



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

2006/2007

Pages
頁次

CORPORATE INFORMATION 公司資料	1
CONDENSED CONSOLIDATED INCOME STATEMENT 簡明綜合收益表	2
CONDENSED CONSOLIDATED BALANCE SHEET 簡明綜合資產負債表	3
CONDENSED CONSOLIDATED CASH FLOW STATEMENT 簡明綜合現金流量表	4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 簡明綜合權益變動表	5
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 簡明綜合財務報表附註	6
MANAGEMENT DISCUSSION AND ANALYSIS 管理層論述及分析	12
OTHER INFORMATION 其他資料	16

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

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 Hunter Bailhache

PRINCIPAL BANKERS

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
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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
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Hong Kong Branch Share Registrar

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

2006/2007 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 31 January 2007 and the unaudited condensed consolidated balance sheet as at 31 January 2007 of the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 31 January		Nine months ended 31 January	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	2	177,609	151,676	529,527	452,948
Cost of sales	4	(143,037)	(118,842)	(423,846)	(353,511)
Gross profit		34,572	32,834	105,681	99,437
Other gains, net	3	1,215	278	2,000	1,904
Selling and distribution expenses	4	(4,203)	(3,650)	(11,285)	(9,644)
General and administrative expenses	4	(21,742)	(18,090)	(59,821)	(52,044)
Operating profit		9,842	11,372	36,575	39,653
Finance costs	5	(4,980)	(4,681)	(14,729)	(14,316)
Profit before taxation		4,862	6,691	21,846	25,337
Taxation	6	(558)	(2,100)	(3,532)	(6,940)
Profit for the period		4,304	4,591	18,314	18,397
Attributable to:					
– equity holders of the Company		4,453	4,591	18,463	18,397
– minority interest		(149)	–	(149)	–
		4,304	4,591	18,314	18,397
Earnings per share for profit attributable to equity holders of the Company	8				
– Basic		0.62 cent	0.64 cent	2.58 cents	2.62 cents
– Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 31 January 2007 HK\$'000 (Unaudited)	As at 30 April 2006 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		30,040	23,865
Property, plant and equipment	9	365,939	370,681
Investment properties		9,325	10,970
Available-for-sale financial assets		7,960	7,079
Deposit for property, plant and equipment		3,593	–
		416,857	412,595
Current assets			
Inventories		76,804	65,428
Bills and account receivables	10	163,141	162,622
Other receivables		10,792	7,961
Tax recoverable		21	53
Pledged bank deposits		26,198	25,446
Bank balances and cash		31,817	47,562
		308,773	309,072
Total assets		725,630	721,667
EQUITY			
Share capital	11	71,661	71,661
Reserves			
Proposed final dividend		–	6,449
Others		294,586	262,866
Total equity		366,247	340,976
LIABILITIES			
Non-current liabilities			
Borrowings	12	29,991	87,365
Deferred tax		11,618	13,508
		41,609	100,873
Current liabilities			
Borrowings	12	241,739	183,956
Bills and account payables	13	45,980	54,742
Accruals and other payables		24,429	31,647
Taxation payable		5,626	9,473
		317,774	279,818
Total liabilities		359,383	380,691
Total equity and liabilities		725,630	721,667
Net current (liabilities)/assets		(9,001)	29,254
Total assets less current liabilities		407,856	441,849

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Nine months ended 31 January	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Net cash generated from operating activities	43,157	29,223
Net cash used in investing activities	(42,845)	(47,760)
Net cash (used in)/generated from financing activities	(16,795)	36,927
Translation adjustments	4,247	1,911
(Decrease)/increase in cash and cash equivalents	(12,236)	20,301
Cash and cash equivalents, beginning of period	44,053	28,332
Cash and cash equivalents, end of period	31,817	48,633

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company			Minority interest	Total
	Share capital	Other Reserves	Retained profits		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 May 2005	69,303	53,893	189,454	–	312,650
Change in fair value of available-for-sale financial assets	–	(1,038)	–	–	(1,038)
Currency translation differences	–	4,867	–	–	4,867
Net gains recognised directly in equity	–	3,829	–	–	3,829
Profit for the period	–	–	18,397	–	18,397
Total recognised income for the period	–	3,829	18,397	–	22,226
Transfer from retained profits to Mainland China statutory reserve	–	3,099	(3,099)	–	–
Shares issued during the period	2,358	1,014	–	–	3,372
2004/2005 final dividend	–	–	(4,851)	–	(4,851)
Balance at 31 January 2006	71,661	61,835	199,901	–	333,397
Balance at 1 May 2006	71,661	64,515	204,800	–	340,976
Capital contribution from a minority shareholder of a subsidiary	–	–	–	149	149
Change in fair value of available-for-sale financial assets	–	881	–	–	881
Currency translation differences	–	12,376	–	–	12,376
Net gain recognised directly in equity	–	13,257	–	149	13,406
Profit/(loss) for the period	–	–	18,463	(149)	18,314
Total recognised income for the period	–	13,257	18,463	–	31,720
Transfer from retained profits to Mainland China statutory reserve	–	3,688	(3,688)	–	–
2005/2006 final dividend	–	–	(6,449)	–	(6,449)
Balance at 31 January 2007	71,661	81,460	213,126	–	366,247

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated third quarterly financial statements (the “Financial Statements”) 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 Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 April 2006.

The accounting policies used in the preparation of the Financial Statements are consistent with those used in the annual financial statements for the year ended 30 April 2006 with the addition of certain new standards or amendments of Hong Kong Financial Reporting Standards (“HKFRS”) issued and became effective during the period ended 31 January 2007. The adoption of such standards or amendments has no significant effect on the Group’s results.

The Group has not early adopted any new/revised HKFRSs, HKASs, amendments and interpretations which have been issued on or before 31 January 2007 but are not effective for the financial year ending 30 April 2007. The Group is in the process of assessing their impact on the Group’s results and operations.

2. Segment information

(a) Primary segments

	Nine months ended 31 January 2007			Nine months ended 31 January 2006		
	Electronic components	Others	Total	Electronic components	Others	Total
	manufacturing HK\$'000	HK\$'000	HK\$'000	manufacturing HK\$'000	HK\$'000	HK\$'000
Sales	528,265	3,302	531,567	451,911	2,647	454,558
Inter-segment sales	–	(2,040)	(2,040)	–	(1,610)	(1,610)
External sales	528,265	1,262	529,527	451,911	1,037	452,948
Operating profit	35,134	1,441	36,575	38,856	797	39,653
Finance costs			(14,729)			(14,316)
Profit before taxation			21,846			25,337
Taxation			(3,532)			(6,940)
Profit for the period			18,314			18,397
Capital expenditures	44,162	300	44,462	48,257	3,428	51,685
Depreciation	50,165	69	50,234	49,893	87	49,980
Amortisation	487	–	487	269	–	269

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Segment information (continued)

(a) Primary segments (continued)

	Electronic components manufacturing		Others		Total	
	As at 31/1/2007	As at 30/4/2006	As at 31/1/2007	As at 30/4/2006	As at 31/1/2007	As at 30/4/2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other information						
Segment assets	715,098	707,490	10,511	14,124	725,609	721,614
Unallocated assets					21	53
Total assets					725,630	721,667
Segment liabilities	341,487	356,690	652	1,020	342,139	357,710
Unallocated liabilities					17,244	22,981
Total liabilities					359,383	380,691

(b) Secondary segments

	Sales Nine months ended 31 January		Capital expenditures Nine months ended 31 January		Total assets	
	2007	2006	2007	2006	As at 31/1/2007	As at 30/4/2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	173,902	169,950	12,661	9,377	116,837	118,700
Mainland China	241,697	180,961	31,050	42,279	549,244	541,691
Taiwan	37,257	32,175	716	29	26,975	24,136
Europe	17,777	17,713	–	–	3,495	4,093
Singapore	31,402	24,581	–	–	23,586	26,332
Others	27,492	27,568	35	–	5,493	6,715
Total	529,527	452,948	44,462	51,685	725,630	721,667

3. Other gains, net

	Three months ended 31 January		Nine months ended 31 January	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest income	360	278	1,145	565
Gain on disposal of investment properties	855	–	855	–
Dividend income	–	–	–	1,339
Total	1,215	278	2,000	1,904

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Expenses by nature

	Three months ended		Nine months ended	
	31 January		31 January	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of leasehold land and land use rights	179	111	487	269
Depreciation of property, plant and equipment	16,961	16,722	50,234	49,980
Cost of inventories sold	142,926	118,599	423,499	352,242
Employee benefit expense (including directors' emoluments)	45,285	37,446	128,105	103,876
Impairment loss on goodwill	300	–	300	–
Provision for slow moving and obsolete inventories	771	–	771	–
(Reversal of)/provision for impairment of receivables	(1,531)	(27)	(3,428)	493

5. Finance costs

	Three months ended		Nine months ended	
	31 January		31 January	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses	4,720	4,250	13,823	13,085
Amortisation of deferred borrowing costs	260	431	906	1,231
	4,980	4,681	14,729	14,316

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% (2006: 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		Nine months ended	
	31 January		31 January	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax – current tax	(353)	2,288	1,687	6,916
Overseas taxation – current tax	1,469	1,390	3,790	3,349
Deferred taxation	(558)	(1,578)	(1,945)	(3,325)
	558	2,100	3,532	6,940

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Dividend

The Board resolved not to declare any dividend in respect of the nine months ended 31 January 2007 (2006: Nil).

8. Earnings per share

The calculation of basic earnings per share for the three months ended 31 January 2007 is based on the profit attributable to equity holders of the Company of approximately HK\$4,453,000 (2006: HK\$4,591,000) and 716,610,798 (2006: 716,610,798) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31 January 2007 is based on the profit attributable to equity holders of the Company of approximately HK\$18,463,000 (2006: HK\$18,397,000) and the weighted average number of 716,610,798 (2006: 701,573,009) shares in issue during the period.

No information in respect of diluted earnings per share is presented as there was no dilutive potential share during the three months and nine months ended 31 January 2006 and 31 January 2007 respectively.

9. Movements in property, plant and equipment

During the nine months ended 31 January 2007, the additions to property, plant and equipment were approximately HK\$38,107,000 (2006: HK\$42,465,000). The total net book value of disposals and write-offs of property, plant and equipment were approximately HK\$260,000 (2006: HK\$1,070,000).

10. Bills and account receivables

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

	As at 31 January 2007 HK\$'000	As at 30 April 2006 HK\$'000
Current	147,800	134,827
Overdue by 0 – 1 month	7,483	20,197
Overdue by 1 – 2 months	5,662	3,305
Overdue by 2 – 3 months	2,196	4,293
	163,141	162,622

Management of the Group performs ongoing credit and collectibility evaluations 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Share capital

Movements in share capital are as follows:

	Nine months ended 31 January 2007		Year ended 30 April 2006	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Shares of HK\$0.10 each				
Authorised:				
Beginning and end of period/year	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
Beginning of period/year	716,610,798	71,661	693,028,811	69,303
Issue of new shares (Note)	-	-	23,581,987	2,358
End of period/year	716,610,798	71,661	716,610,798	71,661

Note:

On 24 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 23 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 30 April 2005 pursuant to the scrip dividend scheme.

12. Borrowings

	As at 31 January 2007 HK\$'000	As at 30 April 2006 HK\$'000
Non-current		
Bank borrowings	29,701	86,749
Finance lease liabilities	290	616
	29,991	87,365
Current		
Bank overdrafts	-	3,509
Bank borrowings	241,310	179,569
Finance lease liabilities	429	878
	241,739	183,956
	271,730	271,321

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Bills and account payables

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

	As at 31 January 2007 HK\$'000	As at 30 April 2006 HK\$'000
Current	42,165	48,142
Overdue by 0 – 1 month	2,782	4,945
Overdue by 1 – 2 months	700	446
Overdue by 2 – 3 months	137	838
Overdue by more than 3 months	196	371
	45,980	54,742

14. Share options scheme

On 26 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 (including executive directors) of the Company or any of its subsidiaries 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 31 January 2007, no option was granted under the Scheme (2006: Nil).

15. Capital commitments

	As at 31 January 2007 HK\$'000	As at 30 April 2006 HK\$'000
Contracted but not provided for		
– construction of a production plant in Zhongshan, Mainland China	–	1,500
– purchase of land and buildings in Hong Kong and Mainland China	1,805	5,668
– purchase of other fixed assets	3,266	6,749
	5,071	13,917

16. Related party transaction

Key management compensation

	Nine months ended 31 January	
	2007 HK\$'000	2006 HK\$'000
Wages and salaries	3,526	3,180
Pension costs – defined contribution plans	262	241
	3,788	3,421

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 31 January 2007, the turnover of the Group was HK\$529,527,000 (2006: HK\$452,948,000), with an increase of 16.9% as compared with the corresponding period last year. The turnover of electronic components manufacturing segment, the Group's core business, was HK\$528,265,000 (2006: HK\$451,911,000) which accounted for 99.8% (2006: 99.8%) of the Group's turnover. Analysis by geographical location showed that Mainland China and other countries in Asia mainly contributed to the turnover growth. The turnover of Mainland China reported approximately HK\$241,697,000 (2006: HK\$180,961,000), up 33.6% as compared with the corresponding period last year. In addition, turnover from Singapore and Taiwan were approximately HK\$31,402,000 (2006: HK\$24,581,000) and HK\$37,257,000 (2006: HK\$32,175,000) respectively, up 27.7% and 15.8% respectively as compared with the same period last year.

During the period under review, the prices of raw materials and energy cost had been staying high. The prices of major raw materials such as nickel and zinc rose by approximately 132% and 52% respectively as compared with those of the corresponding period last year, whilst the prices of metal raw materials showed a sign of pick-up after a slide during the period. Moreover, the uptrend for staff wages of Mainland China led to an increase of approximately 6% in the average wage of production staff as compared with the same period last year. All of these drove up the overall production cost. Gross profit margin declined by 2% to 20% (2006: 22%) as compared with the same period last year. Gross profit for the period was HK\$105,681,000 (2006: HK\$99,437,000). Profit attributable to equity holders of the Company for the period was HK\$18,463,000 (2006: HK\$18,397,000). Net profit margin slipped 0.6% to 3.5% (2006: 4.1%) as compared with the corresponding period last year, which was mainly attributable to the decline in gross profit margin and the rise of approximately 5% in the average salary of sales and marketing, administrative and management personnel during the period, as well as the expansion of some subsidiaries and representative offices of the Group in the overseas and Mainland China during the period resulting in increases in selling and administrative expenses as compared with those of the corresponding period last year.

As at 31 January 2007, the Group's total accounts receivables was HK\$163,141,000 (30 April 2006: HK\$162,622,000), which was similar to that of the financial year-end date of last year. The Group's total inventory was HK\$76,804,000 (30 April 2006: HK\$ 65,428,000), up approximately 17.4% as compared with that of the financial year-end date of last year. The sustained rise in prices of raw materials had impact on such increase to certain extent.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 31 January 2007, the Group's bank balance and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$58,015,000 (30 April 2006: HK\$73,008,000). The banking facilities amounting to HK\$273,886,000 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 imposed by the major financing banks. As at 31 January 2007, the Group complied with such financial covenants, which indicates that the Group's financial position remained satisfactory.

As at 31 January 2007, the Group's total borrowings granted from banks and financial institutions amounted to HK\$271,730,000 (30 April 2006: HK\$271,321,000), of which HK\$241,739,000 (30 April 2006: HK\$183,956,000) will be repayable within one year and HK\$29,991,000 (30 April 2006: HK\$87,365,000) will be repayable within a period of more than one year but not exceeding five years. As at 31 January 2007, the Group's net gearing ratio* was 0.58 (30 April 2006: 0.59). The net gearing ratio was similar to that of the financial year-end date of last year reflecting that the Group has been making a continued control on its financial resources with prudence during the period.

(* 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))

Financial Resources and Capital Structure

For the nine months ended 31 January 2007, the Group's net cash outflow (decrease in cash and cash equivalents) was HK\$12,236,000 (2006: net cash inflow (increase in cash and cash equivalents) of HK\$20,301,000). The net cash inflow from operating activities was HK\$43,157,000 (2006: HK\$29,223,000). The net cash outflow from financing activities was HK\$16,795,000 (2006: inflow of HK\$36,927,000). The net cash inflow from financing activities of the corresponding period last year was comparatively higher than that of the period under review due 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 by the Company during the same period last year. In respect of interest expenses, for the nine months ended 31 January 2007, the Group's interest expenses amounted to HK\$13,823,000 (2006: HK\$13,085,000), up approximately 5.6% as compared with the corresponding period last year.

For the nine months ended 31 January 2007, net cash outflow from investing activities was HK\$42,845,000 (2006: HK\$47,760,000). Part of the capital expenditure was used in purchasing properties for self-use for the expansion of Hong Kong headquarters, while the remaining portion was used for the purchase of machinery and equipment and the expansion of plant in order to enhance the production capacity.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Financial Resources and Capital Structure (continued)

Cash Flow Summary

	For the nine months ended 31 January	
	2007 HK\$'000	2006 HK\$'000
Net cash inflow from operating activities	43,157	29,223
Net cash outflow from investing activities	(42,845)	(47,760)
Net cash (outflow)/inflow from financing activities	(16,795)	36,927
Exchange adjustment	4,247	1,911
(Decrease)/increase in cash and cash equivalents	(12,236)	20,301

As at 31 January 2007, the Group's current ratio was 1.0 (30 April 2006: 1.1). The lower current ratio was due to the increase of HK\$57,783,000 in the outstanding balance of the Group's short-term borrowings as at 31 January 2007, as compared with that as at the financial year-end date of last year. On the contrary, the outstanding balance of the Group's long-term borrowings as at 31 January 2007 reduced by HK\$57,374,000, as compared with that as at the financial year-end date of last year. On the other hand, the purchase of properties and construction of plant amounting to approximately HK\$17,681,000 for the long-term expansion during the period under review also exerted influence on the current ratio. The Board will continue to focus on controlling the working capital and the change of capital structure with a view to improving the current ratio.

Charges on Assets

As at 31 January 2007, certain assets of the Group with an aggregate carrying value of approximately HK\$38,621,000 (30 April 2006: HK\$41,356,000) 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, Renminbi and United States dollar; whilst the major currencies in purchase commitments are primarily denominated in Hong Kong dollar, Renminbi, United States dollar and Japanese Yen. As most of the Group's operating expenses for production arise from Mainland China, the appreciation of Renminbi will have a negative impact on the Group's certain payments for purchase commitments in Renminbi. The Board is closely monitoring 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

The prices of some major raw materials for the Group are still volatile. In addition, the soaring wages of Mainland China posing a problem of pushing up the cost, together with the sustained appreciation of Renminbi, will lead to increases in the production cost and expenses of Mainland China. Accordingly, the Board believes that the pressure of rising cost will continue for some time. The Group will make more flexible settlements in terms of the credit periods granted by its major suppliers for bargaining better purchasing prices. In the meantime, the Group will also endeavour to reduce the wear and tear of raw materials arisen from the production process. On the other hand, the Group will negotiate with the relevant customers on those products, which are significantly influenced by the rise of production cost, with a view to yielding better market prices.

The Group will continue to proactively explore the existing coils market for promoting the overall turnover. In the meantime, the Group will develop the energy-saving products and continue to put resources into purchasing facilities for research and development and recruiting technological research staff in line with the coming launch of new energy-saving products.

EMPLOYEES

The Group employed approximately 7,400 (2006: 6,500) employees as at 31 January 2007. 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. Other employee benefits include pension scheme and medical insurance. Subsidies on training and education are also provided. 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 31 January 2007, 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

Name of director	Number of shares of HK\$0.10 each				Total interests	Percentage of issued share capital
	Family interests	Personal interests (Note 2)	Corporate interests	Trusts and similar interests		
Mr. Lam Wai Chun	428,555,660 (Note 3)	19,951,188	428,555,660 (Note 3)	428,555,660 (Note 3)	448,506,848 (Note 3)	62.59%
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	–	6,001,440	–	–	6,001,440	0.84%
Dr. Tang Tin Sek	–	3,714,000	–	–	3,714,000	0.52%

Notes:

- All the above interests in the shares of the Company were long positions.
- Personal interests were interests held by the relevant directors as beneficial owners.
- The 428,555,660 shares were held by 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 428,555,660 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 448,506,848 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

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

Notes:

- 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.
- 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.
- All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held by Mr. Lam Wai Chun were long positions.
- Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

Save as disclosed above, as at 31 January 2007, 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.

Save as disclosed above, as at 31 January 2007, neither the directors or chief executive of the Company nor their spouses or children under the age of 18 had been granted any rights to subscribe for any equity or debt securities of the Company or any of 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 31 January 2007, 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"))

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Ms. Law Ching Yee	448,506,848 (Note 2)	-	-	-	62.59%
Ka Yan China Development (Holding) Company Limited	-	-	-	428,555,660 (Notes 2 and 3)	59.80%
Ka Yan China Investments Limited	-	423,785,660 (Notes 2 and 3)	-	-	59.14%
HSBC International Trustee Limited	-	-	423,785,660 (Notes 2 and 3)	-	59.14%

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

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Toko, Inc.	-	-	-	36,785,402	5.13%*

Notes:

- All the above interests in the shares of the Company were long positions.
- The 428,555,660 shares were held by 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.

OTHER INFORMATION

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Shares of the Company (continued)

3. The interests of 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. Such shares formed part of the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 31 January 2007, the actual duplicate interests held by Ka Yan China Investments Limited and HSBC International Trustee Limited in the Company was 428,555,660 shares which were also the same shares held by Ka Yan China Development (Holding) Company Limited as referred to in the Note 2 above.

* The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 January 2007 (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 31 January 2007.

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 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 30 July 2004, Coils Electronic Co., Limited (“Coils”), an indirect wholly-owned subsidiary of the Company, 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 28 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 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, 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.

The Facility Letter was terminated in July 2006 as all the outstanding indebtedness under the Facilities was fully repaid.

OTHER INFORMATION

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

- (b) On 27 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.

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 31 January 2007, the aggregate carrying value of the outstanding loan under the 2005 Agreement was approximately HK\$128,959,000.

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

The Company had not redeemed any of its listed shares during the nine months ended 31 January 2007. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the nine months ended 31 January 2007.

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises the four independent non-executive directors, 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. 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, the internal control of the Group and the Third Quarterly Report for the nine months ended 31 January 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions for the nine-month period to 31 January 2007. 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 throughout the nine months ended 31 January 2007.

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

Summary

of credit facilities utilisation

融資信貸動用摘要

As at 31 January 2007

於2007年1月31日

HK\$'000
千港元



31/1/2007

30/4/2006

