



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

2007/2008

	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	13
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*)
Ms. Li Hong

Independent Non-executive Directors

Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis
Dr. Tang Tin Sek
Mr. Goh Gen Cheung
Professor Zhu Yuhe

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
Professor Zhu Yuhe
Ms. Tang Fung Kwan

COMPANY SECRETARY

Ms. Li Lai Sheung

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co.
Appleby

PRINCIPAL BANKERS

China Construction Bank
CITIC Ka Wah Bank Limited
Dah Sing 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
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Hong Kong Branch Share Registrar
Computershare Hong Kong Investor
Services Limited
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Listed on The Stock Exchange of
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Stock Code: 0759

2007/2008 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 2008 and the unaudited condensed consolidated balance sheet as at 31 January 2008 of the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 31 January		Nine months ended 31 January	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Turnover	2	209,889	177,609	603,450	529,527
Cost of sales	4	(169,144)	(143,037)	(483,050)	(423,846)
Gross profit		40,745	34,572	120,400	105,681
Other income	3	2,446	360	3,239	1,145
Other gain – gain on disposal of investment property		–	855	–	855
Selling and distribution expenses	4	(4,763)	(4,203)	(12,696)	(11,285)
General and administrative expenses	4	(26,087)	(21,742)	(72,803)	(59,821)
Operating profit		12,341	9,842	38,140	36,575
Finance costs	5	(6,082)	(4,980)	(15,916)	(14,729)
Profit before taxation		6,259	4,862	22,224	21,846
Taxation	6	(1,614)	(558)	(3,506)	(3,532)
Profit for the period		4,645	4,304	18,718	18,314
Attributable to:					
– equity holders of the Company		4,690	4,453	19,119	18,463
– minority interest		(45)	(149)	(401)	(149)
		4,645	4,304	18,718	18,314
Earnings per share for profit attributable to equity holders of the Company during the period	8				
– basic		0.65 cent	0.62 cent	2.67 cents	2.58 cents
– diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 31 January 2008 HK\$'000 (Unaudited)	As at 30 April 2007 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		37,529	31,117
Property, plant and equipment	9	368,258	355,836
Investment properties		9,148	9,148
Available-for-sale financial assets		8,280	7,895
Deposit for acquisition/construction of property, plant and equipment		12,969	3,623
		436,184	407,619
Current assets			
Inventories		123,180	79,574
Accounts receivable	10	193,241	173,801
Prepayment, deposits and other receivables		8,739	8,477
Tax recoverable		–	21
Pledged bank deposits		27,279	26,509
Bank balances and cash		84,612	31,586
		437,051	319,968
Total assets		873,235	727,587
EQUITY			
Share capital	11	71,661	71,661
Reserves			
Proposed final dividend		–	6,808
Others		339,718	295,782
		411,379	374,251
Minority interest		199	–
Total equity		411,578	374,251
LIABILITIES			
Non-current liabilities			
Borrowings	12	196,451	38,329
Deferred income tax		7,790	10,777
		204,241	49,106
Current liabilities			
Borrowings	12	164,799	224,972
Accounts payable	13	56,997	47,424
Accruals and other payables		31,044	25,204
Taxation payable		4,576	6,630
		257,416	304,230
Total liabilities		461,657	353,336
Total equity and liabilities		873,235	727,587
Net current assets		179,635	15,738
Total assets less current liabilities		615,819	423,357

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Nine months ended	
	31 January	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	43,771	43,157
Net cash used in investing activities	(67,191)	(42,845)
Net cash generated from/(used in) financing activities	75,825	(16,795)
Increase/(decrease) in cash and cash equivalents	52,405	(16,483)
Translation adjustments	622	4,247
Cash and cash equivalents, beginning of period	31,585	44,053
Cash and cash equivalents, end of period	84,612	31,817

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained profits	Total	Minority interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 May 2006	71,661	64,515	204,800	340,976	–	340,976
Change in fair value of available-for-sale financial assets	–	881	–	881	–	881
Currency translation differences	–	12,376	–	12,376	–	12,376
Net income recognised directly in equity	–	13,257	–	13,257	–	13,257
Profit/(loss) for the period	–	–	18,463	18,463	(149)	18,314
Total recognised income for the period	–	13,257	18,463	31,720	(149)	31,571
Transfer from retained profits to other reserves	–	3,688	(3,688)	–	–	–
2005/2006 final dividend	–	–	(6,449)	(6,449)	–	(6,449)
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	149	149
Balance at 31 January 2007	71,661	81,460	213,126	366,247	–	366,247
Balance at 1 May 2007	71,661	85,926	216,664	374,251	–	374,251
Change in fair value of available-for-sale financial assets	–	404	–	404	–	404
Currency translation differences	–	24,413	–	24,413	–	24,413
Net income recognised directly in equity	–	24,817	–	24,817	–	24,817
Profit/(loss) for the period	–	–	19,119	19,119	(401)	18,718
Total recognised income for the period	–	24,817	19,119	43,936	(401)	43,535
Transfer from retained profits to other reserves	–	4,451	(4,451)	–	–	–
2006/2007 final dividend	–	–	(6,808)	(6,808)	–	(6,808)
Capital contribution by a minority shareholder of a subsidiary	–	–	–	–	600	600
Balance at 31 January 2008	71,661	115,194	224,524	411,379	199	411,578

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 2007.

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 2007, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the financial year beginning 1 May 2007. The adoption of such standards, amendments and interpretations has no significant effect on the Group’s results but will have certain disclosure impacts on the annual financial statements of this financial year.

The Group has not early adopted any new standards, amendments or interpretations which have been issued on or before 31 January 2008 but are not effective for the financial year ending 30 April 2008. 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 2008			Nine months ended 31 January 2007		
	Electronic components manufacturing	Others	Total	Electronic components manufacturing	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales	602,606	3,298	605,904	528,265	3,302	531,567
Intersegment sales	–	(2,454)	(2,454)	–	(2,040)	(2,040)
External sales	602,606	844	603,450	528,265	1,262	529,527
Operating profit	37,665	475	38,140	35,134	1,441	36,575
Finance costs			(15,916)			(14,729)
Profit before taxation			22,224			21,846
Taxation			(3,506)			(3,532)
Profit for the period			18,718			18,314
Capital expenditures	58,415	31	58,446	44,162	300	44,462
Depreciation	54,123	34	54,157	50,165	69	50,234
Amortisation	634	–	634	487	–	487

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Segment information (continued)

(a) Primary segments (continued)

	Electronic components manufacturing		Others		Total	
	As at	As at	As at	As at	As at	As at
	31/1/2008	30/4/2007	31/1/2008	30/4/2007	31/1/2008	30/4/2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other information						
Segment assets	862,154	716,216	11,081	11,350	873,235	727,566
Unallocated assets					-	21
Total assets					873,235	727,587
Segment liabilities	448,946	335,422	345	507	449,291	335,929
Unallocated liabilities					12,366	17,407
Total liabilities					461,657	353,336

(b) Secondary segments

	Sales		Capital expenditures		Total assets	
	Nine months ended		Nine months ended		As at	As at
	31 January		31 January		31/1/2008	30/4/2007
	2008	2007	2008	2007	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	163,468	173,902	15,892	12,661	183,999	123,617
Mainland China	313,256	241,697	42,506	31,050	635,350	544,549
Taiwan	30,296	37,257	48	716	15,305	26,203
Europe	16,110	17,777	-	-	2,439	4,525
Singapore	19,226	31,402	-	-	18,691	19,011
Others	61,094	27,492	-	35	17,451	9,682
Total	603,450	529,527	58,446	44,462	873,235	727,587

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Other income

	Three months ended		Nine months ended	
	31 January		31 January	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	599	360	1,370	1,145
Tax refund for reinvestment in subsidiaries of Mainland China	1,847	–	1,847	–
Dividend income	–	–	22	–
	2,446	360	3,239	1,145

4. Expenses by nature

	Three months ended		Nine months ended	
	31 January		31 January	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of leasehold land and land use rights	226	179	634	487
Depreciation of property, plant and equipment	18,109	16,961	54,157	50,234
Cost of inventories sold	168,301	142,926	480,498	423,499
Employee benefit expense (including directors' emoluments)	59,560	45,285	158,382	128,105
Impairment loss on goodwill	–	300	–	300
Provision for slow moving and obsolete inventories	112	771	462	771
Provision for/(reversal of) impairment of receivables	576	(1,531)	219	(3,428)

5. Finance costs

	Three months ended		Nine months ended	
	31 January		31 January	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses	5,515	4,720	14,687	13,823
Amortisation of deferred borrowing costs	567	260	1,229	906
	6,082	4,980	15,916	14,729

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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% (2007: 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	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax – current tax	505	(353)	2,292	1,687
Overseas taxation – current tax	1,781	1,469	4,201	3,790
Deferred taxation	(672)	(558)	(2,987)	(1,945)
	1,614	558	3,506	3,532

7. Dividend

The Board resolved not to declare any dividend in respect of the nine months ended 31 January 2008 (2007: Nil).

8. Earnings per share

The calculation of basic earnings per share for the three months ended 31 January 2008 is based on the profit attributable to equity holders of the Company of approximately HK\$4,690,000 (2007: HK\$4,453,000) and 716,610,798 (2007: 716,610,798) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31 January 2008 is based on the profit attributable to equity holders of the Company of approximately HK\$19,119,000 (2007: HK\$18,463,000) and 716,610,798 (2007: 716,610,798) shares in issue during the period.

For the three months and nine months ended 31 January 2007 and 31 January 2008, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

9. Movements in property, plant and equipment

During the nine months ended 31 January 2008, the additions to property, plant and equipment were approximately HK\$52,379,000 (2007: HK\$38,107,000). The total net book value of disposals and write-offs of property, plant and equipment were approximately HK\$138,000 (2007: HK\$260,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. Accounts receivable

The aging analysis of accounts receivable is as follows:

	As at 31 January 2008 HK\$'000	As at 30 April 2007 HK\$'000
Current	176,596	158,243
Overdue by 0 – 1 month	9,793	11,506
Overdue by 1 – 2 months	5,530	1,979
Overdue by 2 – 3 months	1,322	2,004
Overdue by more than 3 months	1,536	1,386
	194,777	175,118
Less: provision for impairment of accounts receivable	(1,536)	(1,317)
	193,241	173,801

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

11. Share capital

	As at 31 January 2008 HK\$'000	As at 30 April 2007 HK\$'000
Authorised:		
1,000,000,000 (As at 30 April 2007: 1,000,000,000) shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
716,610,798 (As at 30 April 2007: 716,610,798) shares of HK\$0.10 each	71,661	71,661

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. Borrowings

	As at 31 January 2008 HK\$'000	As at 30 April 2007 HK\$'000
Non-current		
Bank borrowings	196,417	38,109
Finance lease liabilities	34	220
	196,451	38,329
Current		
Bank borrowings	164,543	224,592
Finance lease liabilities	256	380
	164,799	224,972
	361,250	263,301

In October 2007, the Company drew down a 3-year transferable term loan facility of an aggregate amount of HK\$300,000,000 (the "Facility"). The Facility was applied to prepay all of the Company's outstanding indebtedness under a HK\$243,000,000 transferable term loan and revolving credit facility agreement dated 27 April 2005 and the balance thereof was used as general working capital of the Group.

13. Accounts payable

The aging analysis of accounts payable is as follows:

	As at 31 January 2008 HK\$'000	As at 30 April 2007 HK\$'000
Current	55,382	45,567
Overdue by 0 – 1 month	1,342	902
Overdue by 1 – 2 months	20	257
Overdue by 2 – 3 months	–	479
Overdue by more than 3 months	253	219
	56,997	47,424

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2008, no option was granted under the Scheme (2007: Nil).

15. Capital commitments

	As at 31 January 2008 HK\$'000	As at 30 April 2007 HK\$'000
Capital commitments in respect of leasehold land and land use rights as well as property, plant and equipment:		
Contracted but not provided for	7,481	4,134

16. Related party transaction

Key management compensation

	Nine months ended 31 January 2008 HK\$'000	2007 HK\$'000
Wages and salaries	4,096	3,526
Pension costs – defined contribution plans	331	262
	4,427	3,788

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 31 January 2008, the turnover of the Group was HK\$603,450,000 (2007: HK\$529,527,000), posting a 14.0% growth over the corresponding period last year, whilst the Group's gross profit was HK\$120,400,000 (2007: HK\$105,681,000), up 13.9% over the same period last year. Gross profit margin of 20.0% (2007: 20.0%) was similar to that of the same period last year. Profit attributable to equity holders of the Company for the period was HK\$19,119,000 (2007: HK\$18,463,000), similar to that of the corresponding period last year.

During the period, the substantial rise in turnover of the Group was primarily fueled by the growth in traditional coils business and the change of the Group's product mix since September of last year. A lower production cost in traditional coils has been achieved, thanks to the Group's rather comprehensive production facilities and skills in producing traditional coils, enhanced by economies of scale. The gap in gross profit margin between traditional coils and power supply coils had further widened in favour of the traditional coils due to the rising prices of raw materials for power supply coils during the same period and its labour intensive product structure. By virtue of the above factors, the Group's gross profit margin could be maintained at similar level of the same period last year. The Group will therefore shift to expedite the development of traditional coils which have a higher gross profit margin. During the period, the uptrend of Renminbi and soaring labour cost and operating expenses in Mainland China exerted a great pressure on the Group's production cost.

During the period under review, general and administrative expenses of the Group rose to HK\$72,803,000 (2007: HK\$59,821,000). The increase was partly due to no reversal of provision for impairment of accounts receivable made for the period but instead a provision for impairment of accounts receivable of HK\$219,000 (2007: reversal of provision for impairment of accounts receivable of HK\$3,428,000). Furthermore, a loss in foreign exchange amounted to approximately HK\$3,360,000 arisen from the rising Renminbi, Japanese Yen and other currencies against United States dollar during the period. Excluding the aforesaid reversal and loss in foreign exchange, the other general and administrative expenses increased by approximately 11.7%, which accounted for approximately 11.5% (2007: 11.7%) of the Group's turnover at similar level of the same period last year, for business expansion.

As at 31 January 2008, the Group's inventories amounted to HK\$123,180,000 (30 April 2007: HK\$79,574,000), reporting an increase of approximately 54.8% as compared with that of the financial year-end date of last year. Such rise was mainly driven by the turnover growth. In addition, during this quarter, the Group raised its permitted inventory level for common used raw materials as planned, coupled with more purchases of high-priced metal materials, such as copper, tin, nickel oxide, zinc and manganese, etc. so as to achieve a better balanced effect of price fluctuations of raw materials on its operation. The increased purchases were all funded out of cash inflow from operating activities during the period without a squeeze on the Group's working capital. For the nine months ended 31 January 2008, net cash inflow from operating activities of the Group was HK\$43,771,000 (2007: HK\$43,157,000), similar to that of the corresponding period last year.

In addition, the relocation of Singapore plant to Zhongshan main plant had been completed during this quarter. The subsequent integration of productivity has been also nearly completed. Hereafter, the subsidiary in Singapore will mostly focus on developing the sales in the region.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 31 January 2008, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$84,612,000 (30 April 2007: HK\$31,586,000). The banking facilities amounting to HK\$375,487,000 were secured by corporate guarantees provided by the Company and its certain subsidiaries, mortgages on the Group's certain land and buildings and pledges of the Group's bank deposits and available-for-sale financial assets. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 31 January 2008, the Group could comply with such financial covenants, which indicates that the Group's financial position remained satisfactory.

As at 31 January 2008, the Group's total borrowings granted from banks and financial institutions (including a 3-year transferable term loan facility agreement of up to an aggregate amount of HK\$300,000,000 entered into between the Company and a group of banks on 17 September 2007) amounted to HK\$361,250,000 (30 April 2007: HK\$263,301,000), of which HK\$164,799,000 (30 April 2007: HK\$224,972,000) will be repayable within one year and HK\$196,451,000 (30 April 2007: HK\$38,329,000) will be repayable within a period of more than one year but not exceeding five years. As at 31 January 2008, the Group's net gearing ratio* was 0.61 (30 April 2007: 0.56). The rise in net gearing ratio mainly related to the expansion of the Group's core business by purchasing production facilities for its coils business. For the nine months ended 31 January 2008, the capital expenditure was HK\$58,446,000 (2007: HK\$44,462,000), up approximately 31.5% over the corresponding period last year.

(* 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 2008, the Group's net cash inflow (increase in cash and cash equivalents) was HK\$52,405,000 (2007: net cash outflow (decrease in cash and cash equivalents) was HK\$16,483,000). As mentioned above, the strategic increase in inventories of raw materials was wholly funded by the cash inflow generated from operating activities during the period. The net cash inflow from operating activities for the period was HK\$43,771,000 (2007: HK\$43,157,000), at similar level of the same period last year with a slight rise showing a satisfactory performance of the Group's core business. The net cash inflow from financing activities was HK\$75,825,000 (2007: outflow of HK\$16,795,000), mainly attributable to the wholly draw-down of the aforesaid syndicated loan by the Company during the period. The syndicated loan, part of which was used as working capital and for purchase of production facilities and expansion of plants, had effectively better re-organised the structure of term of the Group's borrowings. As at 31 January 2008, the Group's total borrowings amounted to HK\$361,250,000 (30 April 2007: HK\$263,301,000), up approximately HK\$97,949,000 as compared with that of the financial year-end date of last year. The Group's bank balances and cash was HK\$84,612,000 (30 April 2007: HK\$31,586,000), up approximately HK\$53,026,000 as compared with that of the financial year-end date of last year. During the period, the capital expenditure was HK\$58,446,000. For the nine months ended 31 January 2008, the Group's interest expenses amounted to HK\$14,687,000 (2007: HK\$13,823,000), up approximately 6.3% over the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Financial Resources and Capital Structure (continued)

For the nine months ended 31 January 2008, net cash outflow from investing activities was HK\$67,191,000 (2007: HK\$42,845,000), mainly used for capital expenditure including the purchase of properties for self-use to meet the development needs of research and development center in Hong Kong headquarters as well as purchase of machinery and equipment and expansion of plants for raising its productivity.

Cash Flow Summary

	For the nine months ended 31 January	
	2008 HK\$'000	2007 HK\$'000
Net cash inflow from operating activities	43,771	43,157
Net cash outflow from investing activities	(67,191)	(42,845)
Net cash inflow/(outflow) from financing activities	75,825	(16,795)
Increase/(decrease) in cash and cash equivalents	52,405	(16,483)

Charges On Assets

As at 31 January 2008, certain assets of the Group with an aggregate carrying value of approximately HK\$39,273,000 (30 April 2007: HK\$38,620,000) were pledged to secure banking facilities and finance lease of the Group.

Exchange Risks

The Group's business is mainly conducted in Mainland China, Hong Kong and South-east Asia. The major revenue currencies are primarily denominated in 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 in production were incurred in Mainland China, the sustained rise in Renminbi has some negative impact on the Group's certain payments for purchase commitments in Renminbi. The Board will closely monitor the fluctuations in exchange rates of the currencies.

The Group's borrowings are mainly settled in Hong Kong dollars. In December 2007, all Renminbi short-term borrowings were repaid in full. The Board believes that there is no substantial exchange risk in this aspect.

FUTURE PLAN AND PROSPECTS

Facing with the volatile market, the rising Renminbi and the surging costs in labour and welfare of Mainland China, the Group will further monitor closely the market movements in the fourth quarter and going forward and will also deploy more resources in its traditional coil business which is yielding a higher profit.

EMPLOYEES

The Group employed approximately 7,900 (2007: 7,400) employees as at 31 January 2008. 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. During the period under review, no option was granted under the scheme (2007: Nil).

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 January 2008, 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				Percentage of issued share capital
	Personal interests (Note 2)	Corporate interests (Note 3)	Trust interests (Note 3)	Total interests (Note 3)	
Mr. Lam Wai Chun	26,529,188	435,555,660	435,555,660	462,084,848	64.48%
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	5,617,440	–	–	5,617,440	0.78%
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 435,555,660 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 (the “Trust”). 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 435,555,660 shares in the corporate interests and trust interests related to the same block of shares in the Company and duplicated each other. Accordingly, Mr. Lam Wai Chun’s total interests of 462,084,848 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			Total interests	Percentage of issued non-voting deferred shares
	Personal interests	Corporate interests	Family 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 subparagraph (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 2008, 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 2008, 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 2008, 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	Trust interests	Beneficial owner	
Ms. Law Ching Yee	462,084,848 (Note 2)	–	–	–	64.48%
Ka Yan China Development (Holding) Company Limited	–	–	–	435,555,660 (Notes 2 and 3)	60.78%
Ka Yan China Investments Limited	–	431,555,660 (Notes 2 and 3)	–	–	60.22%
HSBC International Trustee Limited	–	–	431,555,660 (Notes 2 and 3)	–	60.22%

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	Trust 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 435,555,660 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. 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 431,555,660 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 2008, the actual duplicate interests held by Ka Yan China Investments Limited and HSBC International Trustee Limited in the Company was 435,555,660 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 2008 (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 2008.

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 2005 Agreement (as defined below) and the 2007 Agreement (as defined below), all of which include a condition relating to specific performance of the controlling shareholder of the Company:

- (a) 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 Coils Electronic Co., Limited (“Coils”) and CEC-Coils Singapore Pte Ltd., being two indirect wholly-owned subsidiaries of the Company (collectively, as original guarantors), and a group of banks. 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.
- (b) On 17 September 2007, the Company (as borrower), Coils (as original guarantor) and a group of banks entered into a 3-year transferable term loan facility agreement (the “2007 Agreement”) for an aggregate amount of HK\$300,000,000 (the “2007 Facility”).

Under the provisions of the 2005 Agreement and the 2007 Agreement, it would be an event of default, inter alia, if Mr. Lam Wai Chun, 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.

OTHER INFORMATION

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

For the 2005 Agreement, 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 or 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. All the outstanding indebtedness under the 2005 Agreement had been prepaid in October 2007.

For the 2007 Agreement, if the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2007 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2007 Facility, together with accrued interest, and all other amounts accrued or outstanding under all finance documents (including the 2007 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2007 Facility shall immediately become payable on demand. As at 31 January 2008, the aggregate carrying value of the outstanding loan under the 2007 Agreement was approximately HK\$272,122,000.

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 2008. 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 2008.

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises 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 2008.

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 2008. 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 2008.

By Order of the Board

Tang Fung Kwan

Deputy Chairman and Managing Director

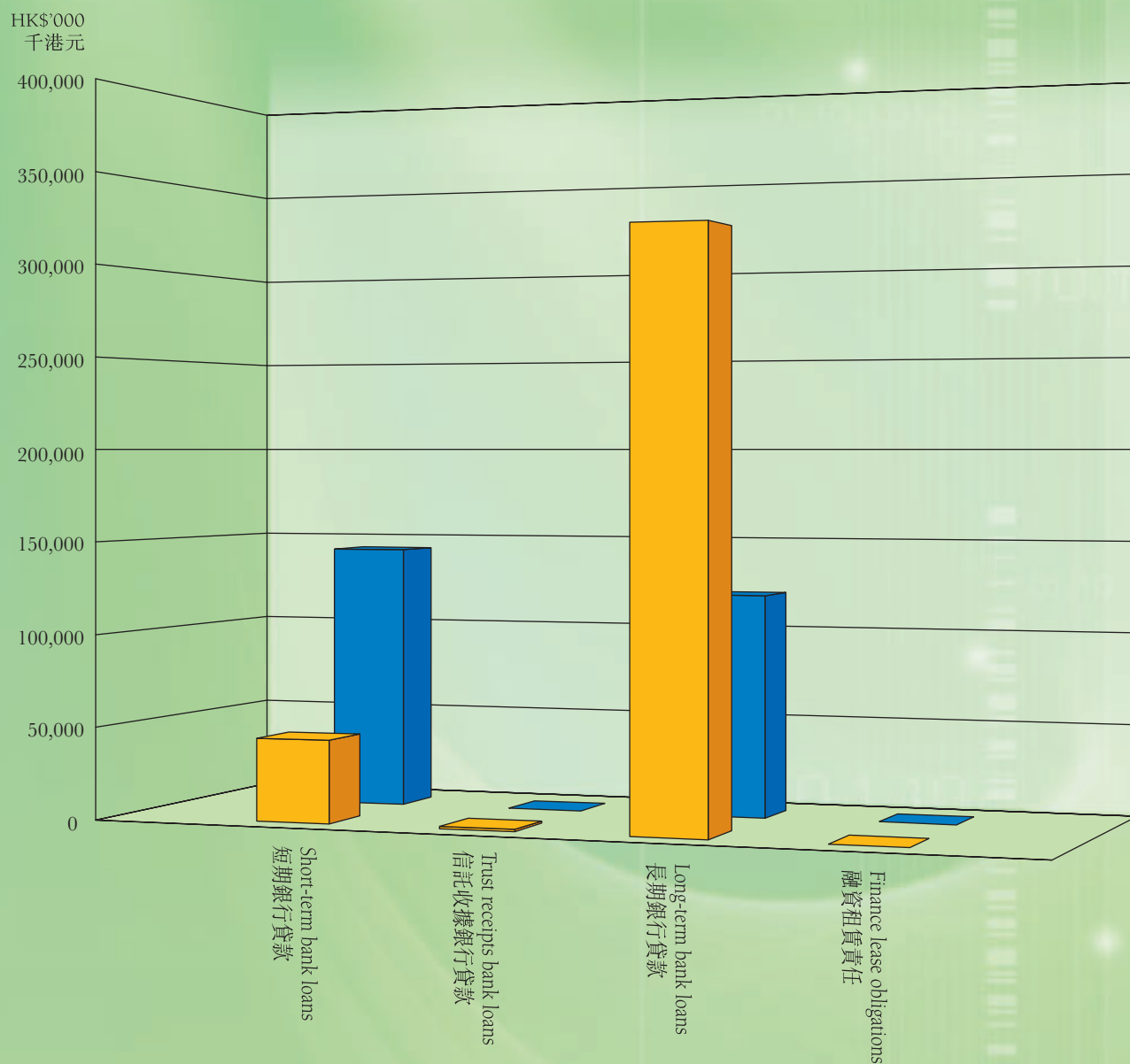
Hong Kong, 19 March 2008

Summary of credit facilities utilisation

融資信貸動用摘要

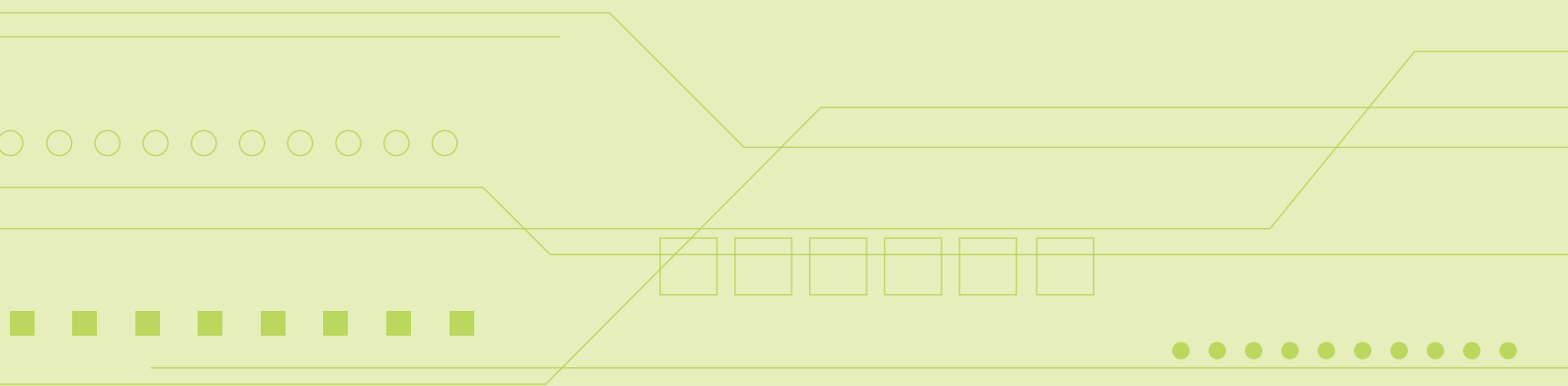
As at 31 January 2008

於2008年1月31日



31/1/2008

30/4/2007



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