE PLAN AND PROSPECTS

Looking ahead, the Group will continue to face four major challenges: (1) prolonged price-hike of raw materials (especially copper and other metal oxides) and energy; (2) further appreciation of Renminbi; (3) surging labour costs driven by labour-shortage in Mainland China; and (4) over-supply of electronic components which rocks the market and clouds order-sourcing. All the above factors may have negative effects on the Group's earning prospects. The Group expects that the overall business will maintain steady development in the next quarter. However, it is hard to have an accurate forecast on the business development in the fourth and subsequent quarters by virtue of the above-mentioned four factors.

The Group will carry through its prudent investment strategy to develop its core coil business under controllable circumstances, in a sense not to be engaged in any risky investment project with relevant capital expenditure made. The specific development directions are set out as follows:

1. The Group has been regarding Zhongshan, Guangdong Province as its main production base and is contemplating to establish several new production bases in addition to its Zhongshan main plant. The establishment of new production bases will facilitate the Group's staff recruitment in these different regions to relax the labour-shortage pressure being endured by Zhongshan main plant. On the other hand, the newly established production bases can satisfy individual needs of certain partnership customers, cut back certain customer services, reduce logistics cost and simplify the production

complexity of the existing Zhongshan plant. Moreover, the newly established production bases will create new management vacancies, leaving room for the existing staff to develop their careers as well as providing the Group with opportunities in training and promoting the management talents.

2. The Group has planned to make Hong Kong as its core management base in Pan Pearl River Delta region. Hong Kong will be developed into the administrative base of marketing, sales, information technology, capital management and product research and development. The Group has assigned some young management trainees, who were trained earlier in its subsidiaries in Mainland China, to the above-mentioned functional positions; while production bases located in Pan Pearl River Delta region, including Zhongshan plant, Dongguan plant, Nanjing plant, Gaozhou plant, Xiamen plant and Kunshan plant, are responsible for production technology, quality control and logistics management. Besides, the Group is considering the feasibility in establishing additional centers for product research and development in Hong Kong, other than in Zhongshan, with an objective to recruit science and technology talents from Hong Kong, Mainland China and even from world-wide for raising the Group's capability in product development in the future. The feasibility study of this project is being conducted by the Group. It is expected to have the results of the study before the end of this financial year-end-date.

EMPLOYEES AND REMUNERATION POLICY

The Group had approximately 6,700 employees as at 31st October 2005. 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. Under the share option scheme of the Company, options may be granted to eligible employees to subscribe for shares in the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 31st October 2005.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period for the six months ended 31st October 2005, except the code provision C.2 on internal control (which is applicable to the accounting periods commencing on or after 1st July 2005) and the following deviations:

1. There was no procedure agreed by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense. In June 2005, the Board approved and adopted the normal procedure to be applied for such written request from directors.

2. All the independent non-executive directors have not been appointed for a specific term, but are subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company. At the Annual General Meeting of the Company held on 23rd September 2005 (the "AGM"), amendments to the Bye-laws of the Company were approved to require every director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years, or in any event, no later than the third annual general meeting of the Company after he was last elected or re-elected (i.e. the term of appointment of each director is effectively three years). The Company considers that sufficient measure has been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

3. Written guidelines incorporating certain crucial rules of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were established for relevant employees of the Group in respect of their dealings in the securities of the Company. In July 2005, a model code for securities transactions by relevant employees on no less exacting terms than the Model Code was adopted by the Board. Such code will be issued to relevant employees of the Group as and when appropriate.

4. The division of responsibilities between the Chairman and Managing Director of the Company was not clearly established and set out in writing, and the functions reserved to the Board and those delegated to the management was not formalised. In July 2005, the aforesaid division of responsibilities was clearly established in writing and the practice for the Board's functions and the delegation to the management was formalised.

5. The Company did not make available the terms of reference of the Remuneration Committee and Audit Committee on its website. In August 2005, the terms of reference of the aforesaid committees were posted on the Company's website.

6. The Chairman of the Board did not attend the AGM due to illness. The Managing Director of the Company, who took the chair of the AGM, and all other members of the Board (including the chairman of each of the Audit Committee and Remuneration Committee) attended the AGM to answer questions at the AGM.

During the review period, the Company also complied certain extent of the recommended best practices of the Code as follows:

(i) The Company has been announcing and publishing quarterly financial results within 60 days after the end of the relevant quarter since its listing on The Stock Exchange of Hong Kong Limited.

(ii) The Board comprised four executive directors and three independent non-executive directors. The number of independent non-executive directors represented more than one-third of the Board.

The subsequent appointment of Mr. Goh Gen Cheung ("Mr. Goh") in December 2005 brought the number of independent non-executive directors of the Company representing 50% of the Board. The Board believes that the Group will benefit from the valuable advice on the Group's finance policy provided by Mr. Goh, who has extensive experience in finance and banking. On the other hand, the Group has contemplated to strengthen its internal audit by conducting regular internal audit on the Group's subsidiaries in Mainland China with a view to enhancing the standard of corporate governance.

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises the four independent non-executive directors after the appointment of Mr. Goh with effect from 1st December 2005, 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. The written terms of reference of the Audit Committee has been modified in accordance with the code provisions set out in the Code in Appendix 14 of the Listing Rules. 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 and the interim results announcement for the six months ended 31st October 2005.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 21st December 2005

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Mr. Chua You Sing and Ms. Li Hong; and four Independent Non-executive Directors, namely Mr. Au Son Yiu, Mr. Lee Wing Kwan, Denis, Dr. Tang Tin Sek and Mr. Goh Gen Cheung.

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

* *For identification purpose only*