CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

CEC 國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 759)

2007/2008 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 2008 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Turnover	*2*	**788,727**	700,279
Cost of sales	*5*	**(646,387)**	(564,459)
Gross profit		**142,340**	135,820
Other income	*3*	**3,489**	1,475
Other gains, net	*4*	**14,859**	1,645
Selling and distribution expenses	*5*	**(15,902)**	(14,364)
General and administrative expenses	*5*	**(95,667)**	(77,960)
Operating profit		**49,119**	46,616
Finance costs	*6*	**(20,453)**	(19,248)
Profit before taxation		**28,666**	27,368
Taxation	*7*	**(5,417)**	(4,455)
Profit for the year		**23,249**	22,913
Attributable to:			
– equity holders of the Company		**23,601**	23,810
– minority interest		**(352)**	(897)
		23,249	22,913
Earnings per share, basic and diluted	*8*	**HK3.29 cents**	HK3.32 cents
Dividend	*9*	**3,583**	6,808

CONSOLIDATED BALANCE SHEET

AS AT 30 APRIL 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**40,154**	31,117
Property, plant and equipment		**364,474**	355,836
Investment properties		**26,705**	9,148
Deposit for acquisition of property, plant and equipment		**–**	3,623
Prepayment for construction of building		**17,843**	–
Available-for-sale financial assets		**8,528**	7,895
		457,704	407,619
Current assets			
Inventories		**114,396**	79,574
Accounts receivable	*10*	**181,095**	173,801
Prepayments, deposits and other receivables		**8,749**	8,477
Tax recoverable		**61**	21
Pledged bank deposits		**27,446**	26,509
Bank balances and cash		**70,316**	31,586
		402,063	319,968
Total assets		**859,767**	727,587
EQUITY			
Share capital		**71,661**	71,661
Reserves			
Proposed final dividend		**3,583**	6,808
Others		**352,371**	295,782
		427,615	374,251
Minority interest		**248**	–
Total equity		**427,863**	374,251
LIABILITIES			
Non-current liabilities			
Borrowings		**154,571**	38,329
Deferred income tax		**9,250**	10,777
		163,821	49,106
Current liabilities			
Borrowings		**184,049**	224,972
Accounts payable	*11*	**45,655**	47,424
Accruals and other payables		**34,525**	25,204
Taxation payable		**3,854**	6,630
		268,083	304,230
Total liabilities		**431,904**	353,336
Total equity and liabilities		**859,767**	727,587
Net current assets		**133,980**	15,738
Total assets less current liabilities		**591,684**	423,357

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 and available-for-sale financial assets 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 Group's accounting policies.

The following standard, amendment and interpretations to existing standards are mandatory for the financial year ended 30 April 2008:

HKAS 1 Amendment	Presentation of financial statements: capital disclosures
HKFRS 7	Financial instruments: disclosures
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	Interim financial reporting and impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions

The above standard, amendment and interpretations to existing standards are not relevant to the Group's operations except that HKFRS 7 and HKAS 1 Amendment introduce new disclosures relating to financial instruments which do not have any impact on the classification and valuation of the Group's financial instruments.

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	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover								
External sales	**787,634**	699,038	**1,093**	1,241	**–**	–	**788,727**	700,279
Inter-segment sales	**–**	–	**3,000**	2,975	**(3,000)**	(2,975)	**–**	–
	787,634	699,038	**4,093**	4,216	**(3,000)**	(2,975)	**788,727**	700,279
Operating results								
Operating profit	**33,969**	43,739	**15,150**	2,877	**–**	–	**49,119**	46,616
Finance costs	**(20,091)**	(18,689)	**(362)**	(559)	**–**	–	**(20,453)**	(19,248)
Profit before taxation							**28,666**	27,368
Taxation							**(5,417)**	(4,455)
Profit for the year							**23,249**	22,913
Other information:								
Segment assets	**830,902**	716,216	**28,804**	11,350	**–**	–	**859,706**	727,566
Unallocated assets							**61**	21
Total assets							**859,767**	727,587
Segment liabilities	**418,409**	335,422	**391**	507	**–**	–	**418,800**	335,929
Unallocated liabilities							**13,104**	17,407
Total liabilities							**431,904**	353,336
Capital expenditures	**69,517**	49,797	**1,173**	–	**–**	–	**70,690**	49,797
Prepayment for construction of building	**17,843**	–	**–**	–	**–**	–	**17,843**	–
Depreciation	**71,938**	67,399	**47**	40	**–**	–	**71,985**	67,439
Amortisation	**860**	595	**–**	–	**–**	–	**860**	595

(b) Secondary segments

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

	Turnover		Total assets		Capital expenditures		Prepayment for construction of building	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**208,452**	218,240	**188,703**	123,617	**23,166**	13,522	**–**	–
Mainland China	**410,389**	331,799	**629,009**	544,549	**47,064**	35,525	**17,843**	–
Other Asian countries	**113,844**	104,825	**32,392**	47,614	**460**	715	**–**	–
Europe and America	**56,042**	45,415	**9,663**	11,807	**–**	35	**–**	–
Total	**788,727**	700,279	**859,767**	727,587	**70,690**	49,797	**17,843**	–

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, investment properties, deposits for acquisition of property, plant and equipment, prepayment for construction of building, available-for-sale financial assets, inventories, receivables, pledged bank deposits, and bank balances and cash. Taxation is included as unallocated and excluded from segment assets.

Segment liabilities comprise mainly operating liabilities. They exclude deferred income tax and taxation payable.

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, capital expenditures and prepayment for construction of building are based on where the assets are located.

(c) Analysis of turnover by category

	2008	2007
	HK$'000	*HK$'000*
Sales of goods	**787,634**	699,038
Rental income	**880**	972
Service income from provision of information technology services	**213**	269
	788,727	700,279

3. Other income

	2008	2007
	HK$'000	*HK$'000*
Interest income on bank deposits	**1,620**	1,475
Dividend income	**22**	–
Tax refund	**1,847**	–
	3,489	1,475

Tax refund represents incentives received from the Mainland China tax authority for reinvestment in subsidiaries in Mainland China.

4. Other gains, net

	2008	2007
	HK$'000	*HK$'000*
Fair value gains on investment properties	**15,013**	984
Net gain on disposal of investment property	**–**	855
Net loss on disposal of property, plant and equipment	**(154)**	(194)
	14,859	1,645

5. Expenses by nature

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

	2008	2007
	HK$'000	*HK$'000*
Auditors' remuneration	**1,736**	1,425
Amortisation of leasehold land and land use rights	**860**	595
Cost of inventories sold	**643,001**	562,552
Depreciation of property, plant and equipment		
– owned assets	**71,643**	66,816
– assets held under finance leases	**342**	623
Direct operating expenses arising from investment properties that generate rental income	**242**	307
Employee benefit expenses (including directors' emoluments)	**210,553**	169,863
Net exchange losses	**3,505**	1,763
Operating lease rentals	**5,344**	4,602
Provision for/(reversal of) impairment of accounts receivable	**777**	(5,019)

6. Finance costs

	2008	2007
	HK$'000	*HK$'000*
Interest expense on:		
– Bank borrowings wholly repayable within five years	**18,653**	18,071
– Finance lease liabilities	**58**	59
Total interest expense incurred during the year	**18,711**	18,130
Amortisation of deferred borrowing costs	**1,742**	1,118
Finance costs	**20,453**	19,248

7. Taxation

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

	2008	2007
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**1,756**	2,634
– over-provision in prior years	**(41)**	(82)
Overseas taxation including Mainland China		
– current tax	**5,277**	4,634
Deferred taxation	**(1,575)**	(2,731)
Total taxation	**5,417**	4,455

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% (2007: 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 12% to 25% (2007: 7.5% to 27%) 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.

8. 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$23,601,000 (2007: HK$23,810,000) and 716,610,798 (2007: 716,610,798) shares in issue during the year.

For the years ended 30 April 2008 and 30 April 2007, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

9. Dividend

	2008	2007
	HK$'000	*HK$'000*
Proposed final dividend of HK0.50 cent (2007: HK0.95 cent) per share	**3,583**	6,808

At a meeting of the Board held on 15 August 2008, the Board recommended a final dividend of HK0.50 cent per share for the year ended 30 April 2008 to be paid in cash to shareholders whose names appear on the Company's register of members on 26 September 2008. These financial statements do not reflect this dividend payable.

10. Accounts receivable

The aging analysis of accounts receivable is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**168,308**	158,243
Overdue by 0 – 1 month	**9,640**	11,506
Overdue by 1 – 2 months	**1,385**	1,979
Overdue by 2 – 3 months	**1,762**	2,004
Overdue by more than 3 months	**2,099**	1,386
	183,194	175,118
Less: provision for impairment of accounts receivable	**(2,099)**	(1,317)
	181,095	173,801

As at 30 April 2008 and 30 April 2007, the carrying amount of accounts receivable approximated its fair value.

Management of the Group and an Accounts Receivable Supervisory Committee set up by the Company perform on-going credit and collectability evaluation of each customer. The Group offers an average credit period ranging from one to four months to its customers who have good payment records and well-established relationships with the Group.

11. Accounts payable

The aging analysis of accounts payable is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**42,541**	45,567
Overdue by 0 – 1 month	**2,662**	902
Overdue by 1 – 2 months	**8**	257
Overdue by 2 – 3 months	**–**	479
Overdue by more than 3 months	**444**	219
	45,655	47,424

DIVIDEND

No interim dividend was declared for the year ended 30 April 2008 (2007: Nil).

The Board has resolved to recommend the payment of a final dividend of HK0.50 cent (2007: HK0.95 cent) per share for the year ended 30 April 2008 to shareholders whose names appear on the register of members of the Company on 26 September 2008.

The proposed final dividend of HK0.50 cent per share, the payment of which is subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 26 September 2008, is to be payable on Friday, 10 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 September 2008 to Friday, 26 September 2008 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and to attend and vote at the annual general meeting of the Company to be held on 26 September 2008, 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 Friday, 19 September 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the year ended 30 April 2008, the Group's turnover was HK$788,727,000 (2007: HK$700,279,000), achieving a 12.6% increase over that of last year. Gross profit of the Group recorded HK$142,340,000 (2007: HK$135,820,000), posting a 4.8% increase as compared with that of last year. Gross profit margin was 18.0% (2007: 19.4%), down 1.4% as compared with that of last year. During the year, the costs in production and operation of the Group were affected by several unfavourable market factors. Profit attributable to equity holders of the Company for the year was HK$23,601,000 (2007: HK$23,810,000), with a slight drop of 0.9% as compared with that of last year. The Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") was HK$120,344,000 (2007: HK$113,175,000). The Group's net cash inflow (increase in cash and cash equivalents) was HK$37,429,000 (2007: net cash outflow (decrease in cash and cash equivalents) of HK$13,326,000). The net cash inflow from operating activities for the year was HK$72,026,000 (2007: HK$67,713,000), up 6.4% as compared with that of last year.

The past financial year was a challenging one to most manufacturers with major production bases in Mainland China. The Group experienced operating difficulties with the uptrend of raw materials cost, shortage of labour and sustained rise in staff cost. All these external factors brought about a direct increase in production cost. The transactions made between the Group and its major customers are mainly settled in Hong Kong dollar ("HKD") or United States dollar ("USD"). During the year, the persistent appreciation of Renminbi ("RMB") against HKD and USD, continuous record-high energy prices and the revised policy made by the government of Mainland China for the export and foreign investors were direct causes for the rising overall production cost and management expense. In view of these, the unpleasant operating environment posed a significant impact on those export-oriented enterprises, the business transactions of which are mainly settled in currencies other than RMB. Accordingly, the Group has been proactive in improving its production flow and efficiency during the year and the cost effectiveness derived from them could set off part of the negative impact imposed by the above unfavourable factors.

The Group has been adopting an operating model with high degree of vertical integration and the major materials for various magnetic components are also produced internally. The Group is engaged in the production procedures from devising its own formulae for various ferrites, moulding, sintering, processing to the production of different types of ferrite cores, which are used as major components in assembling different coil-related products. With such sophisticated processing model, the Group is more quickly and directly to experience the immense pressure in the short run due to the adverse change of external factors than other processing and assembly peers in the market when there are great fluctuations in metal raw materials prices and soaring energy prices. In the long run, the Board believes that its long-established and sophisticated operating model with vertical integration will be the important foundation for coping with difficulties in rigorous external environment in future.

The Board understands the difficult market environment and has been maintaining a long-term and close relationship with its customers. During the year, the Group made gradual price adjustments in some products to let both parties adapt to them gradually. Under ever changing electronic components market, revamping its product lines are essential to create new value for the Group. Accordingly, the Group has increased its investment in Hong Kong as being its headquarters for research and development, thereby developing more quality products with its customers under the stringent operating environment.

BUSINESS REVIEW

Electronic components manufacturing segment

The turnover of electronic components manufacturing segment (including coils, coils related accessories and capacitors), the Group's core business, for the year was HK$787,634,000 (2007: HK$699,038,000), which accounted for approximately 99.9% (2007: 99.8%) of the total turnover. This increase was mainly attributable to the growth in orders received from various consumer electronic product industries, in particular, cell phones, flat-panel televisions, computers, electronic video game consoles and power supply devices.

During the year, gross profit margin of the Group declined by 1.4% as compared with that of last year. Profit attributable to equity holders of the Company, including an amount of approximately HK$12,386,000 (2007: HK$812,000) contributed by an increase on investment property revaluation (net of tax), reduced by 0.9% as compared with that of last year. As a result, the profit of core business and the related profit margins for the year were relatively lower when compared with those of last year. The decline in profit was mainly due to the soaring RMB exchange rate, staff cost and energy prices exerting enormous pressure on the Group's cost of production. Looking back, since the implementation of reform for RMB by The People's Bank of China from July 2005 up to April 2008, RMB against HKD had been rising approximately 20%, with approximately 9.7% appreciation in RMB against HKD for the year. As most of the Group's production expenses, including wages, local purchases of materials, rentals, water and electricity and taxes, were paid in RMB, the sustained appreciation of RMB would have a direct effect of driving up the Group's production cost.

During the Spring Festival of the year, staff turnover of the Group was extremely high when compared with that of the previous year. The Group made a timely response in adjusting staff remuneration for the festival period so as to secure appropriate labour and production output maintained in the fourth quarter of the year. On the other hand, during the year Mainland China has been hardly hit by the rocketing inflation rate and its labour market also saw remarkable increases in wages. When compared with last year, wages for production and its relevant benefit expenses for the year relatively rose approximately 14%. To address the severe shortage of labour in the market, the Group is required to make timely and appropriate adjustments for the remuneration of the management and production staff, ensuring that its staff are provided with competitive remuneration packages and will be dedicated to working with the Group. In recent years, raw material prices have been on upward trend and were still subject to long-term fluctuation during the year.

The Group's general and administrative expenses for the year amounted to HK$95,667,000 (2007: HK$77,960,000), including a provision for impairment of accounts receivable of the Group for the year amounting to HK$777,000 (2007: reversal of provision of HK$5,019,000) giving rise to an increase in expenses more than HK$5,796,000 as shown in the income statement when compared with that of last year. Excluding the aforesaid provision, the Group's general and administrative expenses for the year rose approximately 14% as compared with that of last year, mainly propelled by: (1) the escalating remuneration of the overall management; (2) the expansion of the research and development departments located in the Group's Hong Kong headquarters and Taiwan office, including recruitment of more engineering staff and an increase in expenses for research and development; and (3) the increase of expenses for environmental protection to meet the more stringent environmental standard as required by Mainland China.

FINANCIAL REVIEW

Overview

For the year ended 30 April 2008, profit attributable to equity holders of the Company was HK$23,601,000 (2007: HK$23,810,000), whilst basic earnings per share was HK3.29 cents (2007: HK3.32 cents).

Financial Management

Funds Surplus and Liabilities

As at 30 April 2008, the Group's credit facilities granted from banks amounted to HK$502,324,000 (2007: HK$385,399,000), of which HK$144,640,000 (2007: HK$118,085,000) remained unutilised.

The Group's cash and bank balances (denominated mainly in HKD, USD and RMB) was HK$97,762,000 (2007: HK$58,095,000) as at 30 April 2008. The banking facilities amounting to HK$51,881,000 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 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 2008, the Group complied with such financial covenants, which indicates that the Group's financial position remained satisfactory.

As at 30 April 2008, the Group's total borrowings granted from banks and financial institutions amounted to HK$338,620,000 (2007: HK$263,301,000), of which HK$184,049,000 (2007: HK$224,972,000) was current and HK$154,571,000 (2007: HK$38,329,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. As at 30 April 2008, the Group's gearing ratio* was 0.79 (2007: 0.70), similar to that of last year. The Group will keep on discreetly managing its financial resources and is committed to reducing its financial leverage ratio to further stabilize its business development in future. Moreover, the Group did not have any contingent liabilities (2007: Nil) as at the same date.

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

Interest Expenses

For the year ended 30 April 2008, the Group's interest expenses amounted to HK$18,711,000 (2007: HK$18,130,000), up approximately 3% as compared with that of last year. It primarily resulted from the increase of the Group's total borrowings with a relatively higher cash level. The Group will be devoted to controlling all kinds of expenses and bank borrowings for reducing the interest expenses in future.

Financial Resources and Capital Structure

For the year ended 30 April 2008, the Group's net cash inflow (increase in cash and cash equivalents) was HK$37,429,000 (2007: net cash outflow (decrease in cash and cash equivalents) of HK$13,326,000). The net cash inflow from operating activities for the year was HK$72,026,000 (2007: HK$67,713,000), up 6.4% as compared with that of last year, indicating that the Group's core business can still manage to generate cash inflow under the sullen market. The net cash inflow from financing activities jumped to HK$49,608,000 (2007: outflow of HK$28,971,000) mainly due to the draw-down of a syndicated loan for the aggregate amount of HK$300,000,000 under a 3-year transferable term loan agreement by the Company during the year. For the year ended 30 April 2008, net cash outflow from investing activities climbed to HK$84,205,000 (2007: HK$52,068,000), most of which were capital expenditures amounting to HK$70,690,000 (2007: HK$49,797,000). The capital expenditures were mainly used for the construction of new plants in Zhongshan and Xiamen amounting to approximately HK$7,556,000 (2007: HK$7,737,000) and the purchase of machinery and equipment amounting to approximately HK$33,617,000 (2007: HK$27,479,000) for enhancing production capacity and Hong Kong properties amounting to approximately HK$17,918,000 (2007: HK$11,651,000).

Cash Flow Summary

	2008	2007
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**72,026**	67,713
Net cash outflow from investing activities	**(84,205)**	(52,068)
Net cash inflow/(outflow) from financing activities	**49,608**	(28,971)
Increase/(decrease) in cash and cash equivalents	**37,429**	(13,326)

As at 30 April 2008, the net current assets was HK$133,980,000 (2007: HK$15,738,000) and the current ratio was 1.50 (2007: 1.05).

Charges on Assets

As at 30 April 2008, certain assets of the Group with an aggregate carrying value of approximately HK$39,516,000 (2007: HK$38,620,000) 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 HKD, RMB and USD; whilst the major currencies in purchase commitments are primarily denominated in HKD, RMB and USD. The sustained rise of more than 9% in RMB against USD during the financial year would be a significant challenge on the Group's business. Given that RMB makes great strides in appreciation, there would be a material negative impact on the Group's profit. As such, the Board is actively considering to arrange some forms of hedging in due course so as to minimize the impact of the volatile RMB.

EMPLOYEES

The Group had approximately 8,600 (2007: 8,100) employees as at 30 April 2008. 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. During the year, no option was granted under the scheme (2007: Nil).

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.

CORPORATE SOCIAL RESPONSIBILITY

The Group has taken active role in corporate citizenship practice through partnering with other organizations to organize different charitable, volunteering and healthy activities and encouraging its staff to care community for promoting their physical and mental development in a healthier and balanced way. On the other hand, the Group has been involved in charitable community activities by making donations to several charitable organizations and educational institutions, in addition to setting up scholarship schemes. In 2007, a subsidiary of the Group was awarded the "Caring Company" Logo by the Hong Kong Council of Social Service.

FUTURE PROSPECTS

Looking forward, global economic climate is still clouded with some uncertainties. In the shadow of global inflation, economic recession, fluctuating financial markets and incessant RMB appreciation, all put an enormous pressure on operating cost for the production business of the Group in Mainland China. The Board expects that the next year would be more challenging. The Group will hold up running its core business as its most major operating direction and adopt prudent operating and financial management policies. Under the premise of prudence, turnover growth will no longer be the primary objective for the Group's business development. The Group will be committed to realigning its customer base, phrasing out some low-profit products and concentrating on allocating resources in high value-added products. It will also step up to control general and administrative expenses to reduce its operating expenses.

The Group has a high degree of vertical integration of production and sound automated production level. It will continue to invest in projects, which can raise its own research and development capacity to strengthen Hong Kong being the research and development headquarters of the Group. It will also reinforce the collaboration with the research and development teams of its partners and customers and focus on yielding competitive edge by way of improving quality and quantity of products and enhancing the quality of services.

In future, the Group will persist in adhering to its "people-centered" philosophy and will carry on developing effective, fundamental and harmonious relationship with its staff in the hope that they can join hands in heading for the operating direction as laid down by the Group under the current unforeseen operating environment.

ACKNOWLEDGEMENTS

Finally, on behalf of the Board, I would like to express my thanks to all investors, staff and business partners for their continued support to the Company.

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 2008. 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 2008.

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 (the "Listing Rules") for the year ended 30 April 2008, except for the deviation from the Code Provision A.4.1, which requires that 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 at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws of the Company. 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.

The Audit Committee of the Company, currently comprising four 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 2008.

Further information on corporate governance practices of the Company will be set out in 2007/2008 annual report of the Company, which will be sent to shareholders of the Company by the end of August 2008.

ANNUAL GENERAL MEETING

The 2008 Annual General Meeting of the Company will be held on Friday, 26 September 2008 and the Notice of Annual General Meeting will be published and despatched in the manner as required by the Listing Rules in due course.

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

Hong Kong, 15 August 2008

As at the date hereof, the Board comprises three Executive Directors, namely Mr. Lam Wai Chun (Chairman), Ms. Tang Fung Kwan (Deputy Chairman and Managing Director) and Ms. Li Hong; and five Independent Non-executive Directors, namely Mr. Au Son Yiu, Mr. Lee Wing Kwan, Denis, Dr. Tang Tin Sek, Mr. Goh Gen Cheung and Professor Zhu Yuhe.

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

* *For identification purpose only*