CEC INTERNATIONAL HOLDINGS LIMITED
（CEC 國 際 控 股 有 限 公 司）*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0759)

2005/2006 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of CEC International Holdings Limited (the "Company") is pleased to announce that the audited consolidated income statement of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 April 2006 and the audited consolidated balance sheet of the Group as at 30 April 2006, together with comparative figures for 2005, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2006

	Note	**2006** *HK$'000*	2005 *HK$'000* (restated)
Turnover	2	**618,561**	554,291
Cost of sales	4	**(482,808)**	(428,684)
Gross profit		**135,753**	125,607
Other gains, net	3	**4,927**	211
Selling and distribution expenses	4	**(13,344)**	(12,007)
General and administrative expenses	4	**(77,367)**	(71,148)
Operating profit		**49,969**	42,663
Finance costs	5	**(18,550)**	(16,268)
Share of losses of associates		**(25)**	(8)
Profit before taxation		**31,394**	26,387
Taxation	6	**(8,098)**	(6,386)
Profit attributable to equity holders of the Company		**23,296**	20,001
Earnings per share	7		
– Basic		**HK3.30 cents**	HK2.89 cents
– Diluted		**N/A**	N/A
Dividend	8	**6,449**	4,851

CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2006

	Note	2006 *HK$'000*	2005 *HK$'000* (restated)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**23,865**	13,471
Property, plant and equipment		**370,681**	388,597
Investment properties		**10,970**	6,670
Investment in associates		**–**	25
Available-for-sale financial assets		**7,079**	–
Investment securities		**–**	8,580
Deposit for acquisition of land use rights		**–**	6,254
		412,595	423,597
Current assets			
Inventories		**65,428**	56,762
Bills and account receivables	*9*	**162,622**	97,720
Other receivables	*9*	**7,961**	6,053
Other investments		**–**	1,192
Tax recoverable		**53**	84
Pledged bank deposits		**25,446**	24,879
Bank balances and cash		**47,562**	43,770
		309,072	230,460
Total assets		**721,667**	654,057
EQUITY			
Share capital		**71,661**	69,303
Reserves			
Proposed final dividend		**6,449**	4,851
Others		**262,866**	239,604
Total equity		**340,976**	313,758
LIABILITIES			
Non-current liabilities			
Borrowings		**87,365**	23,897
Deferred tax		**13,508**	17,740
		100,873	41,637
Current liabilities			
Borrowings		**183,956**	214,379
Bills and account payables	*10*	**54,742**	51,613
Accruals and other payables		**31,647**	26,089
Taxation payable		**9,473**	6,581
		279,818	298,662
Total liabilities		**380,691**	340,299
Total equity and liabilities		**721,667**	654,057
Net current assets/(liabilities)		**29,254**	(68,202)
Total assets less current liabilities		**441,849**	355,395

Notes:

1. **Basis of preparation and accounting policies**

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

The preparation of 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 Company's accounting policies.

The adoption of new/revised HKFRS

In 2006, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Shared-based Payments

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33, 36 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures;
– HKASs 2, 7, 8, 10, 16, 23, 27, 28, 33, 36 and HKAS-Int 15 had no material effect on the Group's policies;
– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard; and
– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at fair value less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other income. In prior years, the increases in fair value were credited to the investment property revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30 April 2005, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 May 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 May 2005 was expensed retrospectively in the income statement of the respective periods. The adoption of HKFRS 2 had no material financial impact on the financial statements as at and for the years ended 30 April 2005 and 30 April 2006 as all share options of the Group were granted before 7 November 2002.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

- HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted for at fair value prospectively only to future transactions;
- HKAS 21 – prospective accounting for fair value adjustments as part of foreign operations;
- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 May 2005;
- HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained profits as at 1 May 2005, including the reclassification of any amount held in revaluation surplus for investment property;
- HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1 May 2005; and
- HKFRS 2 – requires retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 May 2005.

The adoption of revised HKAS 17 resulted in a decrease in opening reserves at 1 May 2004 by HK$17,447,000 and an increase in opening retained profits at 1 May 2004 by HK$1,056,000.

	2006	2005
	HK$'000	*HK$'000*
Decrease in property, plant and equipment	**40,289**	41,075
Increase in leasehold land and land use rights	**13,156**	13,471
Decrease in deferred tax liabilities	**6,404**	6,404
Decrease in property revaluation reserve	**22,727**	22,727
Increase in retained profits	**1,998**	1,527
Decrease in cost of goods sold	**471**	471
Increase in basic earnings per share	**HK0.07 cent**	HK0.07 cent

The adoption of HKAS 39 resulted in a decrease in investment revaluation reserve at 1 May 2005 by HK$1,017,000. The details of the adjustments to the balance sheet at 30 April 2006 and for the year then ended are as follows:

	2006
	HK$'000
Increase in available-for-sale financial assets	**7,079**
Decrease in investment securities	**8,580**
Decrease in investment revaluation reserve	**1,937**
Decrease in other investments	**457**
Increase in exchange loss	**21**
Decrease in deferred borrowing costs	**1,547**
Decrease in bank borrowings	**1,547**

The adoption of HKAS 32 and HKAS 39 resulted in an increase in account receivables and a corresponding increase in borrowings by HK$21,896,000 at 1 May 2005.

The adoption of the revised HKAS 40 resulted in an increase in opening retained profits at 1 May 2005 by HK$429,000 and a decrease in investment property revaluation reserve at 1 May 2005 by HK$520,000. The details of the adjustments to the balance sheet at 30 April 2006 and for the year then ended are as follows:

	2006
	HK$'000
Increase in investment properties	**1,400**
Increase in fair value gains on investment properties	**1,400**
Increase in deferred tax liabilities	**313**
Increase in deferred tax expense	**313**

There was no impact on the opening retained profits at 1 May 2005 from the adoption of HKFRS 2.

Standards and amendments to published standards that are not yet effective

The Group has not early adopted the following new standards or amendments that have been issued but not yet effective in the financial statements for the year ended 30 April 2006. The Group has already commenced an assessment of the impact of these new standards or amendments but is not yet in a position to state whether these new standards or amendments would have a significant impact on its results of operations and financial positions.

HKAS 39 (Amendment)	Cash Flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts
HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 7	Financial Instruments: Disclosure, and a complementary amendment to HKAS 1, Presentation of financial statements – Capital disclosures

2. Segment information

(a) Primary segments

The Group is organised into two major operating units: (i) Electronic components manufacturing and (ii) Others (comprise rental income and service income from provision of information technology services). An analysis by business segment is as follows:

	Electronic components manufacturing		**Others**		**Eliminations**		**Total**	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated)
Turnover								
External sales	**617,093**	549,928	**1,468**	4,363	**–**	–	**618,561**	554,291
Intersegment sales	**–**	816	**2,375**	2,833	**(2,375)**	(3,649)	**–**	–
	617,093	550,744	**3,843**	7,196	**(2,375)**	(3,649)	**618,561**	554,291
Operating results								
Operating profit/(loss)	**47,458**	43,033	**2,511**	(370)	**–**	–	**49,969**	42,663
Finance costs	**(18,068)**	(16,240)	**(482)**	(28)	**–**	–	**(18,550)**	(16,268)
Share of losses of associates							**(25)**	(8)
Profit before taxation							**31,394**	26,387
Taxation							**(8,098)**	(6,386)
Profit attributable to equity holders of the Company							**23,296**	20,001
Other information								
Segment assets	**707,490**	646,518	**14,124**	7,430	**–**	–	**721,614**	653,948
Unallocated assets							**53**	109
Total assets							**721,667**	654,057
Segment liabilities	**356,690**	314,857	**1,020**	1,121	**–**	–	**357,710**	315,978
Unallocated liabilities							**22,981**	24,321
Total liabilities							**380,691**	340,299
Capital expenditures	**49,202**	36,046	**3,923**	3,850	**–**	–	**53,125**	39,896
Depreciation	**66,782**	63,787	**46**	79	**–**	–	**66,828**	63,866
Amortisation	**362**	315	**–**	–	**–**	–	**362**	315

(b) Secondary segments

The Group has business operations in Hong Kong, Mainland China, Taiwan, Europe, Singapore and other regions. An analysis by geographical location is as follows:

	Turnover		Total assets		Capital expenditures	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000*
Hong Kong	**218,708**	239,967	**118,700**	109,992	**10,636**	7,455
Mainland China	**256,855**	182,972	**541,691**	494,085	**42,340**	28,775
Taiwan	**48,265**	45,656	**24,136**	15,883	**149**	–
Europe	**25,957**	26,983	**4,093**	6,885	**–**	–
Singapore	**30,547**	24,171	**26,332**	22,342	**–**	3,666
Others	**38,229**	34,542	**6,715**	4,845	**–**	–
	618,561	554,291	**721,667**	654,032	**53,125**	39,896
Interest in associates	**–**	–	**–**	25	**–**	–
Total	**618,561**	554,291	**721,667**	654,057	**53,125**	39,896

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, investment properties, inventories, receivables and operating cash. Taxation and investments in associates are included as unallocated and excluded from segment assets.

Segment liabilities comprise operating liabilities. They exclude items such as taxation.

Capital expenditures comprise additions to leasehold land and land use rights, property, plant and equipment and investment properties.

In respect of geographical segment reporting, sales are determined on the basis of the country in which customers are located. Total assets and capital expenditure are based on where the assets are located.

(c) Analysis of sales by category

	2006	2005
	HK$'000	*HK$'000*
Sales of goods	**617,093**	552,777
Rental income	**1,131**	482
Service income from provision of information technology services	**337**	1,032
	618,561	554,291

3. Other gains, net

	2006	2005
	HK$'000	*HK$'000*
Interest income on bank deposits	**963**	211
Dividend income	**1,339**	–
Fair value gains on investment properties	**1,400**	–
Net gain on disposals of investment properties	**938**	–
Net gain on disposals of property, plant and equipment	**287**	–
	4,927	211

4. Expenses by nature

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

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Cost of inventories sold	**480,389**	427,078
Provision for/write-off of other receivables	**151**	2,100
(Reversal of)/provision for slow moving and obsolete inventories	**(69)**	570
Research and development costs	**2,588**	2,558
Depreciation of property, plant and equipment		
– owned assets	**65,502**	62,166
– assets held under finance leases	**1,326**	1,700
Net loss on disposals of property, plant and equipment	**–**	405
Amortisation of prepaid operating lease payment	**362**	315
Operating lease rentals	**2,868**	3,255
Direct operating expenses arising from investment properties that generate rental income	**382**	173
Employee benefit expense (including directors' emoluments)	**145,065**	127,364
Provision for/write-off of impairment of account receivables	**5,043**	1,412
Net exchange losses	**890**	824
Auditors' remuneration	**1,150**	880

5. Finance costs

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Interest on:		
– Bank borrowings wholly repayable within five years	**16,774**	13,282
– Finance lease liabilities	**164**	298
Total interest incurred during the year	**16,938**	13,580
Amortisation of deferred borrowing costs	**1,612**	2,688
	18,550	16,268

6. Taxation

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 7.5% to 33% (2005: 7.5% to 33%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

The amount of taxation charged to the consolidated income statement represents:

	2006	2005
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**8,076**	5,711
– under-provision in prior years	**208**	276
Overseas taxation		
– current tax	**4,137**	1,684
– under-provision in prior years	**–**	432
Deferred taxation	**(4,323)**	(1,717)
Total taxation	**8,098**	6,386

7. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK$23,296,000 (2005: HK$20,001,000) and the weighted average number of 705,239,758 (2005: 693,028,811) shares in issue during the year.

For the year ended 30 April 2006, no information in respect of diluted earnings per share is presented as there was no dilutive potential share. For the year ended 30 April 2005, no information in respect of diluted earnings per share is presented as the exercise of the outstanding options would have no dilutive effect.

8. Dividend

	2006	2005
	HK$'000	*HK$'000*
Proposed final dividend of HK0.9 cent (2005: HK0.7 cent) per share	**6,449**	4,851

At a meeting of the board of directors (the "Board") of the Company held on 15 August 2006, the Board recommended a final dividend of HK0.9 cent per share for the year ended 30 April 2006 to be paid in cash to shareholders whose names appear on the Company's register of members on 27 September 2006. These financial statements do not reflect this dividend payable.

9. Bills, account and other receivables

The aging analysis of bills and account receivables, net of impairment losses, is as follows:

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Current	**134,827**	86,900
Overdue by 0 – 1 month	**20,197**	7,075
Overdue by 1 – 2 months	**3,305**	1,635
Overdue by 2 – 3 months	**4,293**	2,110
Bills and account receivables	**162,622**	97,720
Other receivables	**7,961**	6,053
	170,583	103,773

As at 30 April 2006, the carrying amounts of bills, account and other receivables approximate their fair value.

Management of the Group performs ongoing credit and collectibility evaluation of each customer. The Group offers an average credit period ranging from one to three months to its customers who have good payment records and well-established relationships with the Group.

The Group has recognised a loss of HK$5,043,000 (2005: HK$1,412,000) for the impairment of its account receivables during the year ended 30 April 2006. The loss has been included in general and administration expenses in the income statement.

10. Bills and account payables

The aging analysis of bills and account payables is as follows:

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Current	**48,142**	47,453
Overdue by 0 – 1 month	**4,945**	2,393
Overdue by 1 – 2 months	**446**	478
Overdue by 2 – 3 months	**838**	177
Overdue by more than 3 months	**371**	1,112
	54,742	51,613

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 April 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated accounts for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

No interim dividend was declared for the year ended 30 April 2006 (2005: Nil).

The Board has resolved to recommend the payment of a final dividend of HK0.9 cent (2005: HK0.7 cent) per share for the year ended 30 April 2006 to shareholders whose names appear on the register of members of the Company on 27 September 2006.

The proposed final dividend of HK0.9 cent per share, the payment of which is subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on Wednesday, 27 September 2006, is to be payable on Tuesday, 10 October 2006.

The register of members of the Company will be closed from Thursday, 21 September 2006 to Wednesday, 27 September 2006 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Wednesday, 20 September 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

During the year ended 30 April 2006, the Group's core business posted a steady growth to record a total turnover of HK$618,561,000 (2005: HK$554,291,000), achieving an increase of 11.6% over that of last year. Gross profit was HK$135,753,000 (2005: HK$125,607,000), with an increase of approximately 8.1% compared with last year. Gross profit margin was 21.9% (2005: 22.7%), down 0.8% as compared with last year. In respect of the profit performance, the Group's operating profit, profit attributable to equity holders of the Company and earnings before interest, tax, depreciation and amortization ("EBITDA") reported HK$49,969,000 (2005: HK$42,663,000), HK$23,296,000 (2005: HK$20,001,000) and HK$116,196,000 (2005: HK$106,633,000) respectively, among which non-recurring income attributable to the resale of investment properties, revaluation of properties and dividend income was HK$3,964,000 (2005: Nil). Excluding this non-recurring income, profit attributable to equity holders of the Company was HK$19,332,000 (2005: HK$20,001,000).

	Turnover			
	2006		2005	
	HK$'000	*%*	*HK$'000*	*%*
Electronic components manufacturing	**617,093**	**99.8**	549,928	99.2
Others	**1,468**	**0.2**	4,363	0.8
	618,561	**100.0**	554,291	100.0

The Group's Business Performance

Electronic components manufacturing segment

For the year, the turnover of electronic components manufacturing segment (including coils, coils-related accessories and capacitors), the Group's core business, reported HK$617,093,000 (2005: HK$549,928,000), which accounted for 99.8% (2005: 99.2%) of the total turnover, and represented an increase of approximately 12.2% compared with last year. Such increase in turnover was mainly due to the desirable production growth in various electrical consumer products, including audio-visual, telecommunication, home electrical appliances, toys, computers, office equipment, automobiles, lighting facilities and power-supply devices.

During the year, the notable and persistent increase in the prices of the raw materials, the staff cost in Mainland China and the energy cost of the Group exerted tremendous pressure on the cost of the Group. Accordingly, the Group has continued to implement a series of measures to improve efficiency for enhancing overall productivity during the year. As a result, the gross profit of the Group's core business for the year amounted to HK$135,242,000 (2005: HK$123,941,000). However, the heavy cost pressure put a squeeze on the gross profit margin, which rendered its core business decrease by 0.6% to 21.9% (2005: 22.5%) as compared with last year.

The persistent surge of the prices of raw materials remained the biggest challenge to the Group. The prices of the Group's major raw materials, including copper required for manufacturing coils and various metals like nickel, zinc, manganese and iron required for manufacturing magnetic materials, all showed extraordinary fluctuation during the year, in particular, the rise of copper price. Based on the quoted prices on London Metal Exchange, the price for copper was approximately US$2,600 per ton in June 2004 while it rose to approximately US$3,500 in June 2005, and it once reached over US$8,600 per ton at the beginning of 2006. The prices of zinc and nickel also recorded a tremendous rise of approximately 251.6% and 65.8% respectively during the year.

The labour market in Mainland China has been in shortage during the year. The remuneration of the management personnel and factory workers has continued to rise as a result of the rapid economic growth in Mainland China. Difficulty in recruitment and high labour turnover rate are common in the Guangdong province. During the year, the Group made appropriate remuneration evaluation and adjustments for employees of different ranks, driving the remuneration of the employees of the Group up approximately 13.7% as compared with that of last year. The increase in overall remuneration was mainly due to the rises in both the number and remuneration of the employees. Meanwhile, the Group has allocated more resources on employee benefits in areas including catering, staff quarters and recreation, which further pushed up the overall cost of human resources.

FINANCIAL REVIEW

Overview

For the year ended 30 April 2006, the Group's profit attributable to equity holders of the Company was HK$23,296,000 (2005: HK$20,001,000), whilst basic earnings per share was HK3.30 cents (2005: HK2.89 cents).

Financial Management

Funds Surplus and Liabilities

As at 30 April 2006, the Group's credit facilities granted from banks amounted to HK$430,131,000 (2005: HK$652,643,000), of which HK$158,751,000 (2005: HK$386,883,000) remained unutilised. The total credit facilities of last financial year included a 3-year transferable term loan and revolving credit facility agreement dated 27 April 2005 for an aggregate amount of HK$243,000,000, which was wholly drawn down in May 2005.

As at 30 April 2006, the Group's cash and bank balance (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$73,008,000 (2005: HK$68,649,000), up 6.3% as compared with last year. The banking facilities amounting to HK$271,380,000 were secured by mortgages on the Group's certain land and buildings, pledges of the Group's bank deposits, available-for-sale financial assets and machinery, and corporate guarantees provided by the Company and its certain subsidiaries. In addition, the Group is required to comply with certain restrictive financial covenants with the major financing banks. As at 30 April 2006, the Group could comply with such financial covenants.

As at 30 April 2006, the Group's total borrowings granted from banks and financial institutions amounted to HK$271,321,000 (2005: HK$238,276,000), of which HK$183,956,000 (2005: HK$214,379,000) was current and HK$87,365,000 (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 30 April 2006, the Group's gearing ratio* was 0.80 (2005: 0.76). The Group will endeavour to prudently take measures to control its financial resources and proactively reduce its financial leverage ratio in order to achieve a more stable business development in the future. In addition, the Group did not have any contingent liabilities (2005: HK$21,896,000) as at the same date.

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

Interest Expenses
For the year ended 30 April 2006, the Group's interest expenses amounted to HK$16,938,000 (2005: HK$13,580,000), up 24.7% as compared with last year. The rise in interest expense was mainly attributable to the gradual rise in Hong Kong interbank offer rate and several increases in prime rate during the year, which led to a rise of approximately 2% in the Group's average interest rate of borrowings as compared with that of last year. Since the cycle of interest rate hike is still uncertain, the Group will endeavour to reduce all kinds of expenditure with a view to reducing the impact of the expenditure of the future interest expense on the Group's overall performance.

Financial Resources and Capital Structure
For the year ended 30 April 2006, the Group's net cash inflow was reduced to HK$15,721,000 (2005: HK$19,235,000). During the financial year, net cash inflow from operating activities was reduced significantly to HK$56,947,000 (2005: HK$116,171,000), which was mainly due to the higher utilisation of working capital as a result of turnover increase. The net cash inflow from financing activities was HK$2,776,000 (2005: outflow of HK$59,891,000). 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 3-year transferable term loan and revolving credit facility agreement in May 2005.

For the year ended 30 April 2006, net cash outflow from investing activities increased to HK$46,461,000 (2005: HK$36,722,000), the capital expenditure of which was mainly utilised in the construction of a new manufacturing plant in Zhongshan amounting to approximately HK$10,986,000 (2005: HK$1,233,000) with an aim of providing basic infrastructure for the expansion of the Group's Zhongshan main plant in the next five years. The purchase of machinery and equipment for enhancing production capacity amounted to HK$28,678,000 (2005: HK$32,577,000). The properties purchased in Hong Kong, which amounted to approximately HK$8,615,000 (2005: HK$4,681,000), were mainly the other flats in the same industrial building where the Hong Kong headquarters of the Group is situated. The purpose of the investment is to provide areas reserved for business development by the Hong Kong headquarters of the Group in the next ten years.

Cash Flow Summary

	2006	2005
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**56,947**	116,171
Net cash outflow from investing activities	**(46,461)**	(36,722)
Net cash inflow/(outflow) from financing activities	**2,776**	(59,891)
Exchange adjustment	**2,459**	(323)
Increase in cash and cash equivalents	**15,721**	19,235

After the Group had drawn down the syndicated loan for an aggregate amount of HK$243,000,000 in May 2005, current ratio for the financial year was improved. As at 30 April 2006, the net current assets was HK$29,254,000 (2005: net current liabilities of HK$68,202,000), whilst the current ratio was 1.10 (2005: 0.77).

Charges on Assets
As at 30 April 2006, certain assets of the Group with an aggregate carrying value of HK$41,356,000 (2005: HK$48,596,000) were pledged to secure banking facilities and finance lease of the Group.

Exchange Risks
The Group's business is mainly conducted in Mainland China, Hong Kong and South-east Asia. The major revenue currencies are primarily denominated in Hong Kong dollar ("HKD"), Renminbi ("RMB") and United States dollar ("USD"); whilst the major currencies in purchase commitments are primarily denominated in HKD, RMB, USD and Japanese Yen. HKD and RMB are the major revenue currency and cost currency. Thus, the cumulative appreciation of over 3% in RMB against USD during the period from July 2005 to April 2006 posed a significant challenge on the Group's business. However, 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.

Employees
The Group had approximately 7,900 (2005: 6,800) employees as at 30 April 2006. The salaries of the employees are maintained at competitive levels determined by reference to their academic qualification, working experience, professional or licensing qualification, job skill and market benchmark. The overall salary level of the Group is reviewed periodically, taking into consideration factors such as competitive market position and market practice. Discretionary bonuses are granted based on the operating results of the Group and the performance of individuals. Other employee benefits include pension scheme and medical insurance. Under the share option scheme of the Company, options may be granted to eligible employees to subscribe for shares in the Company.

The Group also emphasizes the promotion of on-the-job training and continuing education of its employees at all levels. Subsidies on training and education are provided to its employees with different levels for enhancing their knowledge and job or professional skills, which can yield the Group's competitive advantage.

Future Prospects
Research and development in applied material and industrial process management are becoming the Group's future high-priority tasks, as the Group believes that applied material and industrial process management are the key to lower production cost. The Group will focus its resources on those areas in setting up specific research and development centre, recruiting more relevant technicians and investing in a series of facilities, equipment and tools for research and development.

The Group has carried on its consolidation project in the Zhongshan main plant during the year. Two brand new factory premises with a total gross floor area of approximately 19,800 square meters have been completed, while the manufacturing workshop is under installation. The Group expects a more roomy production environment, equipped with production lines to align with other facilities for achieving a smoother production flow, in the future. The Group intends to integrate and restructure those under-performing subsidiaries, branches and plants in other regions so as to improve the operational effectiveness of the Group as a whole.

During the year, one of the Group's customers with long-established relationship had business suspension. The Group continues to adopt a more prudent credit management policy in the future so as to reduce bad debts to a greater extent.

Acknowledgements
Finally, on behalf of the Board, I would like to express my thanks to all customers, suppliers and business partners of the Group who supported and trusted the Group during the year. Besides, I also extend my heartfelt gratitude to all shareholders and investors of the Company for their continued support to the Group, and the dedicated staff who contributed to the sustained growth of the Group during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES
The Company has not redeemed any of its listed shares during the year ended 30 April 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year ended 30 April 2006.

CORPORATE GOVERNANCE
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 maintained. The Company has applied the principles and complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year ended 30 April 2006, except the following deviations:

1. Under Code Provision A.1.7, there should be 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 written request from directors to seek independent professional advice at the Company's expense.

2. Under Code Provision A.2.1, the division of responsibilities between the Chairman and chief executive officer should be clearly established and set out in writing.

   In July 2005, the division of responsibilities between the Chairman and Managing Director of the Company was clearly established in writing.

3. Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

All the independent non-executive directors of the Company 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 23 September 2005 ("2005 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.

4. Under Code Provision A.5.4, the Board should establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for relevant employees in respect of their dealings in the securities of the Company.

   Written guidelines incorporating certain crucial rules of 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.

5. Under Code Provisions B.1.4 and C.3.4, the Company should make available the terms of reference of the Remuneration Committee and the Audit Committee on its website respectively.

   In August 2005, the terms of reference of the Remuneration Committee and the Audit Committee were posted on the Company's website.

6. Under Code Provision D.1.2, the Company should formalise the functions reserved to the Board and those delegated to the management.

   In July 2005, the practice for the Board's functions and the delegation to the management was formalised.

7. Under Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting.

   The Chairman of the Board did not attend 2005 AGM due to illness. The Managing Director of the Company, who took the chair of 2005 AGM, and all other members of the Board (including the chairman of each of the Audit Committee and Remuneration Committee) attended the 2005 AGM to answer questions at 2005 AGM.

The Audit Committee of the Company, currently comprising four independent non-executive directors, has reviewed the accounting principles and practices adopted by the Group and the annual results of the Company for the year ended 30 April 2006.

Further information on corporate governance practices of the Company will be set out in 2005/2006 annual report of the Company, which will be sent to shareholders of the Company by the end of August 2006.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 15 August 2006

As at the date hereof, the Board of Directors of the Company comprises four Executive Directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Mr. Chua You Sing, 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*