CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

CEC 國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 759)

2009/2010 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of CEC International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 April 2010 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Revenue	*2*	**537,352**	614,532
Cost of sales	*4*	**(430,661)**	(520,018)
Gross profit		**106,691**	94,514
Other income		**55**	470
Other gains/(losses), net	*3*	**2,899**	(1,196)
Selling and distribution expenses	*4*	**(10,616)**	(12,399)
General and administrative expenses	*4*	**(73,396)**	(93,243)
Operating profit/(loss)		**25,633**	(11,854)
Finance costs	*5*	**(8,066)**	(14,118)
Profit/(loss) before taxation		**17,567**	(25,972)
Taxation	*6*	**(7,276)**	1,170
Profit/(loss) for the year		**10,291**	(24,802)
Earnings/(loss) per share, basic and diluted	*7*	**HK1.44 cents**	(HK 3.46 cents)
Dividend	*8*	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2010

	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) for the year	**10,291**	(24,802)
Other comprehensive income/(loss)		
Change in fair value on available-for-sale financial assets	**419**	10
Currency translation differences	**(332)**	7,334
Revaluation of buildings upon transfer to investment properties, net of tax	**1,820**	–
Total comprehensive income/(loss) for the year	**12,198**	(17,458)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2010

	Note	2010 *HK$'000*	2009 *HK$'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**37,519**	40,043
Property, plant and equipment		**284,742**	351,132
Investment properties		**44,020**	26,804
Available-for-sale financial assets		**8,612**	8,177
		374,893	426,156
Current assets			
Inventories		**82,605**	92,084
Accounts receivable	*9*	**131,647**	124,307
Prepayments, deposits and other receivables		**7,701**	5,757
Tax recoverable		**–**	652
Pledged bank deposits		**25,680**	27,690
Cash and cash equivalents		**27,080**	30,212
		274,713	280,702
Total assets		**649,606**	706,858
EQUITY			
Share capital		**71,661**	71,661
Reserves		**347,111**	334,913
Total equity		**418,772**	406,574
LIABILITIES			
Non-current liabilities			
Borrowings		**12,599**	54,012
Deferred income tax		**4,065**	5,871
		16,664	59,883
Current liabilities			
Borrowings		**169,505**	201,544
Accounts payable	*10*	**20,416**	18,145
Accruals and other payables		**19,001**	20,236
Taxation payable		**5,248**	476
		214,170	240,401
Total liabilities		**230,834**	300,284
Total equity and liabilities		**649,606**	706,858
Net current assets		**60,543**	40,301
Total assets less current liabilities		**435,436**	466,457

Notes:

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

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following new standards and amendments to standards are effective for the financial year ended 30 April 2010 and are relevant to the Group.

- HKAS 1 (Revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements. Such change only impacts presentation of the financial statements with no impact on the Group' earnings.

  It has also introduced a number of terminology changes, including revised titles for the consolidated financial statements.

- Amendment to HKFRS 7, "Financial Instruments: disclosures". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change accounting policy only results in additional disclosures, there is no impact on the Group's earnings.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to management. Adoption of this standard did not have any effect on the Group's earnings.

Other new standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1 May 2009, are not currently relevant for the Group or do not have material impact on the Group for the year ended 30 April 2010.

2. Segment information

The Executive Directors of the Group ("management") reviews the Group's internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Management considers the business from product perspective. The Group has two reportable segments, namely (i) Electronic components manufacturing and (ii) Others (comprise rental income and service income from provision of information technology services). Segment information provided to management for decision-making is measured in a manner consistent with that in the financial statements.

Inter-segment sales were entered into under the normal commercial terms and conditions.

The segment information provided to the management for the reportable segments for the years ended 30 April 2010 and 2009 is as follows:

	Electronic components manufacturing		**Others**		**Eliminations**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
External sales	**535,967**	613,265	**1,385**	1,267	**–**	–	**537,352**	614,532
Intersegment sales	**–**	–	**1,380**	2,370	**(1,380)**	(2,370)	**–**	–
	535,967	613,265	**2,765**	3,637	**(1,380)**	(2,370)	**537,352**	614,532
Segment results								
Operating profit/(loss)	**22,792**	(11,146)	**2,841**	(708)	**–**	–	**25,633**	(11,854)
Finance costs	**(8,066)**	(14,118)	**–**	–	**–**	–	**(8,066)**	(14,118)
Profit/(loss) before taxation							**17,567**	(25,972)
Taxation							**(7,276)**	1,170
Profit/(loss) for the year							**10,291**	(24,802)
Depreciation and amortisation	**66,897**	72,054	**53**	50	**–**	–	**66,950**	72,104
Distribution cost and administrative expenses	**83,571**	105,104	**441**	538	**–**	–	**84,012**	105,642
Additions to non-current assets (other than financial instruments)	**3,098**	55,123	**9,360**	1,296	**–**	–	**12,458**	56,419

	Electronic components manufacturing		Others		Eliminations		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**603,695**	678,064	**45,911**	28,142	**–**	–	**649,606**	706,206
Unallocated assets							**–**	652
Total assets							**649,606**	706,858
Segment liabilities	**39,221**	38,140	**196**	241	**–**	–	**39,417**	38,381
Borrowings	**182,104**	255,556	**–**	–	**–**	–	**182,104**	255,556
Unallocated liabilities							**9,313**	6,347
Total liabilities							**230,834**	300,284

Geographical information

	Revenue		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including the Hong Kong Special Administrative Region)	**423,136**	487,448	**374,516**	425,532
Other regions	**114,216**	127,084	**377**	624
	537,352	614,532	**374,893**	426,156

Revenue by geographical location is determined on the basis of the destination of shipment.

Non-current assets by geographical location are determined based on the location of the relevant assets.

For the year ended 30 April 2010, revenues of approximately HK$155,264,000 (2009: HK$193,188,000) are derived from a single external customer. These revenues are attributable to the electronic components manufacturing segment.

Analysis of revenue by category

	2010	2009
	HK$'000	*HK$'000*
Sales of goods	**535,967**	613,265
Rental income	**1,373**	1,051
Service income from provision of information technology services	**12**	216
	537,352	614,532

3. Other gains/(losses), net

	2010	2009
	HK$'000	*HK$'000*
Fair value gains/(losses) on investment properties	**2,218**	(1,181)
Negative goodwill on acquisition of additional interest in a subsidiary	**–**	248
Gain/(loss) on closure of subsidiaries and a branch	**1,174**	(157)
Net loss on disposal of property, plant and equipment	**(493)**	(106)
	2,899	(1,196)

4. Expenses by nature

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

	2010	2009
	HK$'000	*HK$'000*
Auditors' remuneration	**1,595**	1,635
Amortisation of leasehold land and land use rights	**962**	974
Raw materials and consumables used	**233,024**	256,418
Changes in inventories of finished goods, and work in progress	**1,079**	18,278
Depreciation of property, plant and equipment	**65,988**	71,130
Direct operating expenses arising from investment properties that generate rental income	**275**	228
Rental compensation arising from restructuring	**266**	730
Employee benefit expenses (including directors' emoluments)	**143,169**	182,451
Net exchange losses/(gains)	**125**	(216)
Operating lease rentals	**2,726**	4,164
Provision for impairment of accounts receivable	**4,333**	1,009
Impairment/write off of property, plant and equipment arising from restructuring	**519**	945
Impairment loss of available-for-sale financial assets	**–**	320
Other expenses	**60,612**	87,594
Total cost of sales, distribution and selling expenses and general and administrative expenses	**514,673**	625,660

5. Finance costs

	2010	2009
	HK$'000	*HK$'000*
Interest expense on:		
– Bank borrowings wholly repayable within five years	**7,268**	12,524
– Finance lease liabilities	**–**	19
Total interest expense incurred during the year	**7,268**	12,543
Amortisation of loan arrangement costs	**798**	1,575
Finance costs	**8,066**	14,118

6. Taxation

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

	2010	2009
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**6,745**	–
– under provision in prior years	**–**	58
Overseas taxation including Mainland China		
– current tax	**2,628**	2,665
– under/(over) provision in prior years	**69**	(514)
Deferred taxation	**(2,166)**	(3,379)
Total taxation	**7,276**	(1,170)

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 12.5% to 25% (2009: 12.5% to 25%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit for the year of the Company of approximately HK$10,291,000 (2009: loss of HK$24,802,000) and the weighted average number of 716,610,798 (2009: 716,610,798) shares in issue during the year.

For the years ended 30 April 2010 and 30 April 2009, diluted earnings/(loss) per share equals basic earnings/(loss) per share as there was no dilutive potential share.

8. Dividend

At a meeting of the Board of the Company held on 9 August 2010, the Board resolved not to propose any final dividend for the year ended 30 April 2010 (2009: Nil).

9. Accounts receivable

The aging analysis of accounts receivable based on invoice date is as follows:

	2010	2009
	HK$'000	*HK$'000*
0-30 days	**56,827**	50,682
31-60 days	**40,370**	30,689
61-90 days	**11,147**	16,413
91-120 days	**8,239**	3,901
Over 120 days	**21,158**	25,715
	137,741	127,400
Less: provision for impairment of receivables	**(6,094)**	(3,093)
	131,647	124,307

As at 30 April 2010 and 30 April 2009, the carrying amount of accounts receivable approximated its fair value.

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

10. Accounts payable

The aging analysis of accounts payable based on invoice date is as follows:

	2010	2009
	HK$'000	*HK$'000*
0-30 days	**19,532**	15,870
31-60 days	**204**	1,396
61-90 days	**97**	351
91-120 days	**137**	33
Over 120 days	**446**	495
	20,416	18,145

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 September 2010 to Tuesday, 28 September 2010 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the annual general meeting of the Company to be held on Tuesday, 28 September 2010 (the "2010 Annual General Meeting"), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Monday, 20 September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Since the 2008 financial tsunami, the financial year 2009/2010 was another year with great challenge. From the various uncertainties among the economic environment from the year start to the unexpected strong resurgent in the second half of the year, the sharp and unforeseeable changes posted huge stress to the Group's operation.

The economic crisis that swept around the world has provided us with the prime opportunity to revisit the Group's business development model. On getting out of the crisis, operating structure of the Group has been streamlined; sales direction is more focused and clear; business partnering relations with suppliers and customers have been tightened.

In the year under review, revenue of the Group amounted to HK$537,352,000 (2009: HK$614,532,000), slipping 12.6% as compared with that of last year. Despite the revenue dropped, the Group recorded a gross profit of HK$106,691,000, raising 12.9% as compared with the HK$94,514,000 of the corresponding period last year. Gross profit margin also rose by a percentage of 4.5 from 15.4% to 19.9%. The decrease in revenue was an expected outcome resulting from eliminating non-profitable products and reorganizing customer structure, which were the measures set out years ago and substained by the Group. These measures enabled the Group to enjoy more flexibility in product pricing. The optimization of product pricing together with the interim lowering of the commodity and raw material prices after the financial tsunami had contributed to the uplift of the overall gross profit.

For the year ended 30 April 2010, the operating profit of the Group was HK$25,633,000 (2009: loss of HK$11,854,000), with the operating profit margin amounting to 4.8%. EBITDA for the year was HK$92,528,000 (2009: HK$59,780,000), representing 17.2% over the revenue. That ratio of last year was 9.7%. The increase of that ratio reflected partly the growth of gross profit as well as the fall of management and other operating expenses. Consolidated profit for the year was HK$10,291,000 (2009: loss of HK$24,802,000).

The economic crisis has indirectly accelerated the Group's move to restructure those plants which were running inefficiently or with positioning overlapped with one another. In the process of optimizing customer base and product mix, some of the production plants resulted in overcapacity or market positioning overlapped. Since 2008, the Group has started to integrate the Kunshan and the two Dongguan plants into the Zhongshan main plant. Integration of production facilities had come to an end following the completion of deregistration procedure of the Huangjiang plant by the end of this year. Besides, the Group also implemented various business scale reorganization and cost reduction measures. The Group's fixed cost reduced gradually with the restructuring activities began to prove its effectiveness. Various reorganization and optimization initiatives implemented over the two financial years have turned the Group in having a simpler and clearer production structure, while at the same time reduced the dual management cost arising from the overlapping structure. During the year, general and administrative expenses decreased from HK$93,243,000 in last financial year to HK$73,396,000, slipping 21.3%. General and administrative expenses to revenue ratio also decreased from 15.2% last year to 13.7%.

Over the past two years, the focus of the Group's management was to survive the once in a century global economic crisis. It is generally believed that, to date, the most difficult times had gone and economic performance have been improved significantly. However, there are still uncertain factors surrounding the external environment and the fundamentals of the recovery remain unstable even the hardest time has gone. The Group will adhere strictly to its cautious, optimism and well-prepared approaches in maintaining a better risk management and proactively lowering its total liability. At the same time, the Group will carry out series of process improvement and cost saving programs to strengthen its sustainable business model. Under the present market condition, we considered that a sustainable operation is the key to success; to achieve that, we shall keep up with a reasonable business scale and avoid excessive expansion.

The PRC Government has been reiterating its strong determination in eliminating low-end and labour intensive industries. Besides, the labour cost continued to escalate in Mainland China. The Group believed that the past low-automated operation mode which required massive employment of labour for revenue growth was outdated. The economic crisis accelerated the Group's decision in stepping back from those labour intensive and low cost-effective products. The Group will work closely with its customers to stick to design products that will allow automated production from product development phase, thereby enhancing productivity and efficiency so as to escalate the entire profitability.

The implementation of series of cost improvement initiatives had succeeded in lifting the Group's gross profit margin and strengthening its financial position. During the year, the Group effectively controlled its working capital, in particular the inventory. Despite commodity price reached its record high since the economic tsunami, the Group's total inventory level had lowered gradually. The total inventory reduced from HK$92,084,000 as at the financial year-end date of last year to HK$82,605,000 as at the financial year-end date of this year. In the meantime, the Group's operating cash remained strong. The net cash inflow from operating activities for the year was HK$88,382,000, which was utilized in full in reducing the banking liability. The net cash outflow from financing activities for the year was HK$86,983,000, which indicates that the Group is highly determined in reducing its leverage ratio and strengthening its financial security. Interest expenses was also lowered to HK$7,268,000 (2009: HK$12,543,000) correspondingly during the period.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2010, the Group's credit facilities granted from banks (excluding that of foreign exchange derivative financial instrument) amounted to HK$283,221,000 (2009: HK$396,613,000), of which HK$100,686,000 (2009: HK$138,239,000) remained unutilised. The balance and the credit limit of the non-revolving loan were decreasing in phase after repaying the principle on schedule. The revolving facilities as at 30 April 2010 amounted to HK$209,300,000 (2009: HK$224,300,000), of which HK$108,614,000 (2009: HK$86,061,000) was utilized. The utilized non-revolving loan facilities amounted to HK$73,921,000 (2009: HK$172,313,000), declining 57% as compared with that of last year. As at 30 April 2010, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$52,760,000 (2009: HK$57,902,000). The utilized banking facilities amounting to HK$132,535,000 were secured by charges on the Group's certain accounts receivables, pledges of the Group's bank deposits and available-for-sale financial assets. In addition, as at 30 April 2010, the Group has fully complied with certain restrictive financial covenants agreed with the financing banks.

As at 30 April 2010, the Group's total borrowings granted from banks and financial institutions amounted to HK$182,104,000 (2009: HK$255,556,000), of which HK$169,505,000 (2009: HK$201,544,000) was current, included the portion of long-term borrowings repayable within one year, and HK$12,599,000 (2009: HK$54,012,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. The Group had no non-current borrowings which will be repayable within a period exceeding five years. As at 30 April 2010, the Group's gearing ratio* dropped to 0.24 (2009: 0.33). Moreover, the Group did not have any contingent liabilities (2009: Nil) as at the same date. In the foreseeable future, the Group will maintain its strategy of actively reducing debts so as to strengthen its ability to cope with risk.

(* *The ratio of (total borrowings less bank balances and cash) over (total borrowings less bank balances and cash plus total equity))*

Interest Expenses

The continuous decrease of debts reduced the Group's interest expenses by HK$5,275,000. For the year ended 30 April 2010, the Group's interest expenses amounted to HK$7,268,000 (2009: HK$12,543,000), reducing approximately 42% as compared with that of last year.

Financial Resources and Capital Structure

The Group's cash flow for year ended 30 April 2010 is summarized as follows:

Cash Flow Summary

	2010	2009
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**88,382**	98,522
Net cash outflow from investing activities	**(11,722)**	(38,136)
Net cash outflow from financing activities	**(86,983)**	(100,851)
Decrease in cash and cash equivalents and bank overdrafts	**(10,323)**	(40,465)

As at 30 April 2010, the net current assets was HK$60,543,000 (2009: HK$40,301,000) and the current ratio was 1.28 (2009: 1.17).

Charges On Assets

As at 30 April 2010, certain assets of the Group with an aggregate carrying value of approximately HK$60,613,000 (2009: HK$50,871,000) were pledged to secure banking facilities of the Group.

Exchange Risks

The Group's business is mainly conducted in Hong Kong, Mainland China and South-east Asia. The major revenue currencies are primarily denominated in Hong Kong dollar, Renminbi and United States dollars; whilst the major currencies in purchase commitments are primarily denominated in Hong Kong dollar, Renminbi and United States dollars. If Renminbi has a remarkable appreciation, the Group might experience additional cost pressure. In this connection, the Group will closely monitor the fluctuation trend of Renminbi.

EMPLOYEES

As at 30 April 2010, the Group employed approximately 4,800 staff (2009: 4,700), of which 4,340 (2009: 4,175) are production staff and 460 (2009: 525) are management staff at all levels. The remuneration of the employees is determined by reference to market benchmark, individual performance, academic qualification and work experience, subject to periodic review. Other agreed employee benefits includes pension scheme, medical insurance, on-job training, education subsidy and other social security and paid leaves stipulated under the relevant jurisdiction of places of operation. Pursuant to the Company's share option scheme, 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 (2009: Nil)

CORPORATE SOCIAL RESPONSIBILITY

The Group has taken active role in corporate citizenship practice through participating in various forms of charity, volunteer services and health activities, encouraging its staff to care for the society and promoting their mental and physical development in a healthier and balanced way. The Group has also dedicated in participating charitable community activities by granting donations to charitable organizations and education institutions. In 2009, Coils Electronic Co., Ltd, the main subsidiary of the Group, was awarded the "Caring Company" logo by the Hong Kong Council of Social Service for the third consecutive year.

FUTURE PROSPECTS

The outbreak of sovereignty debt crisis in some European countries led to tremendous turbulence in the financial market worldwide with uncertainty clouded the external environment; even there was satisfactory growth in the global economic data in the recent few months. Electronic consumer products, including home appliance, personal communications device, computer and other peripherals, highly efficient lighting products, etc, are the end market of the Group's coil products. Fluctuation of the electronic consumer product market is closely related to the then prevailing economic performance. The Group will encounter greater challenge if the market adverse situation exacerbates.

The cost lifting pressure shall not be neglected. Major raw materials and components prices rebounded sharply from the trough post-economic tsunami. Although the commodity price is determined by the global economy, the continuation of the such high level of prices, or soaring to even higher, shall undermine the Group's profit. In addition, the sharp increase of domestic labour cost together with the repeating labour dispute will inevitably turning the operating cost higher and posting additional pressure to the management. The Group shall step up discussions with its customers: eliminate excessive labor-intensive products and production lines, allocate resources in developing and manufacturing more automated products to improve its general production efficiency to offset some unfavourable cost factors.

Observing the recent financial crisis, economic condition underwent sharp change over a relatively short period of time. The speedy and urgency of such change exceed all financial institutions and governments estimation. The Group is geared to adopt a prudent and flexible approach to prepare for each new day. We have been making active reorganization over the recent two years and streamlined our structure as compared to that before the financial tsunami. After such attack, we have a clearer and more concentrated business strategy with the debt level also improved significantly. Riding on a group of long-term and strong partnering customers and suppliers, together with our advanced and efficient production equipment, we are well-equipped to form a strong defense network to protect against any possible future shocks. We will also continue to lower our total borrowing level proactively. Under the present operating environment and unpleasant global economic tide, we will be more pragmatic in focusing on our core segment.

APPRECIATION

On behalf of the management, I have to extend my sincere thanks to all staff who have contributed to the Group over the year. We have to express our gratitude for the long-term support from our customers, suppliers and the banks.

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

The Company had not redeemed any of its listed shares during the year ended 30 April 2010. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the year ended 30 April 2010.

During May 2010, the Company acquired an aggregate of 16,738,000 of its own shares through purchases on the Hong Kong Stock Exchange at an aggregate consideration of HK$4,765,390 with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

CORPORATE GOVERNANCE

The Board believes that good corporate governance is not only in the interest of the Company and its shareholders as a whole, but also increasingly important for maintaining and promoting investor confidence. The Board is responsible for ensuring a high quality of corporate governance. The Company has adopted the principles and complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 30 April 2010, except for the following deviations:

1. Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

   Three independent non-executive directors of the Company have not been appointed for a specific term, but are subject to retirement by rotation at the annual general meetings of the Company at least once every three years in accordance with the Bye-laws of the Company. The Company intended to comply with Code

Provision A.4.1 by entering into a letter of appointment with specific term with each of the non-executive directors of the Company upon their respective re-election. The other two independent non-executive directors have entered into their respective letters of appointment with specific term upon their re-election at the annual general meeting held on 29 September 2009.

2. Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

   Before 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the "CEO") were performed by two different executive directors of the Company. Due to the re-allocation of the respective duties of the executive directors of the Company, Mr. Lam Wai Chun, the Chairman of the Board, has been appointed as the Managing Director of the Company with effect from 29 September 2009 and has carried out the responsibilities of the CEO since then. This constitutes a deviation from Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, as Mr. Lam Wai Chun is the founder of the Group and possesses substantial and valuable experience in the industry that is relevant to the Group's operation, the Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders.

The Audit Committee of the Company, currently comprising four independent non-executive directors, has reviewed the accounting principles and practices adopted by the Group, the internal control of the Group and the annual results of the Company for the year ended 30 April 2010.

Further information on corporate governance practices of the Company will be set out in 2009/2010 annual report of the Company, which will be sent to the shareholders of the Company by the end of August 2010.

ANNUAL GENERAL MEETING

The 2010 Annual General Meeting of the Company will be held on Tuesday, 28 September 2010 and the Notice of Annual General Meeting will be published and despatched in accordance with the Listing Rules in due course.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 9 August 2010

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

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

* *For identification purpose only*