CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

CEC 國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 759)

2013/2014 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 2014 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2014

	Note	**2014** **HK$'000**	2013 HK$'000
Revenue	2	**1,830,561**	1,279,701
Cost of sales	4	**(1,283,190)**	(922,519)
Gross profit		**547,371**	357,182
Other (losses)/gains, net	3	**(4,037)**	14,948
Selling and distribution expenses	4	**(360,716)**	(216,374)
General and administrative expenses	4	**(136,058)**	(119,765)
Operating profit		**46,560**	35,991
Finance income		**58**	42
Finance costs		**(15,085)**	(13,451)
Finance costs, net	5	**(15,027)**	(13,409)
Profit before income tax		**31,533**	22,582
Income tax expense	6	**(7,760)**	(2,432)
Profit attributable to equity holders of the Company		**23,773**	20,150
Earnings per share, basic and diluted	7	**HK3.57 cents**	HK3.02 cents
Dividend	8	**4,663**	3,331

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**23,773**	20,150
Other comprehensive income/(loss)		
Item that will not be reclassified subsequently to profit or loss		
Revaluation surplus upon transfer from buildings to investment properties	**7,450**	–
Items that may be reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	**(566)**	614
Currency translation differences	**3,715**	3,909
Total comprehensive income for the year	**34,372**	24,673

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2014

	Note	**2014** ***HK$'000***	2013 *HK$'000*
ASSETS			
Non-current assets			
Land use rights		**20,173**	20,645
Property, plant and equipment		**502,163**	480,700
Investment properties		**81,460**	76,065
Available-for-sale financial assets		**9,120**	9,686
Prepaid rent on operating leases		**61,280**	33,166
Deposits paid for acquisition of property, plant and equipment		**3,636**	3,212
Deferred tax assets		**2,194**	1,115
		680,026	624,589
Current assets			
Inventories		**218,516**	163,021
Accounts and bills receivable	9	**86,402**	106,928
Deposits, prepayments and other receivables		**42,509**	26,555
Pledged bank deposits		**30,906**	27,616
Cash and cash equivalents		**79,479**	81,004
		457,812	405,124
Total assets		**1,137,838**	1,029,713
EQUITY			
Share capital		**66,619**	66,619
Reserves			
Proposed final dividend		**4,663**	3,331
Others		**461,705**	431,996
Total equity		**532,987**	501,946
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**633**	1,669
Provision for reinstatement cost		**6,628**	3,575
		7,261	5,244
Current liabilities			
Borrowings		**499,085**	431,137
Accounts payable	10	**23,770**	32,352
Accruals and other payables		**63,559**	54,033
Taxation payable		**11,176**	5,001
		597,590	522,523
Total liabilities		**604,851**	527,767
Total equity and liabilities		**1,137,838**	1,029,713
Net current liabilities		**(139,778)**	(117,399)
Total assets less current liabilities		**540,248**	507,190

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.

At 30 April 2014, the Group's current liabilities exceeded its current assets by approximately HK$139,778,000 as a result of (i) bank borrowings contractually due for repayment after one year that contain a repayment on demand clause amounting to approximately HK$97,968,000 being classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause"; and (ii) certain of the Group's non-current assets as at 30 April 2014 were financed mainly by the Group's internal fundings and short-term borrowings.

The directors closely monitor the Group's financial performance and liquidity position. They have prepared cash flow projection of the Group for the coming twelve months by taking into account all information that could reasonably be expected to be available including, among others, that (i) the Group will continue to generate positive cash flow from operations, (ii) the Group will have continuous financial support from its banks in the coming twelve months and (iii) it is not probable that the relevant banks will exercise its discretion to demand immediate repayment. The directors believe that the bank borrowings will be repaid in accordance with the scheduled dates set out in the relevant loan agreements and that the banking facilities with the principal banks will be renewed when their current terms expire given the good track records and relationship the Group has with the banks. Under these circumstances, the directors are of the opinion that the Group will have adequate financial resources to support its operations and will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

New/revised HKFRS effective during the year ended 30 April 2014

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 May 2013 and have a material impact on the Group:

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether or not they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

New/amended standards and interpretations and amendment to existing standards mandatory for the first time for the financial year beginning 1 May 2013 but which currently do not have significant impact on the Group's results of operation and financial position (although they may affect the accounting for future transactions and events):

- HKAS 19 (2011), 'Employee Benefits'
- HKAS 27 (2011), 'Separate Financial Statements'
- HKAS 28 (2011), 'Investments in Associates and Joint Ventures'
- Amendment to HKFRS 1, 'Government Loans'
- Amendment to HKFRS 7, 'Disclosures – Offsetting Financial Assets and Financial Liabilities'
- HKFRS 10, 'Consolidated Financial Statements'
- HKFRS 11, 'Joint Arrangements'
- HKFRS 12, 'Disclosure of Interests in Other Entities'
- Amendment to HKFRS 10, HKFRS 11 and HKFRS 12, 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transaction Guidance'
- HK(IFRIC)-Int 20, 'Stripping Costs in the Production Phase of Surface Mine'
- Annual Improvement Project, 'Annual Improvements 2009 – 2011 Cycle'

New/revised standards and interpretations and amendments to existing standards have been issued but are not effective

The following new/revised standards and interpretations and amendments to existing standards have been issued but are not mandatory for the year ended 30 April 2014:

HKAS 32 (Amendment)	Presentation – offsetting financial assets and financial liabilities(1)
HKAS 36 (Amendment)	Impairment of assets – recoverable amount disclosures(1)
HKAS 39 (Amendment)	Recognition and measurement – novation of derivatives(1)
HKFRS 10, 12 and HKAS 27 (Amendments)	Consolidation for investment entities(1)
HK(IFRIC)-Int 21	Levies(1)
HKAS 19 (Amendment)	Defined benefits plan(2)
Annual improvement project	Annual improvement 2010-2012 cycle(2)
	Annual improvement 2011-2013 cycle(2)
HKAS 16 and HKAS 38 (Amendment)	Classification of acceptable methods of depreciation and amortisation(3)
HKFRS 11 (Amendment)	Accounting for acquisition of interest in joint operations(3)
HKFRS 14	Regulatory deferral accounts(3)
HKFRS 15	Revenue from contracts with customers(4)
HKFRS 9	Financial instruments(5)

(1) Effective for the Group for annual period beginning on 1 May 2014
(2) Effective for the Group for annual period beginning on 1 May 2015
(3) Effective for the Group for annual period beginning on 1 May 2016
(4) Effective for the Group for annual period beginning on 1 May 2017
(5) Effective for the Group for annual period beginning on 1 May 2018

The Group is in the process of making an assessment on the impact of these new/revised standards and interpretations and amendments to existing standards but does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position taken as a whole. The Group intends to adopt the above new/revised standards and interpretations and amendments to existing standards when they become effective.

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.

During the year, the Group has three reporting segments, namely (i) retail business; (ii) electronic components manufacturing; and (iii) investment property holding. 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 normal commercial terms and conditions. The segment information provided to the management for the reportable segments for the years ended 30 April 2014 and 2013 is as follows:

	Retail business		Electronic components manufacturing		Investment property holding		Eliminations		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**1,442,981**	812,150	**385,051**	465,208	**2,529**	2,343	**–**	–	**1,830,561**	1,279,701
Intersegment sales	**–**	–	**-**	–	**1,571**	1,400	**(1,571)**	(1,400)	**–**	–
	1,442,981	812,150	**385,051**	465,208	**4,100**	3,743	**(1,571)**	(1,400)	**1,830,561**	1,279,701
Segment results										
Operating profit	**51,157**	11,617	**1,577**	15,369	**1,592**	16,966			**54,326**	43,952
Corporate expenses									**(7,766)**	(7,961)
Finance costs, net									**(15,027)**	(13,409)
Profit before income tax									**31,533**	22,582
Income tax expense									**(7,760)**	(2,432)
Profit for the year									**23,773**	20,150
Depreciation and amortisation	**36,348**	21,003	**23,545**	28,130	**11**	31			**59,904**	49,164
Distribution cost and administrative expenses	**437,098**	242,516	**50,281**	84,690	**1,629**	972			**489,008**	328,178
Additions to non-current assets (other than financial instruments)	**104,021**	99,694	**5,665**	2,501	**–**	50,974			**109,686**	153,169

	Retail business		Electronic components manufacturing		Investment property holding		Eliminations		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**653,769**	369,978	**407,743**	586,697	**82,188**	76,620	**(8,259)**	(4,910)	**1,135,441**	1,028,385
Unallocated assets										
– Deferred income tax									**2,194**	1,115
– Corporate assets									**203**	213
									1,137,838	1,029,713
Segment liabilities	**61,724**	35,113	**32,095**	54,563	**8,135**	4,711	**(8,259)**	(4,910)	**93,695**	89,477
Borrowings									**499,085**	431,137
Unallocated liabilities										
– Deferred income tax									**633**	1,669
– Taxation payable									**11,176**	5,001
– Corporate liabilities									**262**	483
Total liabilities									**604,851**	527,767

Geographical information

	Revenue		Non-current assets	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including the Hong Kong Special Administrative Region)	**1,717,863**	1,155,821	**679,922**	624,588
Other regions	**112,698**	123,880	**104**	1
	1,830,561	1,279,701	**680,026**	624,589

Revenue by geographical location is determined on the basis of the destination of shipment or place of sales to the customers.

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

The Group has a large number of customers. For the year ended 30 April 2014, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2013: Nil).

3. Other (losses)/gains, net

	2014	2013
	HK$'000	*HK$'000*
Fair value gains on investment properties	**1,159**	15,870
Net (loss)/gain on written off/disposal of property, plant and equipment	**(2,230)**	58
Impairment loss on properties, plant and equipment	**(2,966)**	(980)
	(4,037)	14,948

4. Expenses by nature

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

	2014 *HK$'000*	2013 *HK$'000*
Auditors' remuneration	**2,322**	2,285
Amortisation of land use rights	**545**	535
Cost of inventories recognised as expenses included in cost of sales	**1,101,451**	754,951
Depreciation of property, plant and equipment	**59,359**	48,629
Direct operating expenses arising from investment properties that generate rental income	**467**	274
Employee benefit expenses (including directors' emoluments)	**307,935**	253,490
Net exchange (gains)/losses		
– recognised in cost of sales	**(7,118)**	(13,662)
– recognised in general and administrative expenses	**(402)**	614
Operating lease rentals		
– basic rent	**132,074**	70,952
– turnover rent	**16,306**	11,719
Provision for impairment of accounts receivable	**1,041**	3,343
Provision/(write-back of provision) for impairment of inventories	**12,958**	(91)
Utility expenses	**51,994**	43,406
Freight and transportation	**34,810**	22,212
Other expenses	**66,222**	60,001
Total cost of sales, distribution and selling expenses and general and administrative expenses	**1,779,964**	1,258,658

5. Finance costs, net

	2014 *HK$'000*	2013 *HK$'000*
Interest expense on bank borrowings *(note)*		
– wholly repayable within five years	**14,116**	12,779
– not wholly repayable within five years	**969**	672
Total interest expense incurred during the year	**15,085**	13,451
Interest income from bank deposits	**(58)**	(42)
	15,027	13,409

Note:

The classification by repayment period is based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

6. Income tax expense

The amount of income tax expense charged to the consolidated income statement represents:

	2014	2013
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**9,737**	4,232
– under-provision in prior years	**32**	69
Overseas income tax including Mainland China		
– current tax	**146**	640
– over-provision in prior years	**(72)**	–
Deferred income tax	**(2,083)**	(2,509)
Total income tax expense	**7,760**	2,432

The Company is incorporated in Bermuda and is exempted from income tax in Bermuda until 2035. Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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 at the rate of 25% (2013: 25%) on their taxable income determined according to Mainland China tax laws. Other overseas income tax has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

7. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holder of approximately HK$23,773,000 (2013: HK$20,150,000) and the weighted average number of 666,190,798 (2013: 666,190,798) shares in issue during the year.

For the years ended 30 April 2014 and 30 April 2013, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

8. Dividend

	2014	2013
	HK$'000	*HK$'000*
Proposed final dividend of HK0.70 cent (2013: HK0.50 cent) per share	**4,663**	3,331

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

9. Accounts and bills receivable

	2014	2013
	HK$'000	*HK$'000*
Bills receivable	**14,424**	9,819
Accounts receivable	**78,506**	103,007
Less: provision for impairment of receivables	**(6,528)**	(5,898)
Amounts and bills receivable – net	**86,402**	106,928

The ageing analysis of accounts receivable is as follows:

	2014	2013
	HK$'000	*HK$'000*
0-30 days	**42,790**	51,194
31-60 days	**18,257**	27,173
61-90 days	**8,738**	8,879
91-120 days	**2,984**	3,560
121 days to 1 year	**5,737**	12,201
	78,506	103,007
Less: provision for impairment of receivables	**(6,528)**	(5,898)
	71,978	97,109

As at 30 April 2014 and 30 April 2013, the carrying amount of accounts and bills receivable approximated its fair value.

The Group performs on-going credit and collectability evaluation of each customer. The Group offers an average credit period ranging from 30 to 120 days to its customers (2013: 30 to 240 days).

As at 30 April 2014, bills receivable of HK$14,424,000 (2013: HK$9,819,000) represent bank acceptance notes with maturity dates of six months or less from the end of the reporting period (2013: same).

10. Accounts Payable

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

	2014	2013
	HK$'000	*HK$'000*
0-30 days	**20,413**	26,025
31-60 days	**2,443**	4,759
61-90 days	**641**	451
91-120 days	**64**	494
Over 120 days	**209**	623
	23,770	32,352

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 September 2014 to Thursday, 25 September 2014 (both dates inclusive), during which period no transfer of shares of the Company will be effected. Shareholders whose names appear on the register of members of the Company on Thursday, 25 September 2014 are entitled to attend and vote at the annual general meeting of the Company to be held on Thursday, 25 September 2014 (the "2014 Annual General Meeting"). In order to qualify to attend and vote at the 2014 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Monday, 22 September 2014.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2014 Annual General Meeting. For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 7 October 2014 to Thursday, 9 October 2014 (both dates inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Monday, 6 October 2014. The payment of final dividend will be made on or about Friday, 24 October 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

General Overview

For the financial year 2013-2014 under review, the Group recorded a total revenue of HK$1,830,561,000 (2013: HK$1,279,701,000), representing a growth of about 43.0%. Such growth was mainly attributed to the operation of 759 STORE retail business, reaching HK$1,442,981,000 (2013: HK$812,150,000), with a growth of about 77.7%. Over the year, the branch number of 759 STORE increased by 58 to 192 in total as at 30 April 2014 (2013: 134 branches). Gross profit margin of the Group was 29.9% (2013: 27.9%), increased by two percentage points over that in prior year, which was primarily due to the greatly increased share of higher profit margin retail business, which accounting for 79% of total revenue (2013: 63%).

Over the year, the consolidated profit for the Group was HK$23,773,000 (2013: HK$20,150,000) and the consolidated profit margin was 1.3% (2013: 1.6%). In light of the property price in Hong Kong which went relatively steady in the year, the gain from revaluation of investment properties was substantially reduced to HK$1,159,000 (2013: HK$15,870,000). Excluding the gain from revaluation of investment properties, the consolidated operating profit in the year increased 4.3 times to HK$22,614,000 (2013: HK$4,280,000), comparing with that in last year. Operating profit for the year was HK$46,560,000 (2013: HK$35,991,000), mainly derived from the retail business. For electronic components manufacturing business, the segmental operating profit lowered to HK$1,577,000 (2013: HK$15,369,000) as the Group has made impairment provisions for some non-recurring items over the year. Tax expense for the year greatly increased by 2.2 times than that in last year, mainly attributed to the significant growth of operating profit in retail business section.

For inventory, the management fully aware that, as a company of capital base not tremendously strong while developing retail network requires abundance of financial resources, we have to strive to improve logistics efficiency, lowering inventory level to compensate the effect of soaring storage cost, so as to more importantly, avoid cash being locked up to improve liquidity. Retail business for the year continued to develop with the newly added 58 branches and revenue marked an increase of 77.7%. The amount of inventory went up alongside with business scale expansion. As at 30 April 2014, consolidated inventory of the Group amounted to HK$218,516,000 (2013: HK$163,021,000), representing an increase of 34% over that of last year. Inventory turnover day, that shows how quickly a company is converting their inventory into sales, was 54 days (2013: 56 days), which has improved over that in last year. Total deposits, prepayments and other receivables (including prepaid rent and deposits for retail shop) for the Group as at 30 April 2014 increased with the number of 759 STORE branch, reaching HK$103,789,000 (2013: HK$ 59,721,000). For accounts and bills receivable, as at 30 April 2014, its total amount was HK$86,402,000 (2013: HK$106,928,000), decreased by 19% when comparing with that of last year. Not taking the effect of retail business into account, the inventory turnover day was 89 days (2013: 91 days), decreased by 2 days when comparing with that of last year.

Retail Business

Established in July 2010, 759 STORE is the retail business of the Group that was set up with reference to the consumer culture of living areas in Japan. 759 STORE upholds a "lower margin with high turnover" strategy. Operating with high inventory turnover rate, it aimed at giving a more desirable shopping experience to vast local Hong Kong residents, by providing a relaxing shopping environment with a wide range of products for our customers. As at 30 April 2014, 759 STORE has 192 branches (2013: 134 branches). During the year, the Group established various new attempts by setting up the following new trade names, including "759 STORE Household Market" featuring household goods and small electrical home appliances; "759 STORE Frozen Market" that specializes in selling frozen food and grocery food items; "759 KAWAIILAND" that mainly sells personal care products, skincare and cosmetic items and various interesting goods from Japan; while "759 STORE Supermarket" sells all types of goods self-imported by the Group. We are gradually developing more diversified source of goods with new attempts with an aim to offer more choice for local residents.

Retail business for the year recorded a revenue of HK$1,442,981,000 (2013: HK$812,150,000), representing a rise of 77.7% than last year and accounting for about 79% of the total revenue of the Group (2013: 63%). Thanks to the trust and support by the landlords of shopping malls and shop units, a number of desirable shop locations were made available for 759 STORE to expand. As at 30 April 2014, the number of 759 STORE branches was 192 (2013: 134), increased by 58 branches or 43%. Targeting to serve vast Hong Kong residents, branches of 759 STORE are ideally located in 18 districts. The site selection of 759 STORE goes deep into local residential areas. Most of the branches are located in shopping malls and shop units of public and private housing estates. The retail floor areas of 759 STORE were about 271,000 sq ft (2013: 146,000 sq ft) in total and approximately 1,411 sq ft (2013: 1,090 sq ft) per shop. The Group acknowledged that customers generally favour the increased floor area of our shops, which not only provide much more space to display wider variety and more categories of products, but also able to provide a much more spacious and comfortable shopping environment. The increase of average shop area of each branch will further benefit the adding of new sources of items, providing a more diversified supply of product type. Corporate target of 759 STORE is committed to serving local residents. It will try its best to select those sites with greater floor area for new shops within the shopping mall and shop unit of the living zones where lower rent per sq ft could well offset the effect of bigger area despite the pedestrian flow may be lower. During the year, shop rent accounted for about 9.8% (2013: 9.7%) of the retail revenue.

The Group has placed great emphasis on human resources and believed that providing reasonable salary will induce staff's incentive in exchange for excellent performance and satisfactory service to our customers. Salary and allowance for frontline staff accounted for about 8.1% (2013: 8.6%) of segmental revenue. It showed that staff working efficiently can offset the pressure from salary increment in the market. In addition, the number of frontline staff employed per branch on average over the same period was 4.1 (2013: 4.1), which was similar to the same period of last year. Staff's working experience empowered them to cope with the expanded average shop area, product variety and size of sales.

Gross profit of retail business for the year was HK$488,720,000 (2013: HK$255,113,000) and the gross profit margin was 33.9% (2013: 31.4%), increased by 2.5 percentage point when compared with that for last year. The gradual improvement in gross profit margin, despite with frequent discount offers, was primarily attributed to the increased revenue which drove purchase amount to rise and higher purchase amount in turn provided good incentive for overseas agents and manufacturers to give better trading terms which reduced the procurement cost of the Group. The sales and distribution cost and administrative expenses during the year were HK$350,278,000 and HK$86,820,000 (2013: HK$203,153,000 and HK$39,363,000), representing an increase by 72% and 121% respectively. The increase of sales and distribution cost principally corresponded with the revenue uplift of 78%. For administrative expenses, the Group has mostly transferred the coil business resources in Hong Kong and overseas to serve the retail business. With the gradual expansion of retail business size, segment operating profit for the year was HK$51,157,000 (2013: HK$11,617,000), with a growth of about 3.4 times. Segment operating profit margin was 3.5% (2013: 1.4%).

Revenue from retail business marked a continuous growth for the year. Our established product source and supply chain became the most crucial factors for the development of 759 STORE. 759 STORE places great emphasis on the independency and flexibility on pricing setting and it insisted on pricing the product with an established reasonable formula, as such, the Group has to develop its own procurement model based on direct import. Our procurement team comprised members who have worked in the coil business for years. Over the year, product source network was extensively expanded and 759 STORE products were sourced from over 60 (2013: 18) countries and regions. In addition to snacks, beverages, grocery food items, wine and spirit, product categories have now extended to frozen food, household products, baby products, personal care products, cosmetic, etc. Total number of product category sold for the year exceeded 14,500 types (2013: 3,500 types). 759 STORE has not only forged close supply partnership with large overseas wholesaler but also maintained a direct supply relation with several manufacturers. Riding on these opportunities, we hope to form a stable and price competitive product supply, providing more premium products to customers at reasonable price. Product price of 759 STORE was set by formula with constant markup percentage so that the product prices for most of the foreign import products in our stores would roughly be similar to those in the market of their own country, and our customers could buy foreign import products in Hong Kong at similar consumption level as if they stayed and bought in that country of origin. Under the high inventory turnover policy, the Group was able to place steady, bulky and long term purchase orders to foreign distributors and manufacturers, and stable demand allows suppliers to improve its cost so as to offer a more competitive export-pricing.

Electronic Components Manufacturing Business

The coil products of the Group's electronic component manufacturing business are applied in a wide ranging spectrum of electronic consumer goods, including various mobile communication equipment, lighting products, electrical appliances, computers and its peripheral products, power supply devices, etc. The Group kept restricting the development of electronic components manufacturing business in the year, gradually decreasing the resources allocated to this business. In the meantime, by re-organizing the customer base, our services and supports could focus on our international customers, that had been working together for years, so as to enhance the stability and certainty on orders and account receivables. Segmental revenue for this business for the year has dropped by 17.2% to HK$385,051,000 (2013: HK$465,208,000).

To better reflect the actual operation status of the manufacturing business, the Group has recorded certain provision for impairment during the year, including an one-off impairment provision of HK$12,173,000 for certain tools and components owing to halt production of some products; and fixed assets impairment provision of HK$2,966,000 for the Nanjing plant that had reduced its production scale. In addition, the Group also made accounts receivable provision of HK$1,002,000 for a client who requested a deferred payment for the credited amount. The above arrangement affected the segment profit and operating profit of the electronic components manufacturing business, where the segmental gross profit amounted to HK$56,589,000 (2013: HK$100,000,000), decreased by 43% over the year. The gross profit margin was also reduced by 6.8 percentage point to 14.7% (2013: 21.5%). The segmental operating profit was HK$1,577,000 (2013: HK$15,369,000).

After years of investment and development, the production facilities and operational flow in the main plant for the manufacturing business located in Zhongshan, Guangdong province, were well-established. Being highly vertically-integrated, the plant mainly involved in the fabrication of coils and self-production of coils' main components, including ferrite magnetic cores, ceramic parts, metallic parts, plastic parts, moulds and packaging materials. The packaging material production department also supports our retail business by producing shopping bags and props for shop display purposes for 759 STORE. Attributed to the large-scaled automated production equipment, the Group is able to maintain certain production scale and cost competitiveness in spite of the continuously rising wage level. The associated capital expenditure has remained at a low level, amounting to HK$3,525,000 (2013: HK$2,501,000).

Selling and distribution expenses of electronic components manufacturing business for the year was HK$10,437,000 (2013: HK$13,221,000), representing a reduction of about 21.1% over last year. Such reduction is reasonable following the fall of segmental revenue. The segment administrative expense was HK$39,844,000 (2013: HK$71,469,000). The reason for such great reduction was attributed to the Group's reallocation of the resources of the Hong Kong headquarters and overseas from supporting the electronic component business to developing the retail business. Account receivables and inventory were recorded at HK$80,582,000 and HK$84,474,000 (2013:

HK$105,703,000 and HK$107,599,000), decreased by 23.8% and 21.5%, respectively following the decline of segment revenue and the extent of such fall was greater than the reduction of revenue. The Group will actively enforce stringent credit policy and inventory control to avoid liquidity backlog.

Investment Properties

The rental income for the Group in the financial year was HK$2,529,000 (2013: HK$2,343,000), approximately the same as compared with last year.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2014, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$110,385,000 (2013: HK$108,620,000). As at 30 April 2014, the Group had aggregate banking facilities of HK$609,325,000 (2013: HK$544,036,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK$98,431,000 (2013: HK$111,946,000). At 30 April 2014, the utilized banking facilities amounting to HK$510,894,000 were secured by charges on the Group's certain land and buildings, investment properties, pledges of the Group's accounts receivable, bank deposits, available-for-sale financial assets and inventories. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 30 April 2014, the Group could comply with such financial covenants.

With the rapid expansion of retail business and purchase of properties during the period, the Group's total borrowings from banks amounted to HK$499,085,000 at 30 April 2014 (2013: HK$431,137,000), increased by HK$67,948,000. As at 30 April 2014, the Group's gearing ratio* was 0.42 (2013: 0.39), reporting an increase of 0.03 as compared with that of the last financial year-end date. The Group did not have any contingent liabilities (2013: Nil) as at the same date.

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

Assets

On 30 April 2014, the Group had inventories of HK$218,516,000 (2013: HK$163,021,000). The increase in inventories was mainly attributable to the opening of new branches of 759 STORE, and the increase in imports from regions, including Europe and America, which are relatively far away from Hong Kong. As a result, shipment in transit amounted to HK$42,443,000 as at 30 April 2014 (2013: HK$19,434,000), which was up by 1.2 times. At the same time, the Group's prepayment, deposit and other receivables (including prepaid rent and deposit for retail stores) went up to HK$103,789,000 (2013: HK$59,721,000) as a result of the increase in retail network of 759 STORE.

Interest Expenses

Interest expense of the Group amounted to HK$15,085,000 for the year ended 30 April 2014 (2013: HK$13,451,000), increased by 12%.

Financial Resources and Capital Structure

In the financial year, the Group recorded a net cash outflow of HK$12,536,000 (2013: net cash inflow of HK$35,502,000). Net cash inflow from operating activities amounted to HK$31,797,000 (2013: HK$36,045,000). During the year, the Group expanded its retail network, which resulted in an increase in rental deposits, rental in advance and prepaid rents of HK$30,781,000 and an increase in consolidated inventory of HK$55,495,000. All these factors negatively impacted the net cash inflow from operating activities for the financial year. During the financial year, net cash outflow from investing activities of HK$81,572,000 (2013: HK$132,250,000) was mainly deployed for properties purchase and retail shop fitting-out. During the year, net cash inflow from financing activities accounted for HK$37,239,000 (2013: HK$131,707,000), which was mainly attributed to the significant decrease in new borrowings.

Cash Flow Summary

	2014 **HK$'000**	2013 HK$'000
Net cash inflow from operating activities	**31,797**	36,045
Net cash outflow from investing activities	**(81,572)**	(132,250)
Net cash inflow from financing activities	**37,239**	131,707
(Decrease)/increase in cash and cash equivalents	**(12,536)**	35,502

As at 30 April 2014, the net current liabilities was HK$139,778,000 (2013: HK$117,399,000), and the current ratio was 0.77 (2013: 0.78). It included pledged loans of approximately HK$142,025,000 (HK$44,057,000 repayable within one year; HK$97,968,000 repayable after one year). Such loans due for repayment after one year but contained a repayment on demand clause amounting to approximately HK$97,968,000 have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause". Due to the expansion of the retail business in the past twelve months, an additional cash outflow from operation was resulted for purchase of inventory and prepaid rental and deposits. The Group did not seek financing from the capital market and focused on maximizing its internal resources usage, and the pledge of properties and other assets to obtain banking facilities to support the required additional cash flow. In view of the present bank borrowings available for use, and the future demand for capital will be mitigated after the retail business development has entered into a consolidation stage, the management believes the Group have adequate working capital to meet the existing development plans.

Charges on Assets

As at 30 April 2014, certain assets of the Group with an aggregate carrying value of approximately HK$371,890,000 (2013: HK$362,832,000) 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 and operation costs are primarily denominated in Hong Kong dollar, Renminbi, United States dollars and Japanese Yen. The Group will endeavour to use forward contracts to hedge potential foreign exchange fluctuation if necessary. If Japanese Yen has a remarkable appreciation, there will be impact on the Group's cost. In this connection, the Group will closely monitor the fluctuation trend of Japanese Yen.

Employees

As at 30 April 2014, the Group employed approximately 3,100 staff (2013: 3,500). 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.

CORPORATE SOCIAL RESPONSIBILITY

The Group has actively performed its corporate citizenship responsibility. Through our participation in various charitable, volunteer, and athletic and recreational activities, we have encouraged our staff force to care about the society, to promote healthy and balanced physical and mental development. We have also made donations ourselves to charity organizations and educational institutions, and endeavored to participate in the community's public welfare activities.

Nurturing the Youth

Realizing the importance of education as a building block to foster social wellness, we have been supportive to youth education. Apart from setting up scholarship, we have endeavored to provide a practicing platform for students and promote athletic activities with a view to help youngsters to command an all-facets balanced development and life. During the year, we have jointly held or sponsored the following activities with their respective launching educational institutions and colleges:

- Set up the 759 Store Scholarship for the City University of Hong Kong, Tung Wah College and Vocational Training Council to support the development of local higher education and encourage students to study hard.

- Sponsored secondary school students to participate in the "Twelfth Junior Entrepreneur Programme" run by the Hong Kong Polytechnic University in order to nurture youngsters' leadership development.

- Co-held "759 Visual Design Art Competition" with Hong Kong Design Institute, which provides a platform of design creativity concept for students to encourage creativity development, by sponsoring the activity's expenses and providing scholarship.

- Launched "TWC Co-op 759 Store" that provides a practicing opportunity for Tung Wah College students.

- Participated in the "Hong Kong Business Leadership Programme 2013" that provided domestic college students with practicing opportunities.

- Arranged various educational visits for students from kindergartens to secondary schools through site visits and workshops so that students could physically experience and learn extracurricular knowledge.

- Sponsored the tenth Chinese University of Hong Kong's "Rowing Championship and Asian University Invitation Competition" and Hong Kong Polytechnic University for participation in the Standard Chartered Hong Kong Marathon in order to promote team spirit and physical health among students.

Caring the Society

Further to our care of education, we have also actively mobilized the platform of 759 Store's more than 200 stores to help integrate social responsibilities into our daily business and allowed our staff force and customers to participate in it, and thus harnessing a more extensive and intensive coverage of our social responsibilities.

- Cooperated with New Life Psychiatric Rehabilitation Association to promote the association's proprietary brand of organic soymilk - the "O Beans" in our stores, which helped cultivate job opportunities for rehabilitators and promote healthy life concept.

- Participated in the "Food Sharing Programme" promoted by the New Life Psychiatric Rehabilitation Association to offer help in providing free food for the disadvantaged group.

- Worked together with M&M (Mentors and Mentees) to hold the "Practice Kindness" activity in 759 Store with a hope that "kindness echoes kindness, kind hearts echoes kind hearts".

- Helped Orbis in raising charity funds by placing donation boxes in the stores of 759 Store.

- Organized our staff volunteers to help keep flag sacks in the Company in order to raise charity funds on flag selling days for the Hong Kong Rehabilitation Association.

Other donations and sponsorship:

- Sponsored the Hong Kong Wakyokai in its charity show "落語會" for the donation support of charity fund raising for the earthquake disaster occurred in Northeast Japan.

- Sponsored the "Barefoot Builders" activity held by Habitat for Humanity China and invited our staff to voluntarily participate in raising funds for Habitat for Humanity China so that those needy families can have their own homes.

- Sponsored the Orbis "Moonwalkers" 2013 fund raising activity and helped Orbis to extend its saving the blind mission to cover more far away areas, which will bring colorful life to the blind.

- Donated gifts and privileged cards to various charity organizations and students unions, such as the second "Boogie on Board" Hong Kong Youth Dance Gala held by the Hong Kong Association of Youth Development, the Lion's Club's Secondary School Charity Bazaar, the "Physically Handicapped and Able-Bodied Happy Together" activity held by the Volunteer Space, the Hong Kong Blind Union's "Cane-athon", Lingnan University's Fund Raising Walkathon 2013, The Chinese Gold and Silver Exchange Society's "Winter Solstice Thousand People's Poon Choi Feast", etc.

APPRECIATION AND COMMENDATION

We have the honor to be recognized by our customers and all circles, and have been awarded with various prizes that encourage us to work devotedly:

Prizes	**Awarding Organization**
Coils Electronic Company Limited	
"5 Year Plus Caring Company" 2013/14	The Hong Kong Council of Social Service
759 Store	
"Yahoo! Emotive Brand Award 2012-2013" – Chain Stores	Yahoo, Hong Kong
"Hong Kong Business Awards 2013" - Enterprise Award	DHL and South China Morning Post
"Hong Kong Enterprise Leading Brand 2014" – Outstanding Food Retail Service Brand	Metro Finance

"Hong Kong Service Awards 2014" – Supermarket Award	Eastweek
"Junzi Enterprise Survey 2013" – Junzi Enterprise Gold Award	Hang Seng Management College
Smiling Enterprise Award	Mystery Shopping Providing Association

PLAN AND FUTURE PROSPECTS

Retail Business

By the date this annual result announcement released, the Group's retail business, "759 STORE" has recorded 4 full years of operations. In this 4 years' ordered development, revenue and operating profit of retail business had already been the main source of income for the Group, amounted to nearly 80% of the income for the whole group. To make further progress and to establish firmer market position, the Group has to review the issues that came across the way during its development processes, study in detail the external competition situation for 759 STORE in the market, analyse past operation data and review the result after policy implemented, so as to ensure that effective management and development could be sustained in retail business.

Market positioning and competition trend

After facing holdbacks in local supply and conflicts that emerged since setting prices independently, 759 STORE developed a "Parallel import in container unit" model for procurement, sourcing products all over the world by management team in the existing manufacturing business. The founder established an independent price setting program, adopted from existing manufacturing logic - introducing fixed markup percentage to simple costing. He further encourages procurement team to hunt food products, necessities and groceries in all parts of the world to expand consumers' choices. In the beginning of the year, the management had tried to seek product supply from local suppliers again, especially those small and medium sized suppliers. However, apart from the fundamental conflicts existing in price setting nonetheless, those small and medium sized suppliers still consider large retail chains so called "key chains" as their ultimate targets even though quite a lot of them felt deeply interested in 759 STORE that requested no listing fee even having nearly 200 retail selling points. Mutual consents with local suppliers on price setting were hard to make since local suppliers needed to control their market prices and apparently still not able to accept our Group's price setting model which created in industrial manufacturing logic. In light of that, the Group had decided to stick firm on the "low margin high turnover" policy with existing price setting program, further expanding our product sourcing spectrum, enriching the product choices on our shelves.

The Group believes that, 759 STORE's procurement model is a major differentiation in today's market. Compared with huge supermarket chains, 759 STORE does not resemble any of the feature of the traditional supermarket chain, basically displaying no well-known brand products that supplied by local distributers. In contrast, 759 STORE's procurement team worked hard to explore the products that gains popularity in oversea markets while lacks promotion in HK. In terms of product selection, it is obvious that basically there is no overlapping between 759 STORE and major supermarket chains. (Both are running on its own in different tracks). The Group believed that large supermarket chains were absolutely capable to increase the proportion of products that imported on their own so as to import exactly the same products as 759 STORE's, without much difficulty. However, their existing operation model will be forced to change. In light of that, 759 STORE will continue to explore new products and their substitutes all over the world to expand customers' selection.

Product category mix

759 STORE started with selling mainly snacks, beverages, noodles and food groceries. In the year, 759 STORE increased the weighting of rice, noodle and food groceries, introducing frozen food items, household items, kitchenwares, baby items, personal care items, cosmetics, small electrical home appliances and etc. The Group once tried to sell fresh vegetables and fruits. However, the management decided to hold the development on fresh vegetable category since sales result was not satisfactory and the management fully aware that 759 STORE was hard to compete with traditional market booths and shops for lack of ability to process fresh vegetables and fruits. Prospects for other product category are as follows:

1. Snacks and beverages

   As a product category, Snack is still extremely major. The import volume and sales volume of snack increased steadily as the business expands. However, in the meantime while other product categories develop, its share in total sales amount has moved from more than 70% to less than 40% roughly. For beverages, it is no longer an important category to expand for 759 STORE, because of the fact that, firstly 759 STORE is not positioned as convenience stores and the shop locations are not that convenient and easily accessible as traditional convenience store, secondly the Group has no intention to change policy on our independent price setting – so as to increase the gross profit of beverage to cover the huge inventory and logistics cost so caused. In view of that, the number of new-order refrigerators for beverages gradually decreased in the year, and some beverages refrigerators had changed their usage to display chilled food items like kimchi, butter, cheese, yogurt, iberico ham, etc.

2. Rice, noodles, grocery items
   Rice is the main staple of Hong Kong people. However, some landlords have not given permission to all 759 STORE to sell rice. The Group will further discuss with the landlords on the feasibility of extending the scope and scale of the selling rice. Besides, the noodles imported by 759 STORE are popular and fast-moving items, reflecting customers are keen to have noodles as their staple food. The Group is strive to introduce wider varieties and flavours of noodles in the future. To show its determination in serving local residents, 759 STORE is committed to developing wider range of grocery products, such as edible oil, canned meat and fish, seasoning, flour, sauce, etc.

3. Frozen food
   759 STORE has commenced selling frozen food since the third quarter of the year and presently over 120 stores are installed with frozen refrigerators with self-imported frozen food, including seafood, meat (lamb, chicken, pork and beef), instant food, noodles, vegetables, etc. Customers' responses to these foods were overwhelming. Targeting to serve local residents, the Group will strive to introduce more high quality frozen food at reasonable price and enriching customers' choice of selection for their daily meal. The management has also set a target of increasing the sales of the frozen food category to 40%.

4. Personal care product
   In addition to the seven 759 KAWAIILAND branches, at present there are over sixty 759 STORE and 759 STORE SUPERMARKET branches, which are more spacious, that can accommodate more self-imported personal care products. Based on the actual sales data, the Group has already included personal care product as 759 Store's important regular category. 759 Store will continue to expand the sales network and develop extensive supply sources on this category.

5. Household products, kitchenware and small electrical home appliance
   There was steady demand on household products such as cleaning detergents, dehumidifier, consumables and many various products. Kitchenwares like frying pans were also customers' preference so that the Group will continue to fill up the products regularly according to sales demand, introducing other products of different specifications and different styles to cope with customers' different needs. For small electrical home appliances, 759 STORE will sell them in promotion way at suitable 759 STORE shops in different districts.

Outlook for branch network

To cope with the customers' preference on spacious shop and wide varieties of products such as rices, noodles, food groceries, non-staple food items, frozen food items, personal care products, household appliances, 759 STORE will strive to communicate with landlords in search of much spacious shop locations with nearly 10,000 sq ft as target, building up "micro-department store" style 759 STORE in which much more products from all parts of the world can be available for kai-fongs to choose. So, the Group in future will no longer set the number of branches as its development benchmark, cancelling the target of opening 300 branches that made previously.

Shop location of 759 STORE went deep inside residential area, where most of the shops were located in shopping malls and shop units in private and public housing estates. The founder of 759 STORE deeply believed that the landlords of shopping malls were professional on evaluating customer flows, making population analysis and well understanding local need to organize the location arrangement of shops in shopping mall. The Group trusted tenancy invitation given by landlords according to their planning, in general doing our best to increase new shops in a cooperative way. As the more the landlords learn about 759 STORE, the more they are willing to provide much more large sized shop locations and allowing 759 STORE could have much more product category in shops.

Diversified attempts

759 STORE attempts to diversify its development, by adding new branches or re-renovating existing shops to specialty stores of specific categories which aims at collecting necessary data for future decisions on possible development. For the plan in progress: 759 KAWAIILAND and 759 STORE will strengthen on baby daily necessities, foods, appliances, clothes, toys and etc. 759 WINE STORE, 759 WONTON NOODLE and 759茶餐廳 will be opened to collect market testing data. Online sales will be implemented step by step from district to district focusing initially on products such as rices, household products and small electrical home appliances.

The management well aware that, as a company of capital structure not tremendously strong, the development of core business including industrial manufacturing and retail business relies heavily on the credence and long term support of our principal banks. We will move forward in an "orderly, sustainably, and improving continuously" as our Group's motto.

Electronic Components Manufacturing Business

Over the years, the Group's coils manufacturing business has developed into a fully vertically integrated production, that is, production starts from its own raw materials and spare parts such as ferrite cores, plastic parts, metallic parts and ceramic parts. In the next 2 years, the Group will study on disintegrating and ceasing some of its vertically integrated operations in raw material and spare part production - that had run for over 10 years and occupied relatively large floor spaces, including ferrite material - Mn/Zn series production department and metallic parts production department. Mn/Zn magnetic core and metallic parts would be outsourced so that resources could be combined and focus on coils assembly processes to give supply to customers. The Group will invest automatic equipments on processes that had manufacturing bottlenecks. That is to improve production capacity in the way of high-precision automation, without sorting to increase the number of head-count in production. On the other hand, the factory floor that would be released from disintegration of some production process, would be a valuable asset for the Group's future development plans.

APPRECIATION

The chairman would like to represent the management to give true gratitude to the kai-fong who supported 759 STORE, the clients of coils business, hard working staff, partner suppliers of retail and coils business and our essential financing 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 2014. 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 2014.

CORPORATE GOVERNANCE CODE

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 Corporate Governance Code (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 2014, except for the following deviations:

1. Under code provision A.2.1 of the Code, the roles of chairman and chief executive 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 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 as a whole.

2. Under code provision E.1.2 of the Code, the Chairman of the Board should attend the annual general meeting of the Company.

   The Chairman of the Board did not attend the Annual General Meeting of the Company held on 27 September 2013 (the "2013 AGM") due to illness at the material time. Ms. Tang Fung Kwan, the executive director of the Company, who took the chair of the 2013 AGM and other members of the Board (including the chairman of the Audit Committee and the members of the Remuneration Committee and the Nomination Committee) attended the 2013 AGM to ensure effective communication with the shareholders of the Company.

3. Under code provision A.6.7 of the Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

   Mr. Au Son Yiu was unable to attend the 2013 AGM due to his overseas commitments at the material time.

AUDIT COMMITTEE

The Audit Committee of the Company, currently comprising three 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 2014.

REMUNERATION COMMITTEE

The Company established a remuneration committee for the purpose of making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration committee also has the delegated responsibility to make recommendations to the Board on (i) the remuneration packages of individual executive directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment and (ii) the remuneration of non-executive directors. The remuneration committee currently comprises four members including one executive director, namely Ms. Tang Fung Kwan, and three independent non-executive directors, namely Mr. Au Son Yiu (chairman of the Remuneration Committee), Dr. Tang Tin Sek and Mr. Goh Gen Cheung.

NOMINATION COMMITTEE

The Company established a nomination committee to review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board, to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy and to assess the independence of independent non-executive directors of the Company. The nomination committee currently comprises four members including one executive director, namely Mr. Lam Wai Chun (chairman of the Nomination Committee), and three independent non-executive directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek and Mr. Goh Gen Cheung.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. 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 for the period from 1 May 2013 to 30 April 2014. The Model Code also applies to the relevant employees of the Group.

Further information on the corporate governance of the Company will be set out in 2013/2014 annual report of the Company, which will be sent to the shareholders of the Company by the end of August 2014.

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of the Company will be held on Thursday, 25 September 2014 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, 28 July 2014

As at the date hereof, the Board comprises three Executive Directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan and Mr. Ho Man Lee; and three Independent Non-executive Directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek and Mr. Goh Gen Cheung.

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

* *For identification purpose only*