CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

（CEC 國際控股有限公司）*

(Incorporated in Bermuda with limited liability)

(Stock Code: 759)

2009/2010 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of CEC International Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 October 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**Six months ended 31 October 2009** **HK$'000** **(Unaudited)**	2008 *HK$'000* (Unaudited)
Revenue	2	**261,067**	394,959
Cost of sales		**(208,373)**	(327,564)
Gross profit		**52,694**	67,395
Other income – interest income		**33**	316
Other loss	3	**(506)**	(98)
Selling and distribution expenses		**(4,717)**	(7,739)
General and administrative expenses		**(37,313)**	(43,854)
Operating profit	4	**10,191**	16,020
Finance costs	5	**(4,389)**	(7,694)
Profit before taxation		**5,802**	8,326
Taxation	6	**(3,712)**	(1,190)
Profit for the period		**2,090**	7,136
Attributable to:			
– equity holders of the Company		**2,090**	7,129
– minority interest		**–**	7
		2,090	7,136
Earnings per share, basic and diluted	8	**0.29 cent**	0.99 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 October	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**2,090**	7,136
Other comprehensive income		
Change in fair value on available-for-sale financial assets	**271**	(877)
Currency translation differences	**(713)**	6,612
Total comprehensive income for the period	**1,648**	12,871
Total comprehensive income attributable to:		
– equity holders of the Company	**1,648**	12,864
– minority interest	**–**	7
	1,648	12,871

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 October 2009 HK$'000 (Unaudited)	As at 30 April 2009 HK$'000 (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**39,606**	40,043
Property, plant and equipment		**316,146**	351,132
Investment properties		**26,804**	26,804
Available-for-sale financial assets		**8,448**	8,177
		391,004	426,156
Current assets			
Inventories		**77,715**	92,084
Accounts receivable	*9*	**135,890**	124,307
Prepayments, deposits and other receivables		**6,816**	5,757
Tax recoverable		**–**	652
Pledged bank deposits		**25,672**	27,690
Cash and cash equivalents		**38,069**	30,212
		284,162	280,702
Total assets		**675,166**	706,858
EQUITY			
Share capital		**71,661**	71,661
Reserves		**336,561**	334,913
Total equity		**408,222**	406,574
LIABILITIES			
Non-current liabilities			
Borrowings		**20,660**	54,012
Deferred income tax		**5,304**	5,871
		25,964	59,883
Current liabilities			
Borrowings		**199,800**	201,544
Accounts payable	*10*	**20,355**	18,145
Accruals and other payables		**19,318**	20,236
Taxation payable		**1,507**	476
		240,980	240,401
Total liabilities		**266,944**	300,284
Total equity and liabilities		**675,166**	706,858
Net current assets		**43,182**	40,301
Total assets less current liabilities		**434,186**	466,457

Notes:

1. **Basis of Preparation and Accounting Policies**

These unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 April 2009.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2009, as described in those annual financial statements.

The following new standards and amendments to standards are mandatory for the first time for the Group's financial year beginning 1 May 2009.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The Interim Financial Statements have been prepared under the revised disclosure requirements.

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

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

  Operating segments are reported in a manner consistent with the internal reporting provided to management.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 30 April 2010.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the Group's financial year beginning 1 May 2009, but are not currently relevant for the Group.

- HKAS 23 (amendment), 'Borrowing costs'.
- HKFRS 2 (amendment), 'Share-based payment'.
- HKAS 32 (amendment), 'Financial instruments: presentation'.
- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HK(IFRIC) 13, 'Customer loyalty programmes'.
- HK(IFRIC) 15, 'Agreements for the construction of real estate'.
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The Group has not early adopted any new standards, amendments or interpretations which have been issued on or before 31 October 2009 but are not effective for the financial year ending 30 April 2010. The Group is in the process of assessing their impact on the Group's results and operations.

2. Segment information

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

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

	Six months ended 31 October 2009			Six months ended 31 October 2008		
	Electronic components manufacturing *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*	Electronic components manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue						
Total sales	**260,208**	**1,612**	**261,820**	394,234	2,130	396,364
Intersegment sales	**–**	**(753)**	**(753)**	–	(1,405)	(1,405)
External sales	**260,208**	**859**	**261,067**	394,234	725	394,959
Segment results						
Operating profit	**9,871**	**320**	**10,191**	15,666	354	16,020
Finance costs			**(4,389)**			(7,694)
Profit before taxation			**5,802**			8,326
Taxation			**(3,712)**			(1,190)
Profit for the period			**2,090**			7,136
Additions to non-current assets	**327**	**80**	**407**	48,319	–	48,319
Depreciation and amortisation	**35,073**	**27**	**35,100**	36,389	26	36,415
Distribution cost and administrative expenses	**41,821**	**209**	**42,030**	51,273	320	51,593

	Electronic components manufacturing		Others		Total	
	As at	As at	**As at**	As at	**As at**	As at
	31/10/2009	30/4/2009	**31/10/2009**	30/4/2009	**31/10/2009**	30/4/2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**646,716**	678,064	**28,450**	28,142	**675,166**	706,206
Unallocated assets					**–**	652
Total assets					**675,166**	706,858

Geographical information

	Revenue Six months ended 31 October		Non-current assets	
			As at	As at
	2009	2008	**31/10/2009**	30/4/2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including the Hong Kong Special Administrative Region)	**208,350**	312,023	**390,512**	425,532
Other regions	**52,717**	82,936	**492**	624
	261,067	394,959	**391,004**	426,156

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

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

For the six months ended 31 October 2009, revenues of approximately HK$75,721,000 (2008: HK$126,138,000) are derived from a single external customer. These revenues are attributable to the electronic components manufacturing segment.

3. Other loss

	Six months ended 31 October	
	2009	2008
	HK$'000	*HK$'000*
Net loss on disposals and written off of property, plant and equipment	**506**	98

4. Operating profit

Operating profit is stated after charging/(crediting) the following:

	Six months ended 31 October	
	2009	2008
	HK$'000	*HK$'000*
Amortisation of leasehold land and land use rights	**490**	484
Cost of inventories sold	**107,056**	181,144
Depreciation of property, plant and equipment	**34,610**	35,931
Employee benefit expenses (including directors' emoluments)	**70,632**	105,712
Provision for impairment of accounts receivable	**3,417**	139
Inventory write-down/(reversal of inventory write-down)	**1,347**	(299)

5. Finance costs

	Six months ended 31 October	
	2009	2008
	HK$'000	*HK$'000*
Interest expense	**3,891**	6,807
Amortisation of loan arrangement costs	**498**	887
	4,389	7,694

6. Taxation

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% (2008: 16.5%) on the estimated assessable profit for the period. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 12.5% to 25% (2008: 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 period at the rates prevailing in the respective jurisdictions.

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

	Six months ended 31 October	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**3,012**	917
– over-provision in prior year	**–**	(137)
Overseas taxation including Mainland China – current tax	**1,267**	1,884
Deferred taxation	**(567)**	(1,474)
	3,712	1,190

7. Dividend

The Board resolved not to declare any dividend in respect of the six months ended 31 October 2009 (2008: Nil).

8. Earnings per share

The calculation of basic earnings per share for the six months ended 31 October 2009 is based on the profit attributable to equity holders of the Company of approximately HK$2,090,000 (2008: HK$7,129,000) and the weighted average number of 716,610,798 (2008: 716,610,798) shares in issue during the period.

For the six months ended 31 October 2009 and 31 October 2008, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

9. **Accounts receivable**

The aging analysis of accounts receivable is as follows:

	As at 31 October 2009	As at 30 April 2009
	HK$'000	*HK$'000*
Current	**112,281**	112,380
Overdue by 0 – 1 month	**14,915**	8,701
Overdue by 1 – 2 months	**6,321**	1,192
Overdue by 2 – 3 months	**2,373**	2,034
Overdue by more than 3 months	**5,650**	3,093
	141,540	127,400
Less: provision for impairment of accounts receivable	**(5,650)**	(3,093)
	135,890	124,307

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

10. **Accounts payable**

The aging analysis of accounts payable is as follows:

	As at 31 October 2009	As at 30 April 2009
	HK$'000	*HK$'000*
Current	**19,329**	17,635
Overdue by 0 – 1 month	**856**	111
Overdue by 1 – 2 months	**9**	33
Overdue by 2 – 3 months	**–**	71
Overdue by more than 3 months	**161**	295
	20,355	18,145

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 31 October 2009, revenue of the Group amounted to HK$261,067,000 (2008: HK$394,959,000), slipping 34% as compared with that of the corresponding period last year. Gross profit was HK$52,694,000 (2008: HK$67,395,000), falling 22% as compared with that of the corresponding period last year. Profit attributable to equity holders of the Company reduced to HK$2,090,000

(2008: HK$7,129,000), representing a drop of 71%. However, comparing with the business in the second half of last financial year, revenue and gross profit marked an increase of 19% and 94% respectively, which indicates that the order has been recovering steadily from the previous low level and that the business of the Group has been moving towards a stable development phase under the Group's cautious and strong sales strategy. During the period under review, gross profit margin was 20.2% (2008: 17.1%), increasing by a percentage of 3.1 as compared with that of the corresponding period last year. In respect of operating expenses, selling and distribution expenses and general and administrative expenses were HK$4,717,000 (2008: HK$7,739,000) and HK$37,313,000 (2008: HK$43,854,000) respectively, lowering 39% and 15% respectively as compared with those of the corresponding period last year.

In respect of working capital, the accounts receivable of the Group was HK$135,890,000 (30 April 2009: HK$124,307,000) as at 31 October 2009, reporting an increase of about 9% as compared with that of the financial year-end date of last year. Since the revenue during the period under review recorded an uplift of about 19% as compared with the revenue of HK$219,573,000 in the second half of last financial year, the Group will continue to closely monitor the quality of the accounts receivable and adopt stringent credit policy. As at 31 October 2009, inventory of the Group was HK$77,715,000 (30 April 2009: HK$92,084,000), decreasing approximately 16% as compared with that of the financial year-end date of last year. The continuous reduction in inventory was mainly attributed to the Group's tremendous effort in enhancing the material utilization of the production workflow. Besides, the closure of some under-performing factories during last year also caused the fall of overall inventory level. The Group's accounts payable was HK$20,355,000 (30 April 2009: HK$18,145,000).

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 31 October 2009, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$63,741,000 (30 April 2009: HK$57,902,000). As at 31 October 2009, the Group had aggregate banking facilities (excluding that of foreign exchange derivative financial instrument) of approximately HK$346,887,000 (30 April 2009: HK$396,613,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK$126,018,000 (30 April 2009: HK$138,239,000). As at 31 October 2009, approximately HK$114,869,000 of the total used facilities were secured by charges on the Group's certain accounts receivables, pledges of the Group's bank deposits and available-for-sale financial assets. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 31 October 2009, the Group could comply with such financial covenants.

As at 31 October 2009, the Group's total borrowings granted from banks amounted to HK$220,460,000 (30 April 2009: HK$255,556,000), of which HK$199,800,000 (30 April 2009: HK$201,544,000) was current and will be repayable within one year, and HK$20,660,000 (30 April 2009: HK$54,012,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. As at 31 October 2009, the Group's gearing ratio* was 0.31 (30 April 2009: 0.36), reporting a decrease of 0.05 as compared with that of the financial year-end date of last year. Moreover, the Group did not have any contingent liabilities (30 April 2009: Nil) as at the same date.

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

Financial Resources and Capital Structure

For the six months ended 31 October 2009, the Group's net cash inflow (increase in cash and cash equivalents) was HK$6,577,000 (2008: net cash outflow of HK$39,494,000). The net cash inflow from operating activities was HK$46,322,000 (2008: HK$7,796,000). The net cash outflow from financing activities was HK$39,354,000 (2008: HK$17,030,000). Currently, financial leverage of the Group has been lowered gradually, significantly enhancing the company's safety in sustaining business under the severely unpleasant market conditions. In addition, the Group's interest expenses amounted to HK$3,891,000 (2008: HK$6,807,000), reducing 43% as compared with that of the corresponding period last year.

The Group did not have any material fixed asset investment project during the period under review. For the six months ended 31 October 2009, net cash outflow from investing activities was HK$391,000 (2008: HK$30,260,000).

Cash Flow Summary

	For the six months ended 31 October	
	2009	2008
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**46,322**	7,796
Net cash outflow from investing activities	**(391)**	(30,260)
Net cash outflow from financing activities	**(39,354)**	(17,030)
Increase/(decrease) in cash and cash equivalents	**6,577**	(39,494)

As at 31 October 2009, the Group's net current assets was HK$43,182,000 (30 April 2009: HK$40,301,000) and the current ratio was 1.18 (30 April 2009: 1.17).

Charges on Assets

As at 31 October 2009, certain assets of the Group with an aggregate carrying value of approximately HK$47,228,000 (30 April 2009: HK$50,871,000) were pledged to secure banking facilities of the Group.

Exchange Risk

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 dollar whilst the major currencies in purchase commitments are primarily denominated in Hong Kong dollar, Renminbi and United States dollar. Recently, the United States dollar has persistently weakening against world's major currencies, and there have been news frequently from the market revealing the expectation on the rise of exchange rate of Renminbi to United States dollar. In the event of a remarkable appreciation of Renminbi against United States dollar, the Group might experience additional cost pressure. In this connection, the management will closely monitor the fluctuation trend of Renminbi.

FUTURE PROSPECTS

The financial tsunami arose last year induced the devastating fluctuation of order of the Group. During the period under review, the demand from the electronic consumer market stabilized to some extent. However, as the market environment is still uncertain, it is difficult to predict the future market movement at this stage. To safeguard against any uncertain market condition in the future, the Group will undertake a progressive sales approach and will concentrate resources mainly in servicing the existing customers and complying with their business development plans. The Group will also continue to adopt "budgeting expenditure by income" as its operating principle; further tightening the operating expenses, making full use of its resources and further optimizing its break-even-point so as to strengthen its ability to sustain business when encountering market fluctuations.

The Group will dedicate its effort in improving its financial structure and lowering financial risk, and hence shall maintain a prudent financial management policy. Apart from reducing expenditure, the Group will endeavor its best effort in controlling the accounts receivable and inventory level, so as to increase the flexibility of utilizing working capital and improve the cash flow level.

EMPLOYEES

After the large-scaled staff cut-off during last year, the present total number of staff reduced 40% as compared with that of the corresponding period last year. As at 31 October 2009, the Group employed approximately 4,590 staff (2008: 7,600), including approximately 4,130 production staff and 460 management staff at all levels. In response to the present operation arrangement, the Group will cut off the positions in the Hong Kong headquarter by approximately twenty percent, based on the actual job requirements, in the second half of the financial year. On the other hand, the Group will hire approximately twenty percent additional production staff in each production plant in Mainland China to accommodate the future order demand. The remuneration of the employees is determined by reference to market benchmark, individual performance and work experience, subject to periodic review. Other agreed employee benefits include pension scheme, medical insurance, on-job training, education subsidy and other social security fund 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 (2008: Nil).

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

The Company had not redeemed any of its listed shares during the six months ended 31 October 2009. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the six months ended 31 October 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules for the six months ended 31 October 2009, except for the following deviations:

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

   Three independent non-executive directors of the Company have not been appointed for a specific term, but are subject to retirement by rotation at the annual general meetings of the Company at least once every three years in accordance with the Bye-laws of the Company. The Company intended to comply with Code Provision A.4.1 by entering into a letter of appointment with specific term with each of the non-executive directors of the Company upon their respective re-election. The other two independent non-executive directors have entered into their respective letters of appointment with specific term upon their re-election at the annual general meeting held on 29 September 2009.

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

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

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises four independent non-executive directors, with Dr. Tang Tin Sek, who is a Certified Public Accountant practising in Hong Kong with substantial experience in corporate finance, auditing and financial management, acting as chairman of the Audit Committee. Regular meetings have been held by the Audit Committee since its establishment and it meets at least twice each financial year.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group, the internal control of the Group and the interim results for the six months ended 31 October 2009.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 14 December 2009

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

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

* *For identification purpose only*