

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)

First Quarterly Report 第 1 季度報告

2006/2007

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## 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

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

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

## 2006/2007 FIRST 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 ended 31 July 2006 and the unaudited condensed consolidated balance sheet as at 31 July 2006 of the Group.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 31 July	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Turnover	2	172,764	145,213
Cost of sales		(138,121)	(113,843)
Gross profit		34,643	31,370
Other gains, net		379	1,451
Selling and distribution expenses		(3,495)	(2,937)
General and administrative expenses		(18,534)	(15,778)
Operating profit	3	12,993	14,106
Finance costs	4	(4,445)	(5,042)
Profit before taxation		8,548	9,064
Taxation	5	(1,707)	(2,485)
Profit attributable to equity holders of the Company		6,841	6,579
Earnings per share for profit attributable to equity holders of the Company during the period	7		
– Basic		0.95 cent	0.95 cent
– Diluted		N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 31 July 2006 HK\$'000 (Unaudited)	As at 30 April 2006 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights	8	26,875	23,865
Property, plant and equipment	8	369,260	370,681
Investment properties	8	10,970	10,970
Available-for-sale financial assets		6,943	7,079
		<b>414,048</b>	<b>412,595</b>
<b>Current assets</b>			
Inventories		65,812	65,428
Bills and accounts receivables	9	173,773	162,622
Other receivables		9,779	7,961
Tax recoverable		–	53
Pledged bank deposits		25,673	25,446
Bank balances and cash		38,386	47,562
		<b>313,423</b>	<b>309,072</b>
<b>Total assets</b>		<b>727,471</b>	<b>721,667</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	10	71,661	71,661
Reserves			
Proposed final dividend		6,449	6,449
Others		269,903	262,866
<b>Total equity</b>		<b>348,013</b>	<b>340,976</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	67,977	87,365
Deferred tax		13,053	13,508
		<b>81,030</b>	<b>100,873</b>
<b>Current liabilities</b>			
Borrowings	11	195,387	183,956
Bills and accounts payables	12	58,905	54,742
Accruals and other payables		33,343	31,647
Taxation payable		10,793	9,473
		<b>298,428</b>	<b>279,818</b>
<b>Total liabilities</b>		<b>379,458</b>	<b>380,691</b>
<b>Total equity and liabilities</b>		<b>727,471</b>	<b>721,667</b>
<b>Net current assets</b>		<b>14,995</b>	<b>29,254</b>
<b>Total assets less current liabilities</b>		<b>429,043</b>	<b>441,849</b>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Three months ended 31 July	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Net cash inflow/(outflow) from operating activities	21,505	(19,335)
Net cash outflow from investing activities	(18,359)	(19,035)
Net cash (outflow)/inflow from financing activities	(8,892)	71,895
Translation adjustments	79	1,369
(Decrease)/increase in cash and cash equivalents	(5,667)	34,894
Cash and cash equivalents, beginning of period	44,053	28,332
Cash and cash equivalents, end of period	38,386	63,226

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital HK\$'000	Share premium HK\$'000	Capital 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 1 May 2005	69,303	36,118	13,934	(1,017)	3,568	1,290	189,454	312,650
Translation adjustments	-	-	-	-	-	4,081	-	4,081
Change in fair value of available-for-sale financial assets	-	-	-	(1,338)	-	-	-	(1,338)
Net gain not recognized in the consolidated income statement	-	-	-	(1,338)	-	4,081	-	2,743
Profit for the period	-	-	-	-	-	-	6,579	6,579
At 31 July 2005	69,303	36,118	13,934	(2,355)	3,568	5,371	196,033	321,972
At 1 May 2006	71,661	37,132	13,934	(1,937)	6,667	8,719	204,800	340,976
Translation adjustments	-	-	-	-	-	331	-	331
Change in fair value of available-for-sale financial assets	-	-	-	(135)	-	-	-	(135)
Net gain not recognized in the consolidated income statement	-	-	-	(135)	-	331	-	196
Profit for the period	-	-	-	-	-	-	6,841	6,841
At 31 July 2006	71,661	37,132	13,934	(2,072)	6,667	9,050	211,641	348,013

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

These unaudited condensed consolidated first 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 July 2006. 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 and interpretations which have been issued on or before 31 July 2006 but are not effective for the financial year ended 30 April 2007. The Group is in the process of assessing their impact on the Group’s results and operations.

### 2. Segment information

Analysis of turnover and profit/(loss) before taxation by business segment is as follows:

	Turnover		Profit/(loss) before taxation	
	Three months ended		Three months ended	
	31 July		31 July	
	2006	2005	2006	2005
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Electronic components manufacturing	172,464	144,842	8,789	8,739
Others	300	371	(241)	325
	<b>172,764</b>	<b>145,213</b>	<b>8,548</b>	<b>9,064</b>

### 3. Operating profit

Operating profit is stated after crediting and charging the following:

	Three months ended 31 July	
	2006	2005
	HK\$’000	HK\$’000
<b>Crediting</b>		
Income from available-for-sale financial assets	–	1,305
Interest income	379	146
<b>Charging</b>		
Amortisation	152	79
Depreciation	16,731	16,699
Cost of inventories sold	137,992	113,317
Staff costs (including directors’ emoluments)	40,719	30,687



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. Finance costs

	Three months ended 31 July	
	2006	2005
	HK\$'000	HK\$'000
Interest expenses	4,103	4,866
Amortisation of deferred borrowing costs	342	176
	4,445	5,042

### 5. 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 31 July	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current tax	934	2,107
Overseas taxation		
– current tax	1,239	848
Deferred taxation	(466)	(470)
	1,707	2,485

### 6. Dividend

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

### 7. Earnings per share

The calculation of basic earnings per share for the three months ended 31 July 2006 is based on the profit attributable to equity holders of the Company of approximately HK\$6,841,000 (2005: HK\$6,579,000) and 716,610,798 (2005: 693,028,811) 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 ended 31 July 2005 and 31 July 2006 respectively.

### 8. Movements in capital expenditure

During the three months ended 31 July 2006, the additions to capital expenditure were approximately HK\$18,510,000 (2005: HK\$16,463,000); the total net book value of disposals and write-offs of capital expenditure were approximately HK\$321,000 (2005: HK\$148,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. Bills and accounts receivables

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

	As at 31 July 2006 HK\$'000	As at 30 April 2006 HK\$'000
Current	142,883	134,827
Overdue by 0 – 1 month	20,045	20,197
Overdue by 1 – 2 months	9,224	3,305
Overdue by 2 – 3 months	1,621	4,293
	<b>173,773</b>	<b>162,622</b>

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

### 10. Share capital

Movements in share capital are as follows:

	Three months ended 31 July 2006		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	<b>716,610,798</b>	<b>71,661</b>	<b>716,610,798</b>	<b>71,661</b>

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. Borrowings

During the period, the Group repaid long-term bank borrowings amounting to approximately HK\$23,270,000. The Group did not have any new long-term bank borrowings during the period.

### 12. Bills and accounts payables

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

	As at 31 July 2006 HK\$'000	As at 30 April 2006 HK\$'000
Current	55,362	48,142
Overdue by 0 – 1 month	1,240	4,945
Overdue by 1 – 2 months	1,636	446
Overdue by 2 – 3 months	278	838
Overdue by more than 3 months	389	371
	58,905	54,742

### 13. 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 three months ended 31 July 2006, no option was granted under the Scheme (2005: Nil).

### 14. Capital commitments

	As at 31 July 2006 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	1,500
– purchase of properties in Hong Kong	–	5,668
– purchase of other fixed assets	4,223	6,749
	5,723	13,917

## MANAGEMENT DISCUSSION AND ANALYSIS

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### BUSINESS REVIEW

The turnover of the Group for the three months ended 31 July 2006 was HK\$172,764,000 (2005: HK\$145,213,000) with an increase of 19.0% as compared with the corresponding period last year. The turnover of electronic components manufacturing segment, the Group's core business, was HK\$172,464,000 (2005: HK\$144,842,000), which accounted for 99.8% (2005: 99.7%) of the Group's turnover. A sales analysis by geographical location indicates that the turnover growth mainly contributed from Hong Kong, Mainland China, America and Asia, of which the turnover from Hong Kong and Mainland China recorded approximately HK\$133,270,000 (2005: HK\$111,894,000) and accounted for approximately 77% (2005: 77%) of the Group's turnover.

During the period under review, driven by the sustained rise in metallic materials and energy cost as well as the pressure of increasing wages in Mainland China, the average wage of production staff increased by approximately 6% as compared with the corresponding period last year, pushing up the overall production cost. Accordingly, gross profit margin decreased by 1.5% to 20.1% (2005: 21.6%) as compared with the corresponding period last year. Gross profit for the period was HK\$34,643,000 (2005: HK\$31,370,000). Profit attributable to equity holders of the Company for the period was HK\$6,841,000 (2005: HK\$6,579,000). Net profit margin reduced by 0.5% to 4.0% (2005: 4.5%) as compared with the corresponding period last year, which mainly due to the decline in gross profit margin and rise of approximately 11% in the average salary of sales and marketing, administrative and management personnel during the period.

As at 31 July 2006, The Group's accounts receivables rose to HK\$173,773,000 (31 July 2005: HK\$145,200,000). Such increase was primarily attributable to the increase in the Group's turnover as compared with the corresponding period last year. In addition, there has been a tendency of general practice of granting extended credit period in the market, which sped up the increase in overall accounts receivables. In view of the greater pressure on working capital and higher risk of bad debts accelerated by the increase in accounts receivables, the Company has established an accounts receivables supervisory committee led by an executive director of the Company aiming to review its credit management policy and to monitor closely the collection of accounts receivables. The Group's inventory was HK\$65,812,000 (30 April 2006: HK\$65,428,000), which was similar to that of the financial year-end date of last year. The Group will continue to enhance the management of purchasing, manufacturing and logistics and to actively control the inventory within the reasonable level.

### FINANCIAL REVIEW

#### *Fund Surplus and Liabilities*

As at 31 July 2006, the Group's bank balance and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$38,386,000 (30 April 2006: HK\$47,562,000). The banking facilities amounting to HK\$266,469,000 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 July 2006, the Group could comply with such financial covenants, which indicates that the Group's financial position was satisfactory.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW *(continued)*

#### *Funds Surplus and Liabilities (continued)*

As at 31 July 2006, the Group's total borrowings granted from banks and financial institutions amounted to HK\$263,364,000 (30 April 2006: HK\$271,321,000), of which HK\$195,387,000 (30 April 2006: HK\$183,956,000) will be repayable within one year and HK\$67,977,000 (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 July 2006, the Group's net gearing ratio\* was 0.58 (30 April 2006: 0.59). The decline in net gearing ratio reflected the results of the persistent and prudent control on its financial resources.

(\* 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 three months ended 31 July 2006, the Group's net cash outflow was HK\$5,667,000 (2005: inflow of HK\$34,894,000). The net cash inflow from operating activities was HK\$21,505,000 (2005: outflow of HK\$19,335,000). The net cash outflow from financing activities was HK\$8,892,000 (2005: inflow of HK\$71,895,000). The net cash inflow and net cash inflow from financing activities of the same period last year were comparatively higher than those 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 three months ended 31 July 2006, the Group's interest expenses amounted to HK\$4,103,000 (2005: HK\$4,866,000), down 16% as compared with the same period last year.

For the three months ended 31 July 2006, net cash outflow from investing activities was HK\$18,359,000 (2005: HK\$19,035,000), the capital expenditure of which was mainly utilised in the purchase of machinery and equipment and expansion of plant amounted to HK\$12,212,000 (2005: HK\$11,458,000) for raising production capacity.

#### *Cash Flow Summary*

	For the three months ended 31 July	
	2006 HK\$'000	2005 HK\$'000
Net cash inflow/(outflow) from operating activities	21,505	(19,335)
Net cash outflow from investing activities	(18,359)	(19,035)
Net cash (outflow)/inflow from financing activities	(8,892)	71,895
Exchange adjustment	79	1,369
(Decrease)/increase in cash and cash equivalents	(5,667)	34,894

## MANAGEMENT DISCUSSION AND ANALYSIS

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### FINANCIAL REVIEW *(continued)*

#### Charges on Assets

As at 31 July 2006, certain assets of the Group with an aggregate carrying value of approximately HK\$38,336,000 (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 ("HKD"), Renminbi ("RMB") and United States dollar ("USD"); whilst the major currencies in purchase commitments are primarily denominated in HKD, RMB, USD and Japanese Yen. RMB has been on upward trend since The People's Bank of China announced an appreciation of RMB against USD 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. 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.

### FUTURE PLAN AND PROSPECTS

The consolidation work at the Group's main plant in Zhongshan has been progressing well. Interior installation for the two new plants with a total gross floor area of approximately 19,800 square meters has been substantially completed. It is expected that the new manufacturing workshops will come into full production in the second quarter of this financial year. With the completion of construction of the new plants, the existing production model of the Group can be upgraded, thereby enhancing the production capacity of the Group to meet the customers' requirements on product quality and quantity. The Group is currently forming a comprehensive industrial workflow management team in its Hong Kong headquarters by recruiting more related professionals and using scientific management tools with a view to improving the Group's production handicrafts and workflow in all aspects for enhancing its overall production efficiency. On the other hand, the Group will set up a fully equipped laboratory with reliable standards in Hong Kong to engage in quality control of its products in order to satisfy the increasingly stringent requirements on product safety and environmental protection standards in future.

### EMPLOYEES

The Group employed approximately 7,600 (2005: 6,500) employees as at 31 July 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. 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 July 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 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	423,785,660 (Note 3)	15,409,188	423,785,660 (Note 3)	423,785,660 (Note 3)	439,194,848 (Note 3)	61.29%
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	–	6,767,440	–	–	6,767,440	0.94%
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 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 439,194,848 shares were 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 July 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 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 July 2006, 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 July 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"))*

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Ms. Law Ching Yee	439,194,848 (Note 2)	–	–	–	61.29%
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*

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

## OTHER INFORMATION

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

*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 and 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.
  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 31 July 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 interests (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 July 2006.

## OTHER INFORMATION

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### DISCLOSURE PURSUANT TO RULE 13.21 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), 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 fully repaid.

## OTHER INFORMATION

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### DISCLOSURE PURSUANT TO RULE 13.21 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 consists 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 July 2006, the aggregate carrying value of the outstanding loan under the 2005 Agreement was approximately HK\$160,795,000.

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

The Company had not redeemed any of its listed shares during the three months ended 31 July 2006. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the three months ended 31 July 2006.

### 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 and the First Quarterly Report for the three months ended 31 July 2006.

### 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 three-month period to 31 July 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 throughout the three months ended 31 July 2006.

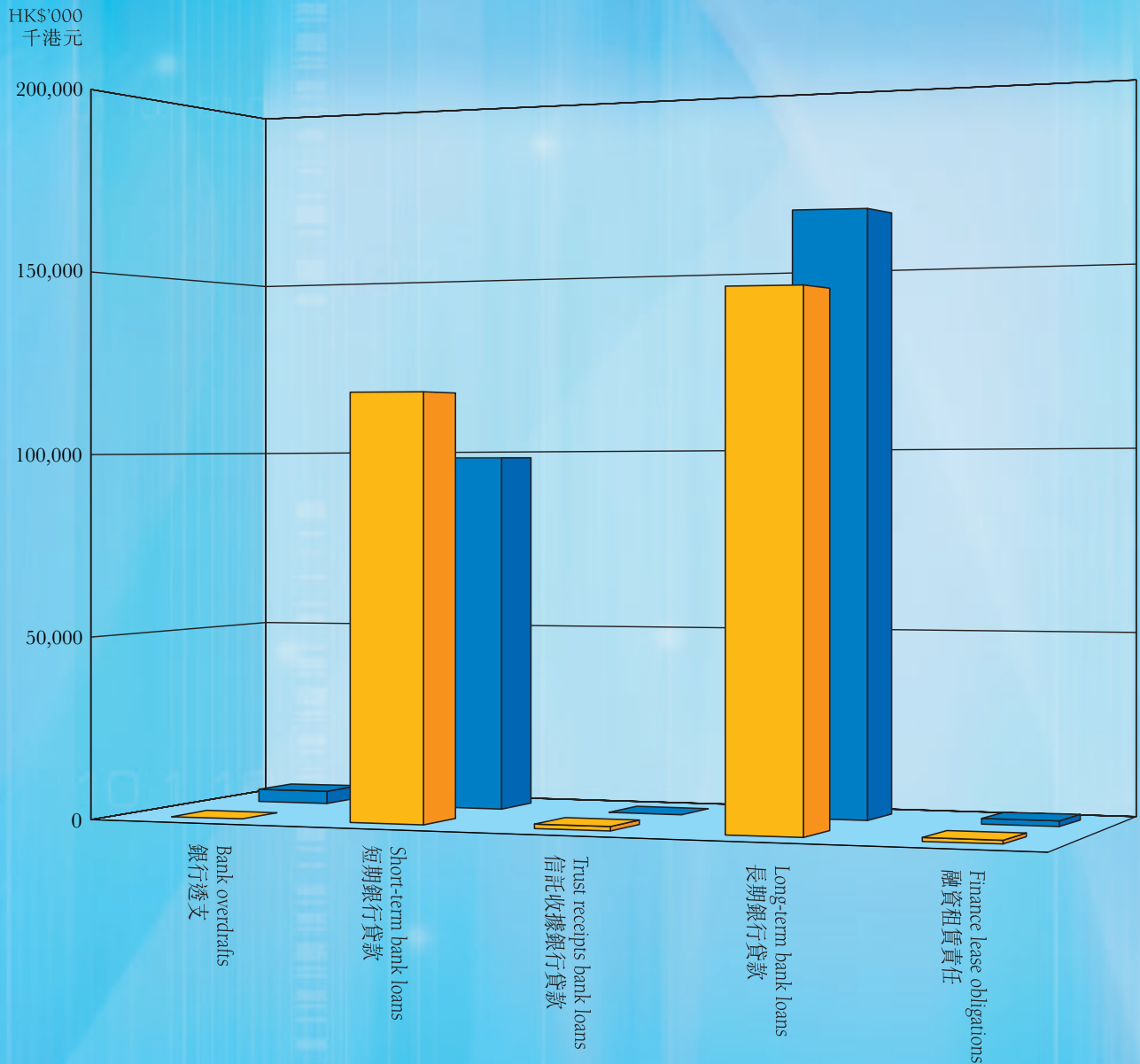
By Order of the Board  
**Lam Wai Chun**  
Chairman

# Summary of credit facilities utilisation

## 融資 信貸動用摘要

As at 31 July 2006

於2006年7月31日



31/7/2006

30/4/2006

