CEC國際控股有限公司
CEC INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號：0759)

Third Quarterly Report 第3季度報告

2005/2006

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lam Wai Chun *(Chairman)*
Ms. Tang Fung Kwan
(Deputy Chairman and Managing Director)
Mr. Chua You Sing
Ms. Li Hong

Independent Non-executive Directors

Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis
Dr. Tang Tin Sek
Mr. Goh Gen Cheung
(appointed on 1st December 2005)

AUDIT COMMITTEE

Dr. Tang Tin Sek *(Chairman)*
Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis
Mr. Goh Gen Cheung

REMUNERATION COMMITTEE

Mr. Au Son Yiu *(Chairman)*
Dr. Tang Tin Sek
Mr. Lee Wing Kwan, Denis
Mr. Goh Gen Cheung
Ms. Tang Fung Kwan

COMPANY SECRETARY

Ms. Li Lai Sheung

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co
Richards Butler
Appleby Spurling Hunter

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank
CITIC Ka Wah Bank Limited
Dah Sing Bank Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor, Hing Win Factory Building
110 How Ming Street
Kwun Tong, Kowloon
Hong Kong

HEADQUARTERS IN MAINLAND CHINA

Li Xin Jie, Yong An Lu
Dong Feng Zhen
Zhongshan
Guangdong
Mainland China

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

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

E-mail: info@ceccoils.com

Listed on The Stock Exchange of Hong Kong Limited
Stock Code: 0759

2005/2006 THIRD QUARTER RESULTS

The Board of Directors (the "Board") of CEC International Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated income statement, condensed consolidated cash flow statement, condensed consolidated statement of changes in equity of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 31st January 2006 and the unaudited condensed consolidated balance sheet as at 31st January 2006 of the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 31st January		**Nine months ended 31st January**	
		2006	2005	**2006**	2005
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited) (Restated)
Turnover	3	**151,676**	134,135	**452,948**	427,523
Cost of sales		**(118,842)**	(103,695)	**(353,511)**	(331,825)
Gross profit		**32,834**	30,440	**99,437**	95,698
Other revenue		**278**	60	**1,904**	122
Selling and distribution expenses		**(3,650)**	(3,330)	**(9,644)**	(9,290)
General and administrative expenses		**(18,090)**	(16,631)	**(52,044)**	(52,271)
Operating profit		**11,372**	10,539	**39,653**	34,259
Finance costs	4	**(4,681)**	(3,614)	**(14,316)**	(11,611)
Profit before taxation	3, 5	**6,691**	6,925	**25,337**	22,648
Taxation	6	**(2,100)**	(1,474)	**(6,940)**	(3,995)
Profit attributable to equity holders of the Company		**4,591**	5,451	**18,397**	18,653
Earnings per share					
– Basic	8	**0.64 cent**	0.79 cent	**2.62 cents**	2.69 cents
– Diluted	8	**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 31st January 2006 HK$'000 (Unaudited)	As at 30th April 2005 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	382,994	388,597
Investment properties	*9*	12,985	6,670
Leasehold land and land use rights		22,400	13,471
Investment in associates		25	25
Available-for-sale financial asset		6,590	–
Investment securities		–	8,580
Deposit for acquisition of land use rights		–	6,254
		424,994	423,597
Current assets			
Inventories		64,261	56,762
Trade receivables	*10*	151,476	97,632
Bills receivable		–	88
Prepayments, deposits and other receivables		7,665	6,053
Available-for-sale financial assets		1,106	–
Other investments		–	1,192
Tax recoverable		58	84
Pledged bank deposits		25,237	24,879
Bank balances and cash		48,633	43,770
		298,436	230,460
Total assets		723,430	654,057
EQUITY			
Share capital	*11*	71,661	69,303
Reserves			
Proposed final dividend		–	4,851
Others		261,736	239,604
Total equity		333,397	313,758
LIABILITIES			
Non-current liabilities			
Long-term bank loans, non-current portion	*13*	104,430	22,406
Finance lease obligations, non-current portion		736	1,491
Deferred tax		14,515	17,740
		119,681	41,637
Current liabilities			
Short-term bank borrowings	*13*	169,399	211,791
Trade payables	*14*	67,858	46,401
Bills payable		–	5,212
Accruals and other payables		23,893	26,089
Finance lease obligations, current portion		1,243	2,588
Taxation payable		7,959	6,581
		270,352	298,662
Total liabilities		390,033	340,299
Total equity and liabilities		723,430	654,057
Net current assets/(liabilities)		28,084	(68,202)
Total assets less current liabilities		453,078	355,395

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Nine months ended 31st January	
	2006	2005
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	**29,223**	86,777
Net cash outflow from investing activities	**(47,760)**	(30,256)
Net cash inflow/(outflow) from financing activities	**36,927**	(44,493)
Translation adjustments	**1,911**	(658)
Increase in cash and cash equivalents	**20,301**	11,370
Cash and cash equivalents, beginning of period	**28,332**	9,097
Cash and cash equivalents, end of period	**48,633**	20,467
Analysis of cash and cash equivalents:		
Bank balances and cash	**48,633**	35,120
Bank overdrafts	**–**	(14,653)
	48,633	20,467

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Investment property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Mainland China statutory reserve HK$'000	Cumulative translation adjustments HK$'000	Retained profits HK$'000	Total HK$'000
At 1st May 2004, as previously reported	69,303	36,118	13,934	17,447	–	–	1,090	1,959	173,911	313,762
Effect of adopting HKAS 17	–	–	–	(17,447)	–	–	–	–	1,056	(16,391)
At 1st May 2004, as restated	69,303	36,118	13,934	–	–	–	1,090	1,959	174,967	297,371
Translation adjustments – Net loss not recognized in the consolidated income statement	–	–	–	–	–	–	–	(936)	–	(936)
Transfer from retained profits to Mainland China statutory reserve	–	–	–	–	–	–	2,799	–	(2,799)	–
Profit for the period	–	–	–	–	–	–	–	–	18,653	18,653
2003/2004 final dividend	–	–	–	–	–	–	–	–	(3,465)	(3,465)
At 31st January 2005	69,303	36,118	13,934	–	–	–	3,889	1,023	187,356	311,623
At 1st May 2005, as previously reported	69,303	36,118	13,934	22,727	520	–	3,568	1,290	187,498	334,958
Effect of adopting HKAS 17	–	–	–	(22,727)	–	–	–	–	1,527	(21,200)
Effect of adopting HKAS 32 and HKAS 39	–	–	–	–	–	(1,017)	–	–	–	(1,017)
Effect of adopting HKAS 40 and HKAS-Int 21	–	–	–	–	(520)	–	–	–	429	(91)
At 1st May 2005, as restated	69,303	36,118	13,934	–	–	(1,017)	3,568	1,290	189,454	312,650
Translation adjustments	–	–	–	–	–	–	–	4,867	–	4,867
Change in fair value of available-for-sale financial assets	–	–	–	–	–	(1,038)	–	–	–	(1,038)
Net gain not recognized in the consolidated income statement	–	–	–	–	–	(1,038)	–	4,867	–	3,829
Transfer from retained profits to Mainland China statutory reserve	–	–	–	–	–	–	3,099	–	(3,099)	–
Profit for the period	–	–	–	–	–	–	–	–	18,397	18,397
Shares issued during the period – scrip dividend scheme	2,358	1,014	–	–	–	–	–	–	–	3,372
2004/2005 final dividend	–	–	–	–	–	–	–	–	(4,851)	(4,851)
At 31st January 2006	71,661	37,132	13,934	–	–	(2,055)	6,667	6,157	199,901	333,397

HKAS: Hong Kong Accounting Standard
HKAS-Int: Hong Kong Accounting Standard – Interpretation

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

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

The unaudited condensed consolidated third quarterly accounts for the nine months ended 31st January 2006 (the "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 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 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 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.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

2. Impact of new/revised HKFRSs and HKASs *(continued)*

(A) HKAS 17 "Leases" *(continued)*

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

	As at 30th April 2005 HK$'000	As at 31st January 2005 HK$'000
Assets:		
Leasehold land and land use rights	**13,471**	13,550
Property, plant and equipment	**(41,075)**	(33,206)
Liabilities and reserves:		
Property revaluation reserve	**(22,727)**	(17,447)
Deferred tax	**(6,404)**	(3,619)
Retained profits	**1,527**	1,410

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

	Nine months ended 31st January	
	2006 HK$'000	2005 HK$'000
Depreciation	**(591)**	(591)
Rental expenses	**237**	237

(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$2,055,000 as at 31st January 2006 (1st May 2005: HK$1,017,000).

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

2. Impact of new/revised HKFRSs and HKASs *(continued)*

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

(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 January 2006, 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

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

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 nine months ended 31st January 2005 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 January		**Nine months ended 31st January**	
	2006 HK$'000	2005 HK$'000 (Restated)	**2006 HK$'000**	2005 HK$'000 (Restated)
Electronic components manufacturing	**151,379**	133,659	**451,911**	423,638
Others	**297**	476	**1,037**	3,885
	151,676	134,135	**452,948**	427,523

	Profit/(loss) before taxation			
	Three months ended 31st January		**Nine months ended 31st January**	
	2006 HK$'000	2005 HK$'000 (Restated)	**2006 HK$'000**	2005 HK$'000 (Restated)
Electronic components manufacturing	**6,481**	7,087	**24,540**	23,104
Others	**210**	(162)	**797**	(456)
	6,691	6,925	**25,337**	22,648

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

4. Finance costs

	Three months ended 31st January		Nine months ended 31st January	
	2006	2005	**2006**	2005
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Interest expenses	**4,250**	3,283	**13,085**	10,618
Arrangement fee on long-term bank loan	**431**	331	**1,231**	993
	4,681	3,614	**14,316**	11,611

5. Profit before taxation

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

	Three months ended 31st January		Nine months ended 31st January	
	2006	2005	**2006**	2005
	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	**–**	–	**1,339**	–
Interest income	**278**	60	**565**	122
Charging				
Depreciation of property, plant and equipment	**16,722**	15,954	**49,980**	47,669
Unrealised loss on other investment	**–**	–	**–**	939
Cost of inventories sold	**118,599**	103,277	**352,242**	330,551
Staff costs (including directors' emoluments)	**37,446**	30,111	**103,876**	92,144

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

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% (2005: 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 January		**Nine months ended 31st January**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong profits tax – current tax	**2,288**	959	**6,916**	3,717
Overseas taxation – current tax	**1,390**	331	**3,349**	1,476
Deferred taxation	**(1,578)**	184	**(3,325)**	(1,198)
	2,100	1,474	**6,940**	3,995

7. **Dividend**

The Board resolved not to declare any dividend in respect of the nine months ended 31st January 2006 (2005: Nil).

8. **Earnings per share**

The calculation of basic earnings per share for the three months ended 31st January 2006 is based on the profit attributable to equity holders of the Company of approximately HK$4,591,000 (2005: HK$5,451,000) and the weighted average number of 716,610,798 (2005: 693,028,811) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January 2006 is based on the profit attributable to equity holders of the Company of approximately HK$18,397,000 (2005: HK$18,653,000) and the weighted average number of 701,573,009 (2005: 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 nine months ended 31st January 2005 and 31st January 2006 respectively would have no dilutive effect.

9. **Movements in property, plant and equipment and investment properties**

During the nine months ended 31st January 2006, the additions to property, plant and equipment and investment properties were approximately HK$48,780,000 (2005: HK$30,475,000); the total net book value of disposals and write-offs of property, plant and equipment and investment properties were approximately HK$1,070,000 (2005: HK$1,528,000).

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

10. Trade receivables

The aging analysis of trade receivables, net of impairment losses, is as follows:

	As at 31st January 2006 HK$'000	As at 30th April 2005 HK$'000 (Restated)
Current	**115,126**	86,812
Overdue by 0 – 1 month	**20,631**	7,075
Overdue by 1 – 2 months	**11,586**	1,635
Overdue by 2 – 3 months	**4,133**	2,110
	151,476	97,632

Management of the Group performs ongoing credit and collectibility evaluations of each customer. Allowance for impairment losses are provided and such losses in aggregate have not exceeded management's estimates. 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.

11. Share capital

	Number of shares	**Nominal value** HK$'000
Shares of HK$0.10 each		
Authorised:		
As at 30th April 2005 and 31st January 2006	1,000,000,000	100,000
Issued and fully paid:		
As at 30th April 2005	693,028,811	69,303
Issue of shares pursuant to the scrip dividend scheme *(Note)*	23,581,987	2,358
As at 31st January 2006	716,610,798	71,661

Note:

On 24th October 2005, 23,581,987 new shares were allotted and issued at HK$0.143 per new share, credited as fully paid, to certain shareholders of the Company whose names appeared on the Company's register of members on 23rd September 2005 and who elected to receive new fully paid shares in lieu of cash in respect of part or all of the final dividend of HK0.7 cent per share for the year ended 30th April 2005 pursuant to the scrip dividend scheme.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

12. Share options

On 26th September 2002, a new share option scheme (the "Scheme") was adopted by the Company. The purpose of the Scheme is to provide any full-time employees of the Company or any of its subsidiaries (including executive directors) and non-executive directors of the Company or any of its subsidiaries (including independent non-executive directors of the Company) with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

During the nine months ended 31st January 2006, no option was granted under the Scheme (2005: Nil).

13. Bank loans

(a) Long-term bank loans

During the period, the Group obtained long-term bank loans in the amount of HK$209,421,000 and the long-term bank loans amounting to approximately HK$129,991,000 were repaid.

(b) Short-term bank borrowings

	As at 31st January 2006 HK$'000	As at 30th April 2005 HK$'000
Bank overdrafts	**–**	15,438
Short-term bank loans	**81,242**	78,628
Trust receipts bank loans	**183**	28,388
Long-term bank loans, current portion	**87,974**	89,337
	169,399	211,791

14. Trade payables

The aging analysis of trade payables is as follows:

	As at 31st January 2006 HK$'000	As at 30th April 2005 HK$'000
Current	**60,774**	42,241
Overdue by 0 – 1 month	**3,480**	2,393
Overdue by 1 – 2 months	**2,293**	478
Overdue by 2 – 3 months	**706**	177
Overdue by more than 3 months	**605**	1,112
	67,858	46,401

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

15. Commitments and contingent liabilities

(a) Capital commitments

	As at 31st January 2006 HK$'000	As at 30th April 2005 HK$'000
Contracted but not provided for		
– construction of a production plant in Zhongshan, Mainland China	**1,066**	11,672
– purchase of properties in Hong Kong	**475**	1,377
– purchase and construction of other property, plant and equipment	**6,774**	29
– the balance of land premium in Zhongshan, Mainland China	**–**	1,464
	8,315	14,542

(b) Contingent liabilities

	As at 31st January 2006 HK$'000	As at 30th April 2005 HK$'000
Factoring of trade receivables with recourse	**–**	21,896

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 31st January 2006, the Group's turnover recorded HK$452,948,000 (2005: HK$427,523,000), with an increase of 5.9% as compared with the corresponding period last year. The core business – electronic components manufacturing segment, the turnover of which was HK$451,911,000 (2005: HK$423,638,000), up 6.7% as compared with the corresponding period last year, and accounted for 99.8% (2005: 99.1%) of the Group's turnover.

During the period, the Group's gross profit and operating profit were HK$99,437,000 (2005: HK$95,698,000) and HK$39,653,000 (2005: HK$34,259,000) respectively, up 3.9% and 15.7% respectively as compared with the corresponding period last year. However, gross profit margin for the period was 22.0% (2005: 22.4%), down approximately 0.4% as compared with the same period last year, which was mainly attributable to the sustained increase in prices of raw materials and a 2% appreciation in Renminbi. As a direct consequence, the Group's cost of production in Mainland China has been pushed up. The rising wages in Mainland China had a notable effect on the Group's cost of production. During the period, earnings before interest, tax, depreciation and amortisation ("EBITDA") was HK$89,068,000 (2005: HK$81,806,000), up 8.9% as compared with the same period last year, whilst profit attributable to equity holders was down 1.4% to HK$18,397,000 (2005: HK$18,653,000) as compared with the same period last year. This primarily resulted from the several increases in interest rates of Hong Kong in following the interest policy of the United States, which gave rise to a significant increase in the Group's interest expenses, and the increase in profit before tax and the change of tax incentives for certain profit-contributed subsidiaries in Mainland China, which made the Group's tax charge rise remarkably by 73.7% to HK$6,940,000 (2005: HK$3,995,000).

During the period, the Group faced with rising cost of production. In view of the soaring remuneration in Hong Kong and Mainland China, the Group had made reasonable adjustments on the staff remuneration during the period with a view to maintaining a stable human resources and a sustained productivity of its production bases in Mainland China. For the nine months ended 31st January 2006, the wages of production staff was HK$63,815,000 (2005: HK$57,694,000), up 10.6% as compared with the same period last year; whilst the staff remuneration for sales and marketing, administration and the management rose by 16.9% to HK$31,372,000 (2005: HK$26,828,000) as compared with the same period last year. This resulted from the increases in staff and staff remuneration. The Group expects that the pressure of labour market will continue in the near future and the future wage level may go up further. As such, gross profit margin will be most probably under sustained pressure.

FINANCIAL REVIEW

Funds Surplus and Liabilities

As at 31st January 2006, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$73,870,000 (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 January 2006, the Group could comply with such financial ratios, which indicates that the Group's financial position was satisfactory.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Funds Surplus and Liabilities (continued)

As at 31st January 2006, the Group's total borrowings granted from banks and financial institutions was HK$275,808,000 (30th April 2005: HK$238,276,000), of which HK$170,642,000 (30th April 2005: HK$214,379,000) was current and HK$105,166,000 (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 January 2006, the current ratio was 1.10 (30th April 2005: 0.77); whilst the Group's average inventory turnover was of approximately 46 days (30th April 2005: 60 days) and the average trade receivables 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. The re-organization of the Group's main debt structure was completed during the period. Hence, 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 nine months ended 31st January 2006 amounted to HK$20,301,000 (2005: HK$11,370,000). Net cash inflow from operating activities was HK$29,223,000 (2005: HK$86,777,000). The factoring of trade receivables with recourse was transferred to trade receivables in accordance with the revised accounting standards during the period. As a result, the Group's trade receivables increased and net cash inflow from operating activities reduced. Net cash inflow from financing activities was HK$36,927,000 (2005: outflow of HK$44,493,000). During the period, the increase in net cash inflow from financing activities was mainly attributable to the draw-down of the aforesaid aggregate amount of HK$243,000,000 under the aforesaid 3-year transferable term loan and revolving credit facility agreement. The Group expects to use fixed term loans for gradually replacing the short-term trade finance and trust receipt bank loans in future and believes that this can procure relatively stable sources for working capital with a view to reducing the cost of capital.

As at 31st January 2006, the Group's net gearing ratio* was 0.61 (30th April 2005: 0.64). The Group will continue to control its financial resources in a prudent manner and proactively lower the financial leverage ratio to achieve a more stable business development in future.

(* *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))*

In regard to interest expenses, for the nine months ended 31st January 2006, the Group's interest expenses was HK$13,085,000 (2005: HK$10,618,000), with a significant increase of 23% as compared with the corresponding period last year. The rise in interest expenses was mainly due to the several increases in interbank offer rate and prime rate of Hong Kong in the past year, which led to a rise of approximately 2% in the Group's average interest rate of borrowings as compared with that of the corresponding period last year. Since the cycle of interest rate hike has not yet come to an end, the Group will endeavour to reduce all kinds of expenditure and to strengthen the effective use of working capital so as to reduce borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Financial Resources and Capital Structure (continued)

For the nine months ended 31st January 2006, the net cash outflow of the investing activities was HK$47,760,000 (2005: HK$30,256,000). The capital expenditure was mainly utilized in the construction of a new manufacturing plant in Zhongshan amounting to approximately HK$11,227,000 (2005: HK$1,382,000) with an aim to provide basic infrastructure for 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$28,686,000 (2005: HK$26,871,000). The investment properties purchased in Hong Kong, which amounted to HK$6,315,000 (2005: HK$1,551,000), were mainly the other flats in the 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. The Group considers that it is the prime time for it to purchase those flats during the period. The infrastructure and investment project for long-term development as aforesaid have nearly completed. It is expected that the capital expenditure for the next financial year will decrease substantially, and that the need for capital and the interest expenses in future will reduce as well.

Cash Flow Summary

	For the nine months ended 31st January	
	2006	2005
	HK$'000	HK$'000
Net cash inflow from operating activities	**29,223**	86,777
Net cash outflow from investing activities	**(47,760)**	(30,256)
Net cash inflow/(outflow) from financing activities	**36,927**	(44,493)
Exchange adjustment	**1,911**	(658)
Increase in cash and cash equivalents	**20,301**	11,370

Charges on Assets

As at 31st January 2006, certain assets of the Group with an aggregate carrying value of HK$39,069,000 (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 are denominated in Hong Kong dollar, Renminbi ("RMB") and United States dollar. Since The People's Bank of China announced a 2% appreciation in 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 mild until now. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLAN AND PROSPECTS

"Prudence" will still be the most important criterion for the Group's future development, that is, the Group will continue to develop its specialized coils manufacturing business. The Group expects that the future is still full of challenges and considers that the prolonged shortage of labour in Mainland China will bring about a substantial rise in cost of human resources. In view of this, it is indispensable to improve the production efficiency to offset the pressure of cost of human resources. The Group has recently worked on a plan to re-engineer its production lines with one of its major business partners. The partner will introduce sophisticated production processes and logistics process management to tremendously improve the Group's effective use of resources, thereby jointly reaping the economic benefits derived from the optimization of production lines.

While improving production efficiency, the Group will implement a series of new measures to improve the effective use of working capital. With such measures, the management of trade receivables recovery can be further refined in order to ease the pressure on working capital exerted by credit period. The risks of overdue trade receivables and bad debts caused by market fluctuation can also be strictly controlled. On the other hand, the Group will revise its purchase policy to vigorously keep raw materials inventory at a low level. The measures will help the Group reduce the debt ratio in future, which not only improves the existing capital structure, but also relieves the pressure on the Group's capital cost during the cycle of interest rate hike, thereby improving the profitability of the Group in the future.

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 6,500 employees as at 31st January 2006. 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.

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31st January 2006, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Shares of the Company

	Number of shares of HK$0.10 each					
Name of director	Family interests	Personal interests *(Note 2)*	Corporate interests	Trusts and similar interests	Total interests	Percentage of issued share capital
Mr. Lam Wai Chun	423,785,660 *(Note 3)*	12,411,188	423,785,660 *(Note 3)*	423,785,660 *(Note 3)*	436,196,848 *(Note 3)*	60.87%
Ms. Tang Fung Kwan	–	3,502,611	–	–	3,502,611	0.49%
Ms. Li Hong	–	548,000	–	–	548,000	0.08%
Mr. Au Son Yiu	–	6,467,440	–	–	6,467,440	0.90%
Dr. Tang Tin Sek	–	2,516,000	–	–	2,516,000	0.35%

Notes:

1. All the above interests in the shares of the Company were long positions.

2. Personal interests were interests held by the relevant directors as beneficial owners.

3. The 423,785,660 shares were held by and registered in the name of Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust, namely Ka Yan China Family Trust (the "Trust"). The beneficiaries under the Trust were Mr. Lam Wai Chun's immediate family members. By virtue of his being a founder of the Trust, Mr. Lam Wai Chun was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The 423,785,660 shares in the family interests, corporate interests and trusts and similar interests related to the same block of shares in the Company and duplicated each other. Accordingly, Mr. Lam Wai Chun's total interests of 436,196,848 shares in the Company was arrived at after eliminating the duplications.

OTHER INFORMATION

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

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

Coils Electronic Co., Limited

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

Notes:

4. Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK$1.00 each, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of HK$1.00 each issued by Coils Electronic Co., Limited, in which Coils International Holdings Limited, a direct wholly-owned subsidiary of the Company, held the entire issued ordinary share capital.

5. 6,000,000 non-voting deferred shares of HK$1.00 each were held by Ka Yan China Development (Holding) Company Limited and 500,000 non-voting deferred shares of HK$1.00 each were held by Ms. Law Ching Yee respectively in Coils Electronic Co., Limited, representing approximately 42.86% and approximately 3.57% respectively of the 14,000,000 non-voting deferred shares of HK$1.00 each in the share capital of Coils Electronic Co., Limited. Mr. Lam Wai Chun was deemed to be interested in all these shares under the SFO by virtue of, in the case of shares held by Ka Yan China Development (Holding) Company Limited, the reasons set out in Note 3 to sub-paragraph (a) above and, in the case of Ms. Law Ching Yee, the fact that Ms. Law Ching Yee is the spouse of Mr. Lam Wai Chun.

6. All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held by Mr. Lam Wai Chun were long positions.

7. Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

Save as disclosed above, as at 31st January 2006, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code.

At no time during the nine months ended 31st January 2006 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised such rights.

OTHER INFORMATION

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st January 2006, according to the register required to be kept by the Company under section 336 of the SFO, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shares of the Company

Substantial shareholders (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"))

	Number of shares held				
Name	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	Percentage of issued share capital
Ms. Law Ching Yee	436,196,848 *(Note 2)*	–	–	–	60.87%
Ka Yan China Development (Holding) Company Limited	–	–	–	423,785,660 *(Notes 2 and 3)*	59.14%
Ka Yan China Investments Limited	–	423,785,660 *(Notes 2 and 3)*	–	–	59.14%
HSBC International Trustee Limited	–	–	423,785,660 *(Note 4)*	–	59.14%

Other persons as recorded in the register kept by the Company pursuant to section 336 of the SFO

	Number of shares held				
Name	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	Percentage of issued share capital
Nittoku Engineering Co., Ltd.	–	–	–	51,093,983	7.13%*
Toko, Inc.	–	–	–	36,785,402	5.13%*

Notes:

1. All the above interests in the shares of the Company were long positions.

2. The 423,785,660 shares were held by and registered in the name of Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust. The beneficiaries under the Trust were Mr. Lam Wai Chun's immediate family members. By virtue of Mr Lam Wai Chun being a founder of the Trust, Ms Law Ching Yee was deemed to be interested in all the shares held by her spouse, Mr. Lam Wai Chun, for the purpose of the SFO.

3. The interests of Ka Yan China Development (Holding) Company Limited, Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited were in respect of the same 423,785,660 shares and duplicated each other.

OTHER INFORMATION

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(continued)*

Share of the Company *(continued)*

4. The 423,785,660 shares in which HSBC International Trustee Limited was interested were the shares referred to in Note 2 above.

* The percentage has been adjusted based on the total number of shares of the Company in issue as at 31st January 2006 (i.e. 716,610,798 shares).

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 31st January 2006.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of rule 13.21 of the Listing Rules, the Company makes the following disclosures in relation to the details of the 2003 Agreement (as defined below), the Facility Letter (as defined below) and 2005 Agreement (as defined below), all of which include conditions relating to specific performance of the controlling shareholder of the Company:–

(a) On 30th April 2003, the Company entered into a 3-year transferable term loan facility agreement (the "2003 Agreement") for an aggregate amount of HK$165,000,000 (the "2003 Facility") with Coils Electronic Co., Limited ("Coils"), an indirect wholly-owned subsidiary of the Company, as original guarantor, and a group of banks.

Under the provisions of the 2003 Agreement, it would be an event of default, inter alia, if any of the following events occurs:

1. Mr. Lam Wai Chun ("Mr. Lam"), the Chairman of the Company, and Ka Yan China Development (Holding) Company Limited ("Ka Yan"), the controlling shareholder of the Company, cease to be the beneficial owners, together, of more issued share capital of the Company than any other person (including persons acting in concert); or

2. Mr. Lam and Ka Yan cease to be the beneficial owners, together, of at least 35% of the issued share capital of the Company; or

3. Mr. Lam ceases to be the Chairman of the Company or ceases to be involved actively in the management and business of the Group; or

4. Mr. Lam or Ka Yan sells, transfers, assigns, encumbers or disposes of all or part of their respective beneficial ownership of shares in the Company; or

5. Ka Yan ceases to be wholly and beneficially owned by Ka Yan China Family Trust (the "Trust"), the family trust of Mr. Lam; or

6. Mr. Lam's immediate family members cease to be the only beneficiaries under the Trust.

OTHER INFORMATION

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES *(continued)*

If the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2003 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2003 Facility, together with accrued interest, and all other amounts accrued and outstanding under all finance documents (including the 2003 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2003 Facility shall immediately become payable on demand.

All the outstanding indebtedness under the 2003 Agreement was prepaid in May 2005.

(b) On 30th July 2004, Coils accepted an offer of (i) a documentary credit plus trust receipt facility plus invoice financing – import facility of up to HK$20,000,000 (the "First Facility") and (ii) a 2-year term loan facility of up to HK$20,000,000 (the "Second Facility", together with the First Facility, the "Facilities") under a facility letter dated 28th July 2004 (the "Facility Letter") issued by a bank in Hong Kong (the "Bank"). The Company (as corporate guarantor) also countersigned the Facility Letter and has provided a guarantee and indemnity up to the extent of HK$40,000,000 and accrued interest and default interest thereon and all other costs and expenses to secure the Facilities. The Facilities shall be subject to periodical review as the Bank deems fits and at the Bank's sole and absolute discretion. The Facilities shall expire and be repayable forthwith as and when the Bank has given Coils notice of termination.

Under the provisions of the Facility Letter, there are conditions, among other things, that (a) Mr. Lam and Ka Yan shall remain the beneficial owners, together, of the largest proportion of the issued share capital of the Company at all times and, Mr. Lam and Ka Yan shall not sell, transfer, assign, encumber or dispose of all or part of their respective beneficial shareholdings in the Company and (b) the aggregate beneficial shareholdings of Mr. Lam and Ka Yan shall not fall below 35% of the issued share capital of the Company throughout the life of the Facilities. Should there be any breach of such conditions, the Bank shall have the right to demand for repayment of all outstanding amounts due by Coils under the Facilities.

As at 31st January 2006, the aggregate carrying value of the outstanding loan under the Facilities was approximately HK$5,000,000.

(c) On 27th April, 2005, the Company (as borrower) entered into a 3-year transferable term loan and revolving credit facility agreement (the "2005 Agreement") for an aggregate amount of HK$243,000,000 (the "2005 Facility") with a group of banks and Coils and CEC-Coils Singapore Pte Ltd., being two indirect wholly-owned subsidiaries of the Company (collectively, as original guarantors). The 2005 Facility consist of (1) a term loan for an aggregate amount of HK$194,400,000 and (2) a revolving credit facility for an aggregate amount of HK$48,600,000.

OTHER INFORMATION

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES *(continued)*

Under the provisions of the 2005 Agreement, it would be an event of default, inter alia, if Mr. Lam, the Chairman of the Company and a controlling shareholder of the Company, ceases to be the Chairman of the Company or ceases to be involved actively in the management and business of the Group. If the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2005 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2005 Facility, together with accrued interest, and all other amounts accrued and outstanding under all finance documents (including the 2005 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2005 Facility shall immediately become payable on demand.

As at 31st January 2006, the aggregate carrying value of the outstanding loan under the 2005 Facility was approximately HK$192,472,000.

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 nine months ended 31st January 2006.

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises the four independent non-executive directors after the appointment of Mr. Goh Gen Cheung 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 on Corporate Governance Practices 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 Third Quarterly Report for the nine months ended 31st January 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

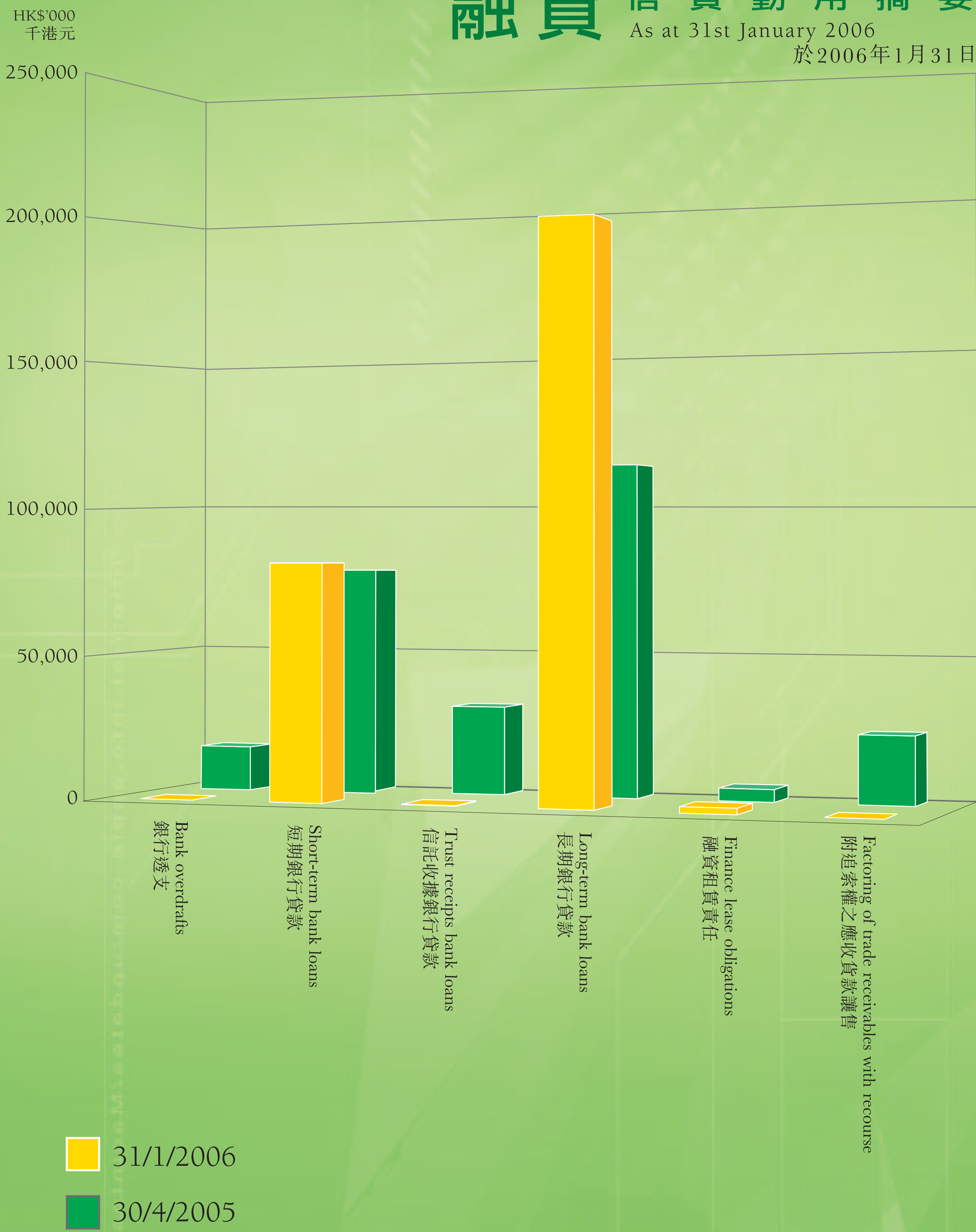
The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions for the nine-month period to 31st January 2006. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code at the applicable times for the period from 1st May 2005 to 31st January 2006.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 17th March 2006

Summary
of credit facilities utilisation
融資信貸動用摘要

As at 31st January 2006
於2006年1月31日



香 港 九 龍 觀 塘 巧 明 街 1 1 0 號 興 運 工 業 大 廈 2 樓
2nd Floor, Hing Win Factory Building, 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong