CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

CEC 國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 759)

2011/2012 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 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 April 2012

	Note	**2012** *HK$'000*	2011 *HK$'000*
Revenue	2	**795,593**	642,125
Cost of sales	4	**(607,500)**	(523,501)
Gross profit		**188,093**	118,624
Other gains, net	3	**11,840**	23,401
Selling and distribution expenses	4	**(77,735)**	(18,870)
General and administrative expenses	4	**(91,724)**	(81,162)
Operating profit		**30,474**	41,993
Finance income		**45**	51
Finance costs		**(9,796)**	(7,430)
Finance costs – net	5	**(9,751)**	(7,379)
Profit before taxation		**20,723**	34,614
Taxation	6	**(5,223)**	(6,024)
Profit for the year		**15,500**	28,590
Earnings per share,basic and diluted	7	**HK2.33 cents**	HK4.15 cents
Dividend	8	**3,331**	3,331

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2012

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**15,500**	28,590
Other comprehensive income		
Change in fair value on available-for-sale financial assets	**161**	307
Currency translation differences	**13,068**	20,544
Revaluation of buildings upon transfer to investment properties	**–**	652
Total comprehensive income for the year	**28,729**	50,093

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 April 2012

	Note	As at 30 April 2012 HK$'000	As at 30 April 2011 HK$'000
ASSETS			
Non-current assets			
Land use rights		**21,080**	21,057
Property, plant and equipment		**379,900**	288,099
Investment properties		**70,178**	111,642
Available-for-sale financial assets		**9,072**	8,919
Rental deposits		**12,354**	5,107
Deposits paid for acquisition of property, plant and equipment and investment properties		**10,811**	3,891
		503,395	438,715
Current assets			
Inventories		**118,383**	93,709
Accounts receivable	9	**126,146**	133,891
Deposits, prepayments and other receivables		**22,979**	8,660
Pledged bank deposits		**27,750**	30,486
Bank deposits with maturity over 3 months from date of deposits		**–**	598
Cash and cash equivalents		**38,622**	21,265
		333,880	288,609
Total assets		**837,275**	727,324
EQUITY			
Share capital		**66,619**	66,914
Reserves			
Proposed final dividend		**3,331**	3,331
Others		**410,654**	385,925
Total equity		**480,604**	456,170
LIABILITIES			
Non-current liabilities			
Deferred income tax		**3,135**	1,466
Current liabilities			
Borrowings		**279,087**	196,197
Accounts and bills payable	10	**36,849**	36,938
Accruals and other payables		**34,608**	27,037
Taxation payable		**2,992**	9,516
		353,536	269,688
Total liabilities		**356,671**	271,154
Total equity and liabilities		**837,275**	727,324
Net current (liabilities)/ assets		**(19,656)**	18,921
Total assets less current liabilities		**483,739**	457,636

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 2012, the Group's current liabilities exceeded its current assets by approximately HK$19,656,000. This is mainly because a portion of the bank borrowings contractually due for repayment after one year but contain a repayment on demand clause amounting to approximately HK$36,864,000 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". In preparing these financial statements, the directors have taken into account all information that could reasonably be expected to be available and consider that it is not probable that the relevant bank will exercise its discretion to demand immediate repayment. Accordingly, the directors believe that such bank borrowings will be repaid in accordance with the scheduled dates set out in the relevant loan agreements. In addition, the directors also consider that the Group will have adequate financial resources to support its operation in the foreseeable future. Under these circumstances, the directors are of the opinion that the Group 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.

Standards, interpretations and amendments effective in 2011

- HKAS 24 (Revised), "Related Party Disclosures"
- HKAS 32 (Amendment), "Classification of Right Issues"
- HKFRS 1 (Amendment), "Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter"
- HK(IFRIC) – Int 14, "Prepayments of a Minimum Funding Requirement"
- HK(IFRIC) – Int 19, "Extinguishing Financial Liabilities with Equity Instruments"
- Third improvements to HKFRS (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2012.

The adoption of the above revised standards, amendments to standards and interpretations did not have material effect on the financial statements or result in any material changes in the Group's significant accounting policies.

Standards, interpretations and amendments which are not yet effective

The following revised standards, new interpretations, and amendments to standards and interpretation have been issued but are not mandatory for the year ended 30 April 2012:

- HKAS 1 (Amendment), "Presentation of Items at Other Comprehensive Income", effective for annual periods beginning on or after 1 July 2012

- HKAS 19 (Amendment), "Employee Benefits", effective for annual periods beginning on or after 1 January 2013
- HKAS 27 (Revised), "Separate Financial Statements", effective for annual periods beginning on or after 1 January 2013
- HKAS 28 (Revised), "Investments in Associates and Joint Ventures", effective for annual periods beginning on or after 1 January 2013
- HKAS 32 (Amendment), "Presentation – Offsetting Financial Assets and Financial Liabilities", effective for annual periods beginning on or after 1 January 2014
- HKFRS 1 (Amendment), "First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans", effective for annual periods beginning on or after 1 July 2013
- HKFRS 7 and HKFRS 9 (Amendments), "Mandatory Effective Date of HKFRS 9 and Transition Disclosures", effective for annual periods beginning on or after 1 January 2015
- HKFRS 7 (Amendment), "Disclosures – Offsetting Financial Assets and Financial Liabilities", effective for annual periods beginning on or after 1 January 2013
- HKFRS 9, "Financial Instruments", effective for annual periods beginning on or after 1 January 2015
- HKFRS 10, "Consolidated Financial Statements", effective for annual periods beginning on or after 1 January 2013
- HKFRS 11, "Joint Arrangements", effective for annual periods beginning on or after 1 January 2013
- HKFRS 12, "Disclosure of Interests in Other Entities", effective for annual periods beginning on or after 1 January 2013
- HKFRS 13, "Fair Value Measurement", effective for annual periods beginning on or after 1 January 2013
- HK(IFRIC) – Int 20, "Stripping Costs in the Production Phase of a Surface Mine", effective for annual periods beginning on or after 1 January 2013

The Group has not early adopted these standards, interpretations and amendments and the directors anticipate that the adoption of these new or revised standards and amendments will not result in a significant impact on the results and financial position of the Group.

2. Segment information

(a) 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, management changed its reporting segment to (i) Electronic components manufacturing; (ii) Retail business; and (iii) Investment property holding as a result of the growing importance of the second segment to the total revenue and assets of the Group. 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 2012 and 2011 is as follows:

	Electronic components manufacturing		Retail business		Investment property holding		Eliminations		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**551,286**	622,400	**241,158**	16,661	**3,149**	3,064	**–**	–	**795,593**	642,125
Intersegment sales	**–**	–	**–**	–	**621**	185	**(621)**	(185)	**–**	–
	551,286	622,400	**241,158**	16,661	**3,770**	3,249	**(621)**	(185)	**795,593**	642,125
Segment results										
Operating profit/(loss)	**20,695**	26,074	**3,101**	(3,748)	**14,964**	28,237			**38,760**	50,563
Corporate expenses									**(8,241)**	(8,519)
Finance costs									**(9,796)**	(7,430)
Profit before taxation									**20,723**	34,614
Taxation									**(5,223)**	(6,024)
Profit for the year									**15,500**	28,590
Depreciation and amortisation	**36,634**	49,129	**6,381**	668	**31**	35			**43,046**	49,832
Distribution cost and administrative expenses	**92,150**	84,515	**68,360**	6,535	**708**	463			**161,218**	91,513
Additions to non-current assets(other than financial instruments)	**3,568**	14,580	**78,585**	20,617	**6,093**	42,140			**88,246**	77,337
Segment assets	**559,939**	583,209	**205,271**	36,289	**76,871**	112,776	**(5,122)**	(5,463)	**836,959**	726,811
Unallocated assets										
– Corporate assets									**316**	513
									837,275	727,324
Segment liabilities	**58,422**	59,222	**12,412**	3,956	**4,946**	5,456	**(5,122)**	(5,463)	**70,658**	63,171
Borrowings									**279,087**	196,197
Unallocated liabilities										
– Deferred income tax									**3,135**	1,466
– Taxation payable									**2,992**	9,516
– Corporate liabilities									**799**	804
Total liabilities									**356,671**	271,154

Geographical information

	Revenue		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including the Hong Kong Special Administrative Region)	**677,099**	505,268	**503,380**	438,580
Other regions	**118,494**	136,857	**15**	135
	795,593	642,125	**503,395**	438,715

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.

For the year ended 30 April 2012, revenues of approximately HK$149,978,000 (2011: HK$187,559,000) are derived from a single external customer. These revenues are attributable to the electronic components manufacturing segment.

Analysis of revenue by category

	2012	2011
	HK$'000	*HK$'000*
Sales of goods – electronic components manufacturing	**551,286**	622,400
Sales of goods – retail business	**241,158**	16,661
Rental income	**3,149**	3,064
	795,593	642,125

3. Other gains, net

	2012	2011
	HK$'000	*HK$'000*
Fair value gains on investment properties	**13,018**	25,933
Net loss on written off/disposal of property, plant and equipment	**(1,178)**	(2,532)
	11,840	23,401

4. **Expenses by nature**

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

	2012	2011
	HK$'000	*HK$'000*
Auditors' remuneration	**2,147**	1,743
Amortisation of land use rights	**515**	495
Cost of inventories recognised as expenses included in cost of sales	**405,746**	333,755
Depreciation of property, plant and equipment	**42,531**	49,337
Direct operating expenses arising from investment properties that generate rental income	**468**	481
Employee benefit expenses (including directors' emoluments)	**203,055**	180,475
Net exchange losses	**539**	2,798
Operating lease rentals	**31,521**	5,274
(Write back of)/provision for impairment of accounts receivable	**(905)**	1,551
Utility expenses	**35,979**	31,760
Other expenses	**55,363**	15,864
Total cost of sales, distribution and selling expenses and general and administrative expenses	**776,959**	623,533

5. **Finance costs – net**

	2012	2011
	HK$'000	*HK$'000*
Interest expense on bank borrowings *(Note)*		
– wholly repayable within five years	**9,445**	7,191
– not wholly repayable within five years	**351**	130
Total interest expense incurred during the year	**9,796**	7,321
Amortisation of loan arrangement costs	**–**	109
Finance costs	**9,796**	7,430
Interest income from bank deposits	**(45)**	(51)
	9,751	7,379

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. Taxation

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

	2012 HK$'000	2011 HK$'000
Hong Kong profits tax		
– over provision in prior years	**(138)**	–
– current tax	**2,767**	2,298
Overseas taxation including Mainland China		
– current tax	**361**	2,330
– over provision in prior years	**(105)**	(33)
Deferred taxation	**2,338**	1,429
Total taxation	**5,223**	6,024

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% (2011: 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% (2011: 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 per share

The calculation of basic earnings per share is based on the consolidated profit for the year of the Company of approximately HK$15,500,000 (2011: HK$28,590,000) and the weighted average number of 666,611,642 (2011: 689,395,908) shares in issue during the year.

For the years ended 30 April 2012 and 30 April 2011, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

8. Dividend

	2012 HK$'000	2011 HK$'000
Proposed final dividend of HK0.50 cent (2011: HK0.50 cent) per share	**3,331**	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 receivable

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

	2012	2011
	HK$'000	*HK$'000*
0-30 days	**55,537**	57,346
31-60 days	**35,168**	44,858
61-90 days	**19,474**	14,873
91-120 days	**5,391**	9,325
Over 120 days	**13,131**	11,033
	128,701	137,435
Less: provision for impairment of receivables	**(2,555)**	(3,544)
	126,146	133,891

As at 30 April 2012 and 30 April 2011, 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 and bills payable

	2012	2011
	HK$'000	*HK$'000*
Accounts payable	**36,849**	36,537
Bills payable	**–**	401
	36,849	36,938

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

	2012	2011
	HK$'000	*HK$'000*
0-30 days	**26,659**	32,314
31-60 days	**8,452**	3,243
61-90 days	**975**	143
91-120 days	**84**	152
Over 120 days	**679**	685
	36,849	36,537

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 September 2012 to Thursday, 27 September 2012(both dates inclusive), during which period no transfer of shares will be effected. Shareholders whose names appear on the register of members of the Company on Thursday, 27 September 2012 are entitled to attend and vote at the annual general meeting of the Company to be held on Thursday, 27 September 2012 (the "2012 Annual General Meeting"). In order to qualify to attend and vote at the 2012 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, 24 September 2012.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2012 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, 9 October 2012 to Thursday, 11 October 2012(both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for 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, 8 October 2012. The payment of final dividend will be made on or about Wednesday, 24 October 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Since the outbreak of financial tsunami in 2008, the manufacturing sector continued to face many uncertainties. Against a background of considerable volatility in world market, the Group opted to lower the cost structure of its core business – electronic component manufacturing. Hence, the majority of its coils operating activities was progressively relocated to our manufacturing headquarters in Zhongshan. In additional to that, the Group has reshuffled our order mix that allow more efficient utilization of our past investments in vertically integrated and automated production to enhance our overall competitiveness.

As a result of maintaining the post-tsunami business scale of our core electronic component manufacturing business, the Group has repetitive cash inflow in recent years. Since 2009, the Group has applied a portion of the funding in acquiring properties in Hong Kong, including apartments, shops and industrial units for both generating rental income and self-use purposes.

While the support function of electronic component manufacturing business was gradually relocated to its manufacturing headquarters in Zhongshan, the Group's Hong Kong headquarters entered the local retail market last year on a trial basis and launched the retail outlets of "759 Store". After the pilot running at 11 stores in the course of its trial run, the Group's supply chain has experienced significant interruption that pushed the management to reconsider our procurement arrangements. From March 2011, the Group has decided to procure and import products directly from Japan, Taiwan, Korea and Europe. We further affirm "lower margin with high turnover" as the principal strategy of "759 Store". To cope with the new mode of purchase, the Group reviewed our expansion plan: 60 shops in the 1st phase and 120 shops in the 2nd phase. At the same time, we have devoted our Hong Kong headquarters to the development of "759 Store" retail business.

For the end of this financial year, the Group has a total of 71 stores, of which 60 stores opened in this financial year. As at the date of this report, we have 88 stores in operation. Our stores spanned into local communities, which include shopping malls or stalls situated at public and private housing estates. Relative to our core business, retail segment has a significant sales growth in the period under review.

For the financial year of 30 April 2012, revenue of the Group was HK$ 795,593,000 (2011:HK$ 642,125,000), rising 23.9% than the same period of last year. In particular retail business had robust growth that offset impact from the drop in income of electronic components business. Over the year, revenue from retail business accounted for 30.3% of the total revenue of the Group, amounting to HK$241,158,000. The Group also recorded an increase in gross profit of HK$69,469,000 and the total gross profit was HK$ 188,093,000, jumping 58.6% than the corresponding period of last year (2011: HK$ 118,624,000). Since there is a difference in the business model between retail business and traditional electronic components manufacturing business, gross profit margin of retail business is higher than that of the latter. As a result, gross profit of the Group for this year was 23.6%, outpacing 5.1 percentage point than 18.5% of last year.

As a result of our vigorous expansion plan for 759 Store's confectioneries and food retail business, the number of 759 Store has substantial rise from 11 at last year end date to 71 at the year-end date of this year. The increase in stores also contributed to the rise of selling and distribution expenses relating to the payment of retail store rent, frontline staff wages and related transportation expenses to HK$ 77,735,000 over the period. It is inevitable that development of new business definitely brought pressure to the costing and margin of the Group but we strongly believed that the development of retail business shall bring long term value to the Group.

The fierce inflation in China, ever-soaring operating cost and the exchange rate fluctuation also pushed up general and administration expenses over the period, which amounted to HK$ 91,724,000, lifting approximately 13.0% than the same period of last year.

Business expansion and severe inflation in China are both factors that exert pressure on the operating profit of the Group. The operating profit of the Group under the period was HK$ 30,474,000, lowered approximately 27.4 % than HK$ 41,993,000 of last year. Given fair value gains on investment property of the year was HK$ 12,915,000 less than the same period of last year, if net the difference, operating profit in fact grew HK$1,396,000 when compared to the same period of last year.

Consolidated profit of the Group was HK$15,500,000 (2011: HK$ 28,590,000), with consolidated profit margin declined from 4.5% of last year to 1.9%. At the initial development of new business, undoubtedly, operating expense would go up and shall utilize financial working capital and resources. However, we deeply believe that business diversification shall bring greater room for continuous business development for the medium to long-term.

As at 30 April 2012, inventory of the Group was HK$ 118,383,000 (2011: HK$ 93,709,000). The increased inventory was mainly those necessary confectionery and food stored in support of new business development. The total deposits, prepayments and other receivables (including retail store rent and deposit) of the Group as at 30 April 2012 also jumped in line with the development of 759 Store's retail network, amounting to HK$ 35,333,000. In terms of trade receivables, as at 30 April 2012 it dropped 5.8% to HK$ 126,146,000 when compared with the last year end date. If impact from retail business is not taken into account, turnover day of trade receivables was 86 days, increasing 8 days than last year end date (2011: 78 days).

Electronic component manufacturing business

Electronic component manufacturing business is the principal business of the Group. The products are largely applied in a wide spectrum of electronic and electric products, including various electronic communication equipments, lighting products, home electrical appliances, computer and its peripheral products, power supply devices, etc.

At a time when world market faces considerable volatility, Europe's sovereign debt crisis are still fermenting; furthermore US economic recovery is in gloomy prospect and China's growth momentum has also shown signs of slowing down. All these headwinds dragged the demand for electronic consumer products down rapidly and reversed the positive resurgence momentum since 09-10, which also affected the order of our electronic coils. For the financial year ended 30 April 2012, revenue from electronic component manufacturing business was HK$551,286,000, declining 11.4% than last year (2011: HK$ 622,400,000). Electronic component manufacturing business has accounted for approximately 69.3% of our total revenue. Gross profit margin was 20.7% (2011: 18.2%). Rise of gross profit margin was mainly attributed to the reduction of depreciation expenses of manufacturing business of HK$12,495,000 than the same period of last year. If such lowered depreciation is excluded, gross profit margin of electronic component manufacturing business was similar to that of last year.

Inflation in China and appreciation of Renminbi also increased the Group's operating cost by approximately HK$7,635,000. During the period, operating profit for electronic component manufacturing sector was HK$20,695,000, a decrease of HK$5,379,000 from HK$ 26,074,000 of last year and the operating profit margin also fell 0.4 percentage point than last year to 3.8% (2011: 4.2%). In the past year, most enterprises with manufacturing bases in China were encountering continuous high-rise raw materials prices and soaring operating cost and labor expenses. The Group has been striving to maintain its production lines and improving production and operation efficiency with its excellent production staff. Given the future outlook is erratic; we will rely on our concerted efforts and jointly prepare for the possible worsening scenarios in the future. We firmly believe that all future challenges of the manufacturing business can be tackled with the dedicated efforts of our staff in performing each of their own roles.

The Group has over 30 years of experience in the coil manufacturing business and has a strong customer base, including those renowned multi-national brands. The Group has worked with most of its customers and suppliers for over ten to twenty years, evidencing our dedication in building long-lasting working partnership. Given the uncertain outlook and the cost is also on the rise, the Group will try its best endeavors in absorbing the rising cost and will join hands with our long-term partners to overcome the hard times. We strongly believed that maintaining a strong partnership with our customers and suppliers is the cornerstone for creating long-term value for the Group.

Retail business

"759 Store" is the Group's new line of retail business with reference to the consumption model of Japanese localities. The business is principally engaged in the sales of confectioneries, beverages and other packed foods imported from Japan and other regions in the world. The origin of its products mainly includes Japan, followed by Korea, Taiwan and Europe. We adopt the policy of high turnover, wide varieties, leisurely shopping environment and desirable service, and positioned the general public as our target customers.

For the year ended 30 April 2012, the number of outlets increased to 71. Being new in the retail industry, 759 Store had experienced many setbacks in the course of development, namely abrupt changes in the local supply chain, Japan tsunami and its subsequent Fukushima nuclear crisis. Thanks to Hong Kong government's swift response, coupled with the stringent control of the Food and Environmental Hygiene Department on foodstuffs imported from Japan, the citizens in Hong Kong regained their trust in Japanese food in a short period of time. This also laid the groundwork for the Group's continuous growth. In spite of the various challenges and obstacles, 759 Store was fortunate enough to survive and grow in the course of learning; attributable to the strong support from various parties, including the support of our valuable customers, the concerted efforts of our staff, our partner suppliers who provided new products and assistants, and the principal banks' continuous support and readiness to increase our line of credit amid business transformation of the Hong Kong branch and uncertainties over the future, providing vital funding for the business expansion of the Group.

The Group originally intended to establish approximately 10 Japanese confectioneries stores as an experience and a trial for the Hong Kong headquarters to explore the feasibility of a new business model. Despite that the Group adhered to its principle of lower margin with high turnover, the positioning and the product range of the then 759 Store were no different from other confectioneries stores in the market where the products were mainly sourced from the local renowned branded manufacturers and distributors who imported foodstuffs. Insisting to strive for independent pricing, the Group was obligated to change its sourcing mode – from heavy reliance on local supplies in the past to parallel imports as its major mode of purchase. As a result of the change in mode of purchase, in addition to engaging in retail business, the Group also took the role of an importer. To cope with the new mode of purchase that takes a full container load as one import unit, the Group expanded the business scale of 759 Store in the meantime. The target of 10 outlets under the initial plan increased to 60 for the first phase (accomplished in December 2011) and 120 for the second phase, expected to be accomplished at the end of 2012.

Capitalizing on the purchase mode of parallel imports and the business aim of "lower margin with high turnover", 759 Store is able to expand itself into a sizable retail chain store. We aim to offer customers with a leisurely and comfortable shopping environment as well as relatively affordable prices as a result of high turnover, so that the general public can enjoy high quality imported foodstuffs that are used to be available only at high-end supermarkets. In this regard, the outlets of 759 Store are mainly located in citizens' living districts such as shopping malls or stalls situated at public and private housing estate and shops along the MTR stations.

As at 30 April 2012, 759 Store had a total of 71 outlets, representing a substantial increase of 60 outlets as compared to 11 outlets in the same period last year. As the number of outlets increased, the revenue from retail business also rose to HK$241,158,000, accounting for approximately 30.3% of the total revenue of the Group. As mentioned above, retail business experienced strong growth during the year, offsetting the decrease in revenue from the electronic component manufacturing business due to its cyclical adjustment. In the meantime, the gross profit margin of retail business was 29.6%, relatively higher than traditional coils business. As our retail business is still at the stage of rapid growth and investment, it will inevitably exert pressure on the overall performance of the Group. During the period, the operating profit of retail business experienced a turnaround and grew to HK$3,101,000. The Group believes that, with the continuous business expansion of 759 Store, the retail segment will take over the electronic component manufacturing business to become the Group's major source of income in the near term. At the same time, we also believe that the retail business will drive the Group to greater heights.

Investment property

For the financial year ended 30 April 2012, rental income of the Group was HK$3,149,000, similar to that of last year (2011: HK$ 3,064,000). To support the rapid development of retail business, the Group used some investment properties for its retail business to meet the increasing needs of inventory flow. As a result, total segment asset value of investment properties reduced from HK$ 112,776,000 of last year to HK$ 76,871,000. As required by relevant accounting rules, investment properties shall be accounted at fair value as at the date of change to properties held for own use purpose. The Group had recorded a fair value gain of investment properties of HK$ 5,172,000 in this respect.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2012, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$66,372,000 (2011: HK$52,349,000). As at 30 April 2012, the Group had aggregate banking facilities (excluding that of foreign exchange derivative financial instrument)of HK$381,903,000 (2011: HK$246,677,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK$102,816,000 (2011: HK$50,079,000). At 30 April 2012, the utilized banking facilities amounting to HK$277,087,000 were secured by charges on the Group's certain land and buildings, investment properties, pledges of the Group's accounts receivable, bank deposits and available-for-sale financial assets. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 30 April 2012, the Group could comply with such financial covenants.

As at 30 April 2012, the Group's total borrowings from banks amounted to HK$279,087,000 (2011: HK$196,197,000). As at 30 April 2012, the Group's gearing ratio* was 0.31 (2011: 0.24), reporting an increase of 0.07. Moreover, the Group did not have any contingent liabilities (2011: 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))*

Interest Expense

In light of our business growth and increase on borrowings, interest expense of the Group amounted to HK$9,796,000 for the year ended 30 April 2012 (2011: HK$7,321,000), representing an increase of HK$2,475,000 as compared with last year.

Financial Resources and Capital Structure

For the year ended 30 April 2012, net cash inflow of the Group amounted to HK$8,405,000 (2011: outflow of HK$16,075,000). Net cash inflow from operating activities amounted to HK$23,935,000 (2011: HK$77,438,000), decreased by HK$53,503,000. The decrease in cash inflow from operating activities was mainly attributable to the development of new business by the Group during the year, among which, increase in prepayments, deposits and other receivables as well as inventories represented 80.6% of the total decrease in net cash inflow from operating activities. Besides, net cash outflow from investing activities amounted to HK$80,155,000 (2011:HK$72,730,000) which was mainly used as the purchase of certain properties held for own use for retail stores and warehouses and renovation work for retail stores. Net cash inflow from financing activities amounted to HK$64,625,000 (2011: net cash outflow of HK$20,783,000). The increase on borrowings had resulted in increase on net cash inflow from financing activities during the year.

Cash Flow Summary

	2012	**2011**
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**23,935**	77,438
Net cash outflow from investing activities	**(80,155)**	(72,730)
Net cash inflow/(outflow) from financing activities	**64,625**	(20,783)
Increase/(decrease) in cash and cash equivalents	**8,405**	(16,075)

As at 30 April 2012, the net current liabilities was HK$19,656,000 (2011: net current assets of HK$18,921,000) and the current ratio was 0.94 (2011: 1.07).

Charges on Assets

As at 30 April 2012, certain assets of the Group with an aggregate carrying value of approximately HK$235,132,000 (2011: HK$115,256,000) were pledged to secure banking facilities of the Group.

Exchange Risks

The Group's business is mainly conducted in Hong Kong, Mainland China and Southeast 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 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 2012, the Group employed approximately 3,900 staff (2011: 4,600). 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 (2011: Nil)

CORPORATE SOCIAL RESPONSIBILITY

The Group continued to take active role in corporate citizenship practice through participating in various forms of charity, volunteer services and health activities, encouraging our 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. Details of events participated during the year are listed as follows:

- Set up CEC-COILS Scholarships for Hong Kong Shue Yan University, The Hong Kong Polytechnic University and Vocational Training Council to support local higher education and encourage student to study hard.

- Zhongshan Coils and its employee participated in the blood donation activity organized by the Red Cross of the city.

- Donated to Hong Kong Aged Concern Limited for providing welfares such as IT courses, cultural and leisure activities, emergency support, etc. to the elderly, promoting the spirit of "self-help", "mutual help", "help others".

- Supported the "Creative Art World" project implemented by the Hong Kong Sheng Kung Hui Welfare Council, benefiting 466 disadvantaged youth and women in the Tung Chung community by developing their performing talents and potential, enhancing their self-confidence and providing assistance according to their own will throughout their career planning process.

- Participated in the fund-raising activity "Zhongshan Charity Parade 2012".

- Sponsored gifts to support different charity events, such as "情繫公約•社區情" carnival, "乘『豐』助『浪』" fund-raising activity, "全城關愛捐獻" donation program, etc.

In 2011, Coils Electronic Co., Ltd, the main subsidiary of the Group, was awarded the "5 Consecutive Years Caring Company" logo by the Hong Kong Council of Social Service.

OUTLOOK

Looking forward, global economy is still lingering with numerous uncertain factors. While the Euro zone debt crisis grows severely, US economic recovery remains slow and China's economy is undergoing structural adjustment, these will directly hamper the total demand for global manufacturing, as well as electronic consumer products, bringing challenges for the Group's manufacturing business in the near term. To prepare for the future challenges, the Group is keen to equip itself by making more efforts in implementing operating efficiency enhancement measures, including strengthening procedural automation's application in the plant, and optimizing product design and product mix to alleviate the rising pressure on domestic labor and operating cost.

In the wake of the unstable global economic environment, the Group is proactively expanding its retail business. By extending its branch network, the Group expected that revenue from retail business shall outdistance conventional manufacturing business. We will continue to endeavour to introduce premium food products from all parts of the world allowing local citizens to enjoy a global wide range of quality confectioneries and foodstuffs at a reasonable price. We will constantly remind ourselves that customers' trust and support are key cornerstones for 759 Store's sustainable development at all times. In return for our valued customers' unrivalled support, we will stick to the reasonable pricing principle. Even 759 Store has evolved into a retail chain, in the process of our development, we must not forget about our mission of serving our "kai-fongs". We will always listen and respect our customers' feedback and to include wider range of products to cater for the needs of customers from various age groups. We will adhere to our leading principle of "lower margin with high turnover" and target to expand to 180 outlets in the medium to long term. Even our vision is having 300 outlets, to achieve this, we must first reach an intermediate target of 180 stores, with prominent results, together with promising market outlook and support from concerned parties.

We strongly believed, under the fierce competition in the retail regime, 759 Store could only survive by offering "reasonable price, good quality and outstanding products".

APPRECIATION

On behalf of the management, I would like to extend my sincere thanks to all staff for their valuable contribution to the Group. We also have to express our gratitude for the long term support of all customers, suppliers and banks to the Group.

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

During the year ended 30 April 2012, the Company acquired an aggregate of 2,954,000 of its own shares through purchases on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$955,840 with a view to benefit its shareholders as a whole in enhancing the net assets and earnings per share of the Company. Details of the repurchases are as follows:

Month of repurchase	Number of shares repurchased	Purchase price per share Highest	Lowest	Aggregate consideration
		(HK$)	*(HK$)*	*(HK$)*
June 2011	2,954,000	0.330	0.320	955,840
	Total expenses on shares repurchased			8,394
				964,234

All the 2,954,000 shares repurchased were cancelled on delivery of the share certificates during the year ended 30 April 2012. The issued share capital of the Company was accordingly reduced by the par value of the repurchased shares so cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 30 April 2012.

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 revised corporate governance rules and codes as well as those of the former rules and codes of 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 2012, 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.

Before 27 September 2011, one independent non-executive director of the Company had not been appointed for a specific term, but is 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 has complied with Code Provision A.4.1 by entering into a letter of appointment with specific term with the independent non-executive director of the Company upon his re-election at the annual general meeting held on 27 September 2011. The other three independent non-executive directors of the Company have entered into their respective letters of appointment with specific term upon their re-election at the relevant annual general meetings held on 29 September 2009 and 28 September 2010.

2. Under Code Provision A.2.1, 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 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. 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.

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 2012.

Further information on corporate governance practices of the Company will be set out in 2011/2012 annual report of the Company, which will be sent to the shareholders of the Company by the end of August 2012.

ANNUAL GENERAL MEETING

The 2012 Annual General Meeting of the Company will be held on Thursday, 27 September 2012 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, 27 July 2012

As at the date hereof, the Board comprises five Executive Directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Ms. Li Hong, Mr Chung Wai Kin and Mr. Ho Man Lee; and four Independent Non-executive Directors, namely Mr. Au Son Yiu, 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*