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CEC-COILS®

CEC 國際 控 股 有 限 公 司  
CEC INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*  
*(於百慕達註冊成立之有限公司)*

(Stock Code 股份代號 : 759)

INTERIM REPORT 2010/2011 中期報告

	<i>Pages</i> <i>頁次</i>
CORPORATE INFORMATION 公司資料	1
CONDENSED CONSOLIDATED INCOME STATEMENT 簡明綜合收益表	2
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 簡明綜合全面收益表	3
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION 簡明綜合財務狀況表	4
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS 簡明綜合現金流量表	5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 簡明綜合權益變動表	6
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 簡明綜合財務報表附註	7
MANAGEMENT DISCUSSION AND ANALYSIS 管理層論述及分析	17
OTHER INFORMATION 其他資料	21

## CORPORATE INFORMATION

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### DIRECTORS

#### *Executive Directors*

Mr. Lam Wai Chun  
(*Chairman and Managing Director*)  
Ms. Tang Fung Kwan  
Ms. Li Hong  
Mr. Chung Wai Kin

#### *Independent Non-executive Directors*

Mr. Au Son Yiu  
Mr. Lee Wing Kwan, Denis  
Dr. Tang Tin Sek  
Mr. Goh Gen Cheung  
Professor Zhu Yuhe

### AUDIT COMMITTEE

Dr. Tang Tin Sek (*Chairman*)  
Mr. Au Son Yiu  
Mr. Lee Wing Kwan, Denis  
Mr. Goh Gen Cheung

### REMUNERATION COMMITTEE

Mr. Au Son Yiu (*Chairman*)  
Dr. Tang Tin Sek  
Mr. Lee Wing Kwan, Denis  
Mr. Goh Gen Cheung  
Professor Zhu Yuhe  
Ms. Tang Fung Kwan

### COMPANY SECRETARY

Ms. Ho Wing Yi

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*

### LEGAL ADVISERS

F. Zimmern & Co.  
Appleby

### PRINCIPAL BANKERS

China Construction Bank  
Standard Chartered Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor, Hing Win Factory Building  
110 How Ming Street  
Kwun Tong, Kowloon  
Hong Kong

### HEADQUARTERS IN MAINLAND CHINA

Li Xin Jie, Yong An Lu  
Dong Feng Zhen  
Zhongshan  
Guangdong  
China

### SHARE REGISTRARS AND TRANSFER OFFICES

*Bermuda Principal Share Registrar*  
Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

*Hong Kong Branch Share Registrar*  
Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
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Listed on The Stock Exchange of  
Hong Kong Limited  
Stock Code: 759

## 2010/2011 INTERIM RESULTS

The Board of Directors (the “Board”) of CEC International Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 October 2010 and the unaudited condensed consolidated statement of financial position as at 31 October 2010 of the Group.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 31 October	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	2	328,648	261,067
Cost of sales		(261,040)	(208,373)
Gross profit		67,608	52,694
Other income		14	33
Other loss	3	(2,548)	(506)
Selling and distribution expenses		(5,851)	(4,717)
General and administrative expenses		(37,329)	(37,313)
Operating profit	4	21,894	10,191
Finance costs	5	(3,422)	(4,389)
Profit before taxation		18,472	5,802
Taxation	6	(5,760)	(3,712)
Profit for the period		12,712	2,090
Earnings per share, basic and diluted	8	1.82 cents	0.29 cent

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Six months ended 31 October	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
<b>Profit for the period</b>	12,712	2,090
<b>Other comprehensive income</b>		
Change in fair value on available-for-sale financial assets	382	271
Currency translation differences	7,854	(713)
<b>Total comprehensive income for the period</b>	<b>20,948</b>	<b>1,648</b>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 October 2010 HK\$'000 (Unaudited)	As at 30 April 2010 HK\$'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	9	20,724	20,681
Property, plant and equipment	9	281,345	301,580
Investment properties	9	60,108	44,020
Available-for-sale financial assets		8,977	8,612
Deposit for acquisition of property, plant and equipment and investment properties		2,759	–
		<b>373,913</b>	<b>374,893</b>
<b>Current assets</b>			
Inventories		85,729	82,605
Accounts receivable	10	143,146	131,647
Prepayments, deposits and other receivables		8,009	7,701
Pledged bank deposits		25,676	25,680
Cash and cash equivalents		32,788	27,080
		<b>295,348</b>	<b>274,713</b>
<b>Total assets</b>		<b>669,261</b>	<b>649,606</b>
<b>EQUITY</b>			
Share capital	11	69,058	71,661
Reserves		363,157	347,111
<b>Total equity</b>		<b>432,215</b>	<b>418,772</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax		4,362	4,065
<b>Current liabilities</b>			
Borrowings		167,513	182,104
Accounts payable	12	32,339	20,416
Accruals and other payables		21,813	19,001
Taxation payable		11,019	5,248
		<b>232,684</b>	<b>226,769</b>
<b>Total liabilities</b>		<b>237,046</b>	<b>230,834</b>
<b>Total equity and liabilities</b>		<b>669,261</b>	<b>649,606</b>
<b>Net current assets</b>		<b>62,664</b>	<b>47,944</b>
<b>Total assets less current liabilities</b>		<b>436,577</b>	<b>422,837</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 October	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net cash generated from operating activities	53,359	46,322
Net cash used in investing activities	(23,137)	(391)
Net cash used in financing activities	(35,308)	(39,354)
(Decrease)/increase in cash and cash equivalents	(5,086)	6,577
Translation adjustments	986	(575)
Cash and cash equivalents at beginning of period	19,919	30,212
Cash and cash equivalents at end of period	15,819	36,214
Analysis of the balance of cash and cash equivalents		
Cash and cash equivalents	32,788	38,069
Bank overdrafts	(16,969)	(1,855)
	15,819	36,214

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Mainland			Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
						China	Corporate				
						statutory reserve HK\$'000	development reserve HK\$'000				
At 1 May 2009	71,661	37,132	13,934	(488)	244	14,788	3,141	66,855	199,307	406,574	
Currency translation differences	-	-	-	-	-	-	-	(713)	-	(713)	
Change in fair value of available-for-sale financial assets	-	-	-	271	-	-	-	-	-	271	
Profit for the period	-	-	-	-	-	-	-	-	2,090	2,090	
At 31 October 2009	71,661	37,132	13,934	(217)	244	14,788	3,141	66,142	201,397	408,222	

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Mainland			Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
							China	Corporate				
							statutory reserve HK\$'000	development reserve HK\$'000				
At 1 May 2010	71,661	37,132	13,934	-	(69)	2,064	15,508	3,141	66,523	208,878	418,772	
Currency translation differences	-	-	-	-	-	-	-	-	7,854	-	7,854	
Change in fair value of available-for-sale financial assets	-	-	-	-	382	-	-	-	-	-	382	
Repurchase and cancellation of shares	(2,603)	(4,902)	-	2,603	-	-	-	-	-	(2,603)	(7,505)	
Profit for the period	-	-	-	-	-	-	-	-	-	12,712	12,712	
At 31 October 2010	69,058	32,230	13,934	2,603	313	2,064	15,508	3,141	74,377	218,987	432,215	



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 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 2010.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2010, as described in those annual financial statements.

- (a) HKAS 17 (amendment), “Leases”, deletes specific guidance regarding the classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under “Leasehold land and land use rights”, and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 May 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 May 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land and land use rights from operating leases to finance leases.

- (b) On 29 November 2010, the HKICPA issued HK Interpretation 5 – Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. This interpretation states that liability, which may be callable by the lender at any time without cause (an overriding right of demand), must be classified as a current liability in accordance with HKAS 1. In prior years, the Group classified the borrowings based on the maturity of the borrowings. The effective of the interpretation has resulted in a change in the accounting policy relating to the classification of borrowings as current liabilities and non-current liabilities and the Group has reclassified certain borrowings from non-current liabilities to current liabilities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies (continued)

(b) (continued)

The effect of the change in accounting policies on the adoption of above is as below:

Condensed consolidated statement of financial position:

	As at 31 October 2010 HK\$'000	As at 30 April 2010 HK\$'000	As at 1 May 2009 HK\$'000
Decrease in land use rights (note 1(a))	(16,612)	(16,838)	(18,922)
Increase in property, plant and equipment (note 1(a))	16,612	16,838	18,922
Decrease in borrowings			
– non-current liabilities (note 1(b))	(7,294)	(12,599)	(4,121)
Increase in borrowings			
– current liabilities (note 1(b))	7,294	12,599	4,121

	As at 30 April 2010 (Originally stated) HK\$'000	Adjustments HK\$'000	As at 30 April 2010 (Restated) HK\$'000
Land use rights (note 1(a))	37,519	(16,838)	20,681
Property, plant and equipment (note 1(a))	284,742	16,838	301,580
Borrowings – non-current liabilities (note 1(b))	12,599	(12,599)	–
Borrowings – current liabilities (note 1(b))	169,505	12,599	182,104

	As at 1 May 2009 (Originally stated) HK\$'000	Adjustments HK\$'000	As at 1 May 2009 (Restated) HK\$'000
Land use rights (note 1(a))	40,043	(18,922)	21,121
Property, plant and equipment (note 1(a))	351,132	18,922	370,054
Borrowings – non-current liabilities (note 1(b))	54,012	(4,121)	49,891
Borrowings – current liabilities (note 1(b))	201,544	4,121	205,665

Condensed consolidated income statement:

	Six months ended 31 October	
	2010 HK\$'000	2009 HK\$'000
Decrease in amortisation (note 1(a))	(227)	(248)
Increase in depreciation (note 1(a))	227	248

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies (continued)

#### (b) (continued)

The following amendments to the standards and interpretations are mandatory for the first time for the Group's financial year beginning 1 May 2010, but are not currently relevant for the Group.

HKFRSs (amendment)	Improvements to HKFRSs 2009 (excluding HKAS 17 (amendment) "Leases")
HKFRS 1 (amendment)	Additional exemptions for first-time adopters
HKFRS 2 (amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (revised)	Business combinations
HKFRS 5 (amendment)	Non-current asset held for sale and discontinued operations
HKAS 27 (revised)	Consolidated and separate financial statements
HKAS 39 (amendment)	Eligible hedged items
HK(IFRIC) - Int 17	Distributions of non-cash assets to owners

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 May 2010 and have not been early adopted:

HKFRSs (amendment)	Improvements to HKFRSs 2010
HKFRS 9	Financial instruments
HKAS 24 (revised)	Related party disclosures
HKAS 32 (amendment)	Classification of right issues
HK(IFRIC) - Int 14 (amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) - Int 19	Extinguishing financial liabilities with equity instruments

It is expected that the adoption of these new standards, amendments to standards and interpretations will not result in a significant impact on the Group's results.

### 2. Segment information

The Executive Directors of the Group ("management") review 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 (comprising rental income, retail sales 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. Segment information (continued)

	Six months ended 31 October 2010			Six months ended 31 October 2009		
	Electronic components manufacturing	Others	Total	Electronic components manufacturing	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Total sales	326,481	3,160	329,641	260,208	1,612	261,820
Intersegment sales	-	(993)	(993)	-	(753)	(753)
External sales	326,481	2,167	328,648	260,208	859	261,067
Segment results						
Operating profit/(loss)	23,892	(1,998)	21,894	9,871	320	10,191
Finance costs			(3,422)			(4,389)
Profit before taxation			18,472			5,802
Taxation			(5,760)			(3,712)
Profit for the period			12,712			2,090
Additions to non-current assets (other than financial instruments)	5,254	17,884	23,138	327	80	407
Depreciation and amortisation	26,404	19	26,423	35,073	27	35,100
Distribution cost and administrative expenses	41,886	1,294	43,180	41,821	209	42,030

	Electronic components manufacturing		Others		Total	
	As at 31 October 2010	As at 30 April 2010	As at 31 October 2010	As at 30 April 2010	As at 31 October 2010	As at 30 April 2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	604,312	603,695	64,949	45,911	669,261	649,606
Segment liabilities	53,577	39,221	575	196	54,152	39,417
Borrowings	167,513	182,104	-	-	167,513	182,104
Unallocated liabilities					15,381	9,313
Total liabilities					237,046	230,834

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. Segment information (continued)

#### Geographical information

	Revenue Six months ended 31 October		Non-current assets	
	2010 HK\$'000	2009 HK\$'000	As at 31 October 2010 HK\$'000	As at 30 April 2010 HK\$'000
The PRC (including the Hong Kong Special Administrative Region)	264,609	208,350	373,662	374,516
Other regions	64,039	52,717	251	377
	<b>328,648</b>	261,067	<b>373,913</b>	374,893

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 2010, revenues of approximately HK\$103,317,000 (2009: HK\$75,721,000) are derived from a single external customer. These revenues are attributable to the electronic components manufacturing segment.

#### Analysis of revenue by category

	Six months ended 31 October	
	2010 HK\$'000	2009 HK\$'000
Sales of goods	327,489	260,208
Rental income	1,159	847
Service income from provision of information technology services	–	12
	<b>328,648</b>	261,067

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. Other loss

	Six months ended 31 October	
	2010 HK\$'000	2009 HK\$'000
Net loss on disposals and written off of property, plant and equipment	2,548	506

### 4. Operating profit

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

	Six months ended 31 October	
	2010 HK\$'000	2009 HK\$'000 (restated)
Amortisation of land use rights	245	242
Raw materials and consumables used	151,699	107,405
Change in inventories of finished goods and work in progress	(16,562)	(349)
Depreciation of property, plant and equipment	26,178	34,858
Employee benefit expenses (including directors' emoluments)	87,709	70,632
Provision for impairment of accounts receivable	399	3,417
Inventory write-down	1,009	1,347

### 5. Finance costs

	Six months ended 31 October	
	2010 HK\$'000	2009 HK\$'000
Interest expense	3,313	3,891
Amortisation of loan arrangement costs	109	498
	3,422	4,389

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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% (2009: 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% (2009: 12.5% to 25%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the 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	
	2010 HK\$'000	2009 HK\$'000
Hong Kong profits tax		
– current tax	3,756	3,012
Overseas taxation including Mainland China		
– current tax	1,738	1,267
– over-provision in prior year	(31)	–
Deferred taxation	297	(567)
	5,760	3,712

### 7. Dividend

The Board resolved not to declare any dividend in respect of the six months ended 31 October 2010 (2009: Nil).

### 8. Earnings per share

The calculation of basic earnings per share for the six months ended 31 October 2010 is based on the consolidated profit for the period of approximately HK\$12,712,000 (2009: HK\$2,090,000) and the weighted average number of 699,916,109 (2009: 716,610,798) shares in issue during the period.

For the six months ended 31 October 2010 and 31 October 2009, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

### 9. Movements in capital expenditures

During the six months ended 31 October 2010, the additions to capital expenditures were approximately HK\$20,379,000 (2009: HK\$407,000); the total net book value of disposals and write-offs of property, plant and equipment was approximately HK\$2,548,000 (2009: HK\$522,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10. Accounts receivable

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

	As at 31 October 2010 HK\$'000	As at 30 April 2010 HK\$'000
0-30 days	55,776	56,827
31-60 days	48,133	40,370
61-90 days	21,825	11,147
91-120 days	7,453	8,239
Over 120 days	13,424	21,158
	<b>146,611</b>	137,741
Less: provision for impairment of receivables	(3,465)	(6,094)
	<b>143,146</b>	131,647

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.

### 11. Share capital

	Number of shares of HK\$0.10 each	Nominal Value HK\$'000
Authorised:		
At 1 May 2010 and at 31 October 2010	1,000,000,000	100,000
Issued and fully paid:		
At 1 May 2010	716,610,798	71,661
Repurchase and cancellation of shares	(26,034,000)	(2,603)
At 31 October 2010	690,576,798	69,058

All shares repurchased during the period were cancelled during the period, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased shares so cancelled. The premium and related expenses paid on the repurchases of the shares of approximately HK\$4,902,000 were charged to the share premium account. An amount equivalent to the par value of the shares cancelled was transferred to the capital redemption reserve as set out in the condensed consolidated statement of changes in equity.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. Accounts payable

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

	As at 31 October 2010 HK\$'000	As at 30 April 2010 HK\$'000
0-30 days	29,405	19,532
31-60 days	1,749	204
61-90 days	418	97
91-120 days	115	137
Over 120 days	652	446
	<b>32,339</b>	<b>20,416</b>

### 13. Share options scheme

On 26 September 2002, a new share option scheme (the "Scheme") was adopted by the Company. The purpose of the Scheme is to provide any full-time employees (including executive directors) of the Company or any of its subsidiaries and non-executive directors of the Company or any of its subsidiaries (including independent non-executive directors of the Company) with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

During the six months ended 31 October 2010, no option was granted under the Scheme (2009: Nil).

### 14. Capital commitments

	As at 31 October 2010 HK\$'000	As at 30 April 2010 HK\$'000
Capital commitments in respect of property, plant and equipment and investment properties:		
Contracted but not provided for	<b>16,488</b>	4,548

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. Related party transactions

		Six months ended 31 October	
		2010 HK\$'000	2009 HK\$'000
(a)	Rental expenses paid to a related company which is owned by one director of the Company	162	242
(b)	Key management compensation		
	Wages and salaries	3,007	2,885
	Pension costs – defined contribution plans	127	207
		3,134	3,092



## MANAGEMENT DISCUSSION AND ANALYSIS

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### BUSINESS REVIEW

Driven by global economic growth, revenue of the Group for the six months ended 31 October 2010 was HK\$328,648,000 (2009: HK\$261,067,000), representing approximately 26% growth when compared to that of the corresponding period last year. Despite the efforts in improving the cost effectiveness of production flow and application of materials, factors such as the soaring of labour cost, metal raw materials and energy prices over the period had off-set some of the advantages. During the period, gross profit of the Group was HK\$ 67,608,000 (2009: HK\$52,694,000), increased by about 28%. Gross profit margin was similar to that of the corresponding period last year, reaching 20.6% (2009: 20.2%). In addition to the lifting of revenue, growth of consolidated profits of the Group was relatively higher in proportion, amounting to HK\$12,712,000 (2009: HK\$ 2,090,000). Net profit to revenue ratio was 3.87% (2009: 0.80%).

As at 31 October 2010, accounts receivable of the Group was HK\$143,146,000 (30 April 2010: HK\$ 131,647,000), representing about 9% increase from the previous financial year-end date, which was mainly attributable to the augment resulting from the rising of revenue of the Group during the period than the second half of last year. Turnover day of accounts receivable was 10 days quicker than that of last financial year-end date, amounting to 77 days (30 April 2010: 87 days). Inventories jumped to HK\$85,729,000 (30 April 2010: HK\$82,605,000), slightly rising about 4% as compared with that of last financial year-end date, the growth rate of which was significantly lower than the growth rate of revenue in the second half of last year.

Owing to the Group's stringent control over its costs, general and administrative expenses over the period was HK\$37,329,000 (2009: HK\$37,313,000), similar to that of the corresponding period last year.



## MANAGEMENT DISCUSSION AND ANALYSIS

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### FINANCIAL REVIEW

#### *Fund Surplus and Liabilities*

As at 31 October 2010, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$58,464,000 (30 April 2010: HK\$52,760,000). As at 31 October 2010, the Group had aggregate banking facilities (excluding that of foreign exchange derivative financial instrument) of HK\$227,560,000 (30 April 2010: HK\$283,221,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK\$58,033,000 (30 April 2010: HK\$100,686,000). As at 31 October 2010, all 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 2010, the Group could comply with such financial covenants.

As at 31 October 2010, the Group's total borrowings from banks amounted to HK\$167,513,000 (30 April 2010: HK\$182,104,000). As at 31 October 2010, the Group's gearing ratio\* was 0.20 (30 April 2010: 0.24), reporting a decrease of 0.04 as compared with that of the last financial year-end date. Moreover, the Group did not have any contingent liabilities (30 April 2010: 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 Expenses*

To strengthen financial security, the Group has been committed to lowering its financial leverage ratio since the economic tsunami. With the decline in our general borrowing level, interest expenses of the Group for the six months ended 31 October 2010 slipped by about 15% as compared with that of the corresponding period last year, amounting to HK\$3,313,000 (2009: HK\$3,891,000).

#### *Financial Resources and Capital Structure*

For the six months ended 31 October 2010, the Group's net cash outflow was HK\$5,086,000 (2009: net cash inflow of HK\$6,577,000). The net cash inflow from operating activities was HK\$53,359,000 (2009: HK\$46,322,000), increasing approximately 15%. The net cash outflow from investing activities was HK\$23,137,000 (2009: HK\$391,000), which was mainly used for the purchase of investment properties for rental income purposes. The net cash outflow from financing activities was HK\$35,308,000 (2009: HK\$39,354,000).



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (continued)

#### Cash Flow Summary

	For the six months ended 31 October	
	2010 HK\$'000	2009 HK\$'000
Net cash inflow from operating activities	53,359	46,322
Net cash outflow from investing activities	(23,137)	(391)
Net cash outflow from financing activities	(35,308)	(39,354)
(Decrease)/increase in cash and cash equivalents	(5,086)	6,577

As at 31 October 2010, the Group's net current assets was HK\$62,664,000 (30 April 2010: HK\$47,944,000) and the current ratio was 1.27 (30 April 2010: 1.21).

#### Charges on Assets

As at 31 October 2010, certain assets of the Group with an aggregate carrying value of approximately HK\$71,307,000 (30 April 2010: HK\$60,613,000) 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. If Renminbi has remarkable appreciation, the Group might experience additional cost pressure. In this connection, the management will closely monitor the fluctuation trend of Renminbi.



## MANAGEMENT DISCUSSION AND ANALYSIS

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### EMPLOYEES

As at 31 October 2010, the Group employed approximately 4,900 staff (2009: 4,590), of which 4,420 (2009: 4,130) are production staff and 480 (2009: 460) are management staff at all levels. The remuneration of the employees is determined by reference to market benchmark, individual performance, academic qualification and work experience, subject to periodic review. Other agreed employee benefits includes pension scheme, medical insurance, on-job training, education subsidy and other social security and paid leaves stipulated under the relevant jurisdiction of places of operation. Pursuant to the Company's share option scheme, options may be granted to eligible employees to subscribe for shares in the Company. During the period under review, no option was granted under the scheme (2009: Nil)

### FUTURE PROSPECTS

Despite that the external operating environment remains uncertain, the Group is optimistic in maintaining a growth of revenue in the second half of the year. Nevertheless, the adverse impact from the expectation of Renminbi appreciation, high rising raw materials price, shortage of labour, continuous rocketing of the operation and labour cost in Mainland China will inevitably post huge stress to the Group's overall profit margin in the second half of the year.

In the past few years, we have been focusing on optimizing and enhancing product design and production efficiency to reduce materials and production costs. We will continue to uphold this operation principle and speed up automation process so as to lower the dependence on labour intensive work flow. In the meantime, the coil products of the Group are essential components in electronic circuits and are extensively applied in various electronic appliance and lighting products. Our customers are widely distributed in various electronic industries. We will strengthen key market developments towards industry leaders of different ranges of products so as to deepen the Group's penetration in different areas of electronic products.

The Group is also dedicated to exploring diversified business opportunity dynamically to turn a new page for the Group's development in the next stage.

## OTHER INFORMATION

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 October 2010, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

#### (a) Shares of the Company

Name of director	Number of shares of HK\$0.10 each held				Percentage of issued share capital
	Personal interests (Note 2)	Corporate interests	Trusts interests	Total interests	
Mr. Lam Wai Chun	29,955,188	442,295,660 (Note 3)	442,295,660 (Note 3)	472,250,848 (Note 3)	68.38%
Ms. Tang Fung Kwan	4,194,611	–	–	4,194,611	0.61%
Ms. Li Hong	548,000	–	–	548,000	0.08%
Mr. Chung Wai Kin	40,000	–	–	40,000	0.01%
Mr. Au Son Yiu	6,597,440	–	–	6,597,440	0.96%
Dr. Tang Tin Sek	4,098,000	–	–	4,098,000	0.59%

#### Notes:

- All the above interests in the shares of the Company were long positions.
- Personal interests were interests held by the relevant directors as beneficial owners.
- The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust (the “Trust”) founded by Mr. Lam Wai Chun. Being a founder of the Trust, Mr. Lam Wai Chun was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The corporate interests and trusts interests in 442,295,660 shares refer to the same shares in the Company and duplicated with each other. Accordingly, Mr. Lam Wai Chun’s total interests in 472,250,848 shares in the Company was arrived at after eliminating the duplications.

#### (b) Shares of associated corporation(s) of the Company

*Coils Electronic Co., Limited*

Name of director	Number of non-voting deferred shares of HK\$1.00 each held				Percentage of issued non-voting deferred shares
	Personal interests	Corporate interests	Family interests	Total interests	
Mr. Lam Wai Chun (Notes 4, 5 and 6)	7,500,000	6,000,000	500,000	14,000,000	100%

## OTHER INFORMATION

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES *(continued)*

*Notes:*

4. Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK\$1.00 each, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of HK\$1.00 each issued by Coils Electronic Co., Limited, in which Coils International Holdings Limited, a direct wholly-owned subsidiary of the Company, held the entire issued ordinary share capital.
5. 6,000,000 non-voting deferred shares of HK\$1.00 each were held by Ka Yan China Development (Holding) Company Limited and 500,000 non-voting deferred shares of HK\$1.00 each were held by Ms. Law Ching Yee, the spouse of Mr. Lam Wai Chun, representing approximately 42.86% and approximately 3.57% of the 14,000,000 non-voting deferred shares of HK\$1.00 each in the share capital of Coils Electronic Co., Limited respectively. Mr. Lam Wai Chun was deemed to be interested in all these shares under the SFO by virtue of, (i) for the shares held by Ka Yan China Development (Holding) Company Limited, the reason set out in Note 3 to sub-paragraph (a) above and, (ii) for the shares held by Ms. Law Ching Yee, being the spouse of Ms. Law Ching Yee.
6. All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held or deemed to be held by Mr. Lam Wai Chun were long positions.
7. Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

Save as disclosed above, as at 31 October 2010, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

Save as disclosed above, as at 31 October 2010, neither the directors or chief executive of the Company nor their spouses or children under the age of 18 had been granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

### INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 October 2010, according to the register kept by the Company under section 336 of the SFO, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

#### Shares of the Company

*Substantial shareholders (as defined in the Listing Rules)*

Name	Number of shares of HK\$0.10 each held				Percentage of issued share capital
	Beneficial owner	Family interests	Corporate interests	Trusts interests	
Ms. Law Ching Yee	-	472,250,848 <i>(Note 2)</i>	-	-	68.38%
Ka Yan China Development (Holding) Company Limited	442,295,660 <i>(Notes 2 and 3)</i>	-	-	-	64.05%
Ka Yan China Investments Limited	-	-	442,295,660 <i>(Notes 2 and 3)</i>	-	64.05%
HSBC International Trustee Limited	-	-	-	442,295,660 <i>(Notes 2 and 3)</i>	64.05%



## OTHER INFORMATION

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

Other person as recorded in the register kept by the Company pursuant to section 336 of the SFO

Name	Number of shares of HK\$0.10 each held				Percentage of issued share capital
	Beneficial owner	Family interests	Corporate interests	Trusts interests	
Toko, Inc.	36,785,402	-	-	-	5.33% (Note 4)

Notes:

- All the above interests in the shares of the Company were long positions.
- The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust founded by Mr. Lam Wai Chun. Ms Law Ching Yee, being the spouse of Mr. Lam Wai Chun, was deemed to be interested in all the shares held by her spouse, for the purpose of the SFO.
- The interests in 442,295,660 shares held by Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited refer to the same shares and duplicated with each other. Such shares formed the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 31 October 2010, the actual number of shares held by Ka Yan China Investments Limited, Ka Yan China Development (Holding) Company Limited and HSBC International Trustee Limited in the Company which duplicated with one another was 442,295,660 shares.
- The percentage has been calculated based on the total number of shares of the Company in issue as at 31 October 2010 (i.e. 690,576,798 shares).

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 31 October 2010.

### DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements under Rule 13.21 of the Listing Rules, the Company makes the following disclosure in relation to the details of the 2007 Agreement (as defined below), which includes a condition relating to specific performance of the controlling shareholder of the Company:

On 17 September 2007, the Company (as borrower), Coils Electronic Co., Limited (as original guarantor), an indirect wholly-owned subsidiary of the Company, and a group of banks entered into a 3-year transferable term loan facility agreement (the "2007 Agreement") for an aggregate amount of HK\$300,000,000 (the "2007 Facility").

Pursuant to the provisions of the 2007 Agreement, it would be an event of default if Mr. Lam Wai Chun, the Chairman and a controlling shareholder of the Company, ceases to be the Chairman of the Company or ceases to be involved actively in the management and business of the Group.

If the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2007 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2007 Facility, together with the accrued interest, and all other amounts accrued or outstanding under all finance documents (including the 2007 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2007 Facility shall immediately become payable on demand. All the outstanding indebtedness under the 2007 Agreement had been repaid in September 2010.

## OTHER INFORMATION

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

During the six months ended 31 October 2010, the Company acquired an aggregate of 26,034,000 of its own shares through purchases on the Stock Exchange at an aggregate consideration of HK\$7,433,540 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		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
May 2010	16,738,000	0.295	0.250	4,765,390
September 2010	1,590,000	0.280	0.260	427,670
October 2010	7,706,000	0.310	0.280	2,240,480
	<u>26,034,000</u>			<u>7,433,540</u>
		Total expenses on shares repurchased		<u>71,473</u>
				<u>7,505,013</u>

All the 26,034,000 shares repurchased were cancelled on delivery of the share certificates during the six months ended 31 October 2010. 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 six months ended 31 October 2010.

### 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 2010, except for the following deviations:

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

One independent non-executive director of the Company has 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 intended to comply 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. The other four 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.

## OTHER INFORMATION

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### CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

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 currently comprises four independent non-executive directors of the Company, 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 Report for the six months ended 31 October 2010.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions for the six months ended 31 October 2010. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code throughout the six months ended 31 October 2010.

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

Hong Kong, 7 December 2010

# Summary

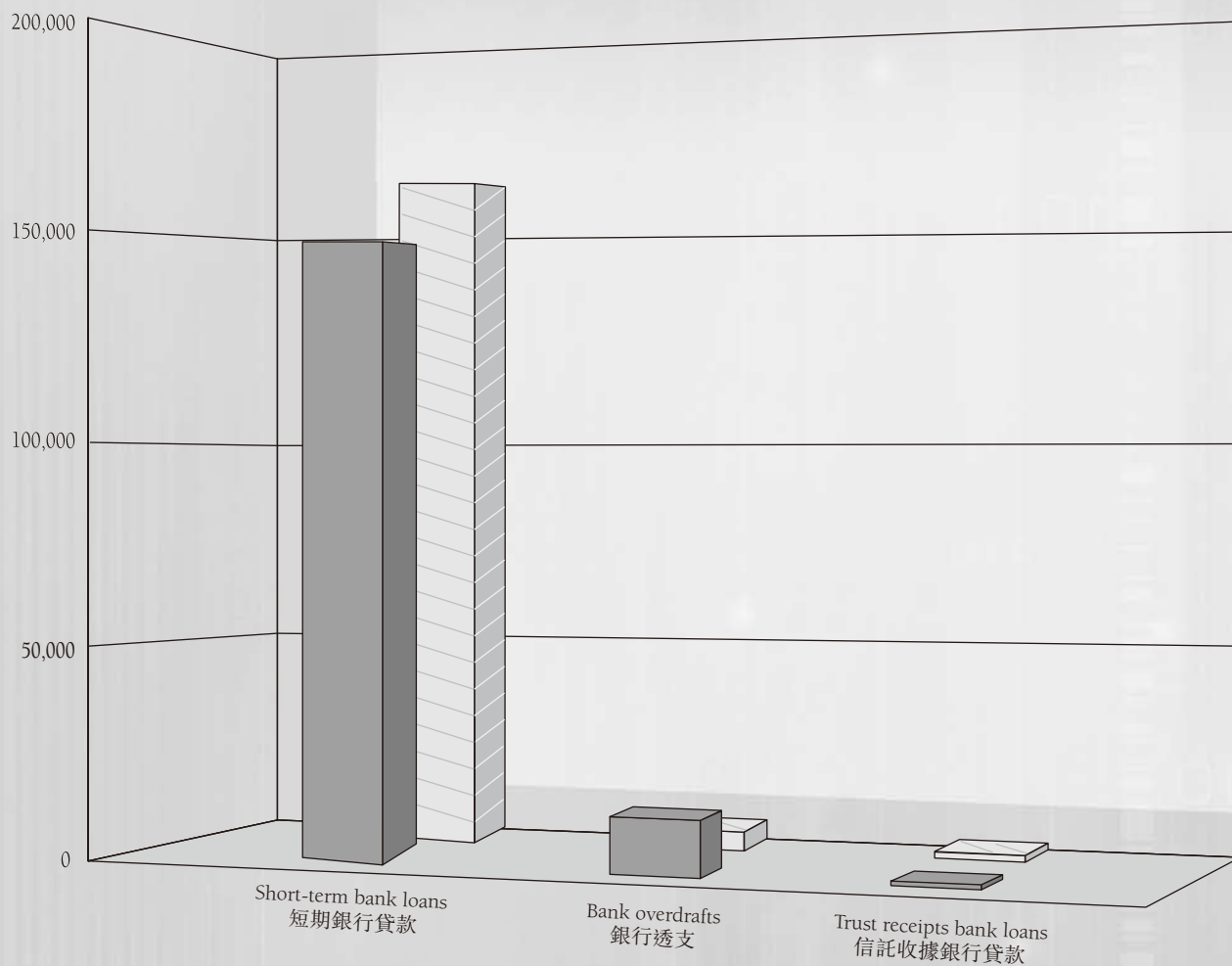
of credit facilities utilisation

融資 信貸動用摘要

As at 31 October 2010

於2010年10月31日

HK\$'000  
千港元



■ 31/10/2010

□ 30/4/2010

Remark: The Group has adopted HK Interpretation 5 retrospectively and reclassified certain borrowings from non-current liabilities to current liabilities. Please refer to Note 1(b) of notes to the condensed consolidated financial statements for explanation.

備註：本集團以追溯應用方式採納香港詮釋第5號及已經將若干借款由非流動負債重新分類為流動負債。有關解釋，請參閱簡明綜合財務報表附註1(b)。

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