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 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of CEC International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 October 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 31 October 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Revenue	2	**367,613**	328,648
Cost of sales		**(280,138)**	(261,040)
Gross profit		**87,475**	67,608
Other income		**23**	14
Other gain/(loss), net	3	**493**	(2,548)
Selling and distribution expenses		**(24,467)**	(5,851)
General and administrative expenses		**(47,498)**	(37,329)
Operating profit	4	**16,026**	21,894
Finance costs	5	**(4,708)**	(3,422)
Profit before taxation		**11,318**	18,472
Taxation	6	**(3,012)**	(5,760)
Profit for the period		**8,306**	12,712
Earnings per share, basic and diluted	8	**1.25 cents**	1.82 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 October	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**8,306**	12,712
Other comprehensive income		
Change in fair value on available-for-sale financial assets	**65**	382
Currency translation differences	**10,877**	7,854
Total comprehensive income for the period	**19,248**	20,948

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 October 2011 HK$'000 (Unaudited)	As at 30 April 2011 HK$'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		**21,278**	21,057
Property, plant and equipment	9	**342,901**	288,099
Investment properties	9	**80,625**	111,642
Available-for-sale financial assets		**8,983**	8,919
Prepayments and deposits		**10,410**	5,107
Deposits paid for acquisition of property, plant and equipment		**4,007**	3,891
		468,204	438,715
Current assets			
Inventories		**105,510**	93,709
Accounts receivable	10	**139,210**	133,891
Prepayments, deposits and other receivables		**14,146**	8,660
Pledged bank deposits		**29,464**	30,486
Bank deposits with maturity over 3 months from date of deposits		**606**	598
Cash and cash equivalents		**27,063**	21,265
		315,999	288,609
Total assets		**784,203**	727,324
EQUITY			
Share capital		**66,619**	66,914
Reserves			
Proposed final dividend		**–**	3,331
Others		**404,503**	385,925
Total equity		**471,122**	456,170
LIABILITIES			
Non-current liabilities			
Deferred income tax		**1,844**	1,466
Current liabilities			
Borrowings		**232,060**	196,197
Accounts and bills payable	11	**38,666**	36,938
Accruals and other payables		**29,669**	27,037
Taxation payable		**10,842**	9,516
		311,237	269,688
Total liabilities		**313,081**	271,154
Total equity and liabilities		**784,203**	727,324
Net current assets		**4,762**	18,921
Total assets less current liabilities		**472,966**	457,636

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 2011.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2011, as described in those annual financial statements.

The Group has adopted the following amendment to standard which is mandatory for accounting periods beginning on or after 1 May 2011 and relevant to its operations:

Amendment to HKAS 34 "Interim financial reporting" emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The adoption of the above amendment to standard did not result in any additional disclosure on the Interim Financial Statements.

The following amendments to the standards and interpretations are mandatory for the first time for the Group's financial year beginning 1 May 2011, but are not currently relevant for the Group.

HKAS 24 (Revised)	Related party disclosures
HK(IFRIC)- Int 14 (amendment)	Prepayments of a minimum funding requirement
HK(IFRIC)- Int 19	Extinguishing financial liabilities with equity instruments

The following new standards and amendments to standards have been issued, but are not effective for the financial year beginning 1 May 2011 and have not been early adopted:

HKAS 1 (amendment)	Presentation of financial statements
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 1 (amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (amendment)	Disclosures – transfers of financial assets
HKFRS 9	Financial instruments
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HKFRS 13	Fair value measurement

It is expected that the adoption of these new standards and amendments to standards 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.

During the period, 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.

	Electronic components manufacturing Six months ended 31 October		Retail business Six months ended 31 October		Investment property holding Six months ended 31 October		Eliminations Six months ended 31 October		Total Six months ended 31 October	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**311,249**	326,481	**54,503**	1,008	**1,861**	1,159	**–**	–	**367,613**	328,648
Intersegment sales	**–**	–	**–**	–	**93**	93	**(93)**	(93)	**–**	–
	311,249	326,481	**54,503**	1,008	**1,954**	1,252	**(93)**	(93)	**367,613**	328,648
Segment results										
Operating profit/(loss)	**15,551**	23,875	**(2,301)**	(2,429)	**2,776**	448	**–**	–	**16,026**	21,894
Finance costs									**(4,708)**	(3,422)
Profit before taxation									**11,318**	18,472
Taxation									**(3,012)**	(5,760)
Profit for the period									**8,306**	12,712
Additions to non-current assets (other than financial instruments)	**2,004**	4,929	**45,492**	325	**–**	17,884			**47,496**	23,138
Depreciation and amortization	**18,887**	26,329	**2,287**	75	**16**	19			**21,190**	26,423
Distribution cost and administrative expenses	**54,170**	40,393	**17,459**	2,572	**336**	215			**71,965**	43,180

	Electronic components manufacturing		Retail business		Investment property holding		Eliminations		Total	
	As at 31/10/2011	As at 30/4/2011	**As at 31/10/2011**	As at 30/4/2011	**As at 31/10/2011**	As at 30/4/2011	**As at 31/10/2011**	As at 30/4/2011	**As at 31/10/2011**	As at 30/4/2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**586,209**	583,722	**122,475**	36,289	**80,684**	112,776	**(5,165)**	(5,463)	**784,203**	727,324
Segment liabilities	**59,618**	60,026	**8,767**	3,956	**5,115**	5,456	**(5,165)**	(5,463)	**68,335**	63,975
Unallocated liabilities										
– Borrowings									**232,060**	196,197
– Deferred income tax									**1,844**	1,466
– Taxation payable									**10,842**	9,516
Total liabilities									**313,081**	271,154

Geographical information

	Revenue Six months ended 31 October		Non-current assets	
	2011	2010	**As at 31/10/2011**	As at 30/4/2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including the Hong Kong Special Administrative Region)	**291,539**	264,609	**468,137**	438,580
Other regions	**76,074**	64,039	**67**	135
	367,613	328,648	**468,204**	438,715

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

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

For the six months ended 31 October 2011, revenues of approximately HK$81,081,000 (2010: HK$103,317,000) are derived from a single external customer. These revenues are attributable to the electronic components manufacturing segment.

Analysis of turnover by category

	Six months ended 31 October	
	2011	2010
	HK$'000	*HK$'000* (restated)
Sales of goods	**311,249**	326,481
Retail sales	**54,503**	1,008
Rental income	**1,861**	1,159
	367,613	328,648

3. Other gain/(loss), net

	Six months ended 31 October	
	2011	2010
	HK$'000	*HK$'000*
Fair value gains on investment properties	**1,723**	–
Net loss on written off and disposals of property, plant and equipment	**(1,230)**	(2,548)
	493	(2,548)

4. Operating profit

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

	Six months ended 31 October	
	2011	2010
	HK$'000	*HK$'000*
Amortisation of land use rights	**256**	245
Cost of inventories recognised as expenses included in cost of sales	**174,061**	135,137
Depreciation of property, plant and equipment	**20,934**	26,178
Employee benefit expenses (including directors' emoluments)	**96,624**	87,709
(Reversal of)/provision for impairment of accounts receivable	**(381)**	399
Inventory write-down	**–**	1,009

5. Finance costs

	Six months ended 31 October	
	2011	2010
	HK$'000	*HK$'000*
Interest expense on bank borrowings *(Note)*		
– wholly repayable within five years	**4,521**	3,313
– not wholly repayable within five years	**187**	–
Total interest expenses incurred during the period	**4,708**	3,313
Amortisation of loan arrangement costs	**–**	109
	4,708	3,422

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 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% (2010: 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 rate at 25% (2010: 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	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**2,193**	3,756
Overseas taxation including Mainland China		
– current tax	**69**	1,738
– over-provision in prior year	**–**	(31)
Deferred taxation	**750**	297
	3,012	5,760

7. **Dividend**

The Board resolved not to declare any interim dividend in respect of the six months ended 31 October 2011 (2010: Nil).

8. **Earnings per share**

The calculation of basic earnings per share for the six months ended 31 October 2011 is based on the consolidated profit for the period of approximately HK$8,306,000 (2010: HK$12,712,000) and the weighted average number of 667,030,186 (2010: 699,916,109) shares in issue during the period.

For the six months ended 31 October 2011 and 3l October 2010, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

9. **Movements in property, plant and equipment and investment properties**

	Property, plant and equipment *HK$'000*	**Investment properties** *HK$'000*
At 1 May 2011	288,099	111,642
Exchange differences	6,041	–
Additions	38,186	–
Disposals/Written off	(1,231)	–
Revaluation	–	1,723
Transfer between categories	32,740	(32,740)
Depreciation	(20,934)	–
At 31 October 2011	342,901	80,625

10. **Accounts receivable**

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

	As at 31 October 2011 ***HK$'000***	As at 30 April 2011 *HK$'000*
0-30 days	**56,143**	57,346
31-60 days	**43,826**	44,858
61-90 days	**25,782**	14,873
91-120 days	**9,004**	9,325
Over 120 days	**7,666**	11,033
	142,421	137,435
Less: provision for impairment of receivables	**(3,211)**	(3,544)
	139,210	133,891

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. Accounts and bills payable

	As at 31 October 2011 *HK$'000*	As at 30 April 2011 *HK$'000*
Accounts payable	**38,666**	36,537
Bills payable	**–**	401
	38,666	36,938

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

	As at 31 October 2011 *HK$'000*	As at 30 April 2011 *HK$'000*
0-30 days	**31,199**	32,314
31-60 days	**5,831**	3,243
61-90 days	**340**	143
91-120 days	**58**	152
Over 120 days	**1,238**	685
	38,666	36,537

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 31 October 2011, revenue of the Group amounted to HK$367,613,000 (2010: HK$328,648,000), representing a rise of 11.9% over the same period of last year. During the period under review, gross profit of the Group was HK$87,475,000, rising 29.4% over the same period of last year (2010: HK$ 67,608,000). Gross profit margin was 23.8% (2010: 20.6%) which was attributed to the emergence of retail business and the reduction in depreciation costs of electronic components manufacturing business. In recent years, the Group was geared to exploring a new stream of retail business named 759 Store which is operated by selling more premium Japanese snacks and food to the general public at more reasonable price to gain revenue and profits. Over the period, the selling and distribution expenses and the general and administrative expenses were HK$24,467,000 and HK$47,498,000 respectively, increasing HK$18,616,000 and HK$10,169,000 than those of last year respectively. Increase on the selling and distribution expenses was mainly due to the payment of retail store rent, frontline staff wages and related transportation costs. The soaring inflation pressure also resulted in the increase of operating cost in both Hong Kong and Mainland China, these, together with the exchange loss suffering from the continuous erractic fluctuation in the forex market further pushed the general and administrative expenses to a higher end; constituting pressure on the Group's operating profit.

Over the period, operating profit was HK$16,026,000, representing a decrease of approximately 26.8% than HK$21,894,000 of the same period of the previous year. Consolidated profit of the Group amounted to HK$8,306,000 (2010: HK$12,712,000). Consolidated profit margin also lowered to 2.3% from 3.9% of last year. During the initial stage of developing new business, it will be inevitable to incur increasing operating expense of the Group and consume financial liquidity and resources. We strongly believed that diversification of business will generate more room for continuous business development for the Group in the medium to long term.

As at 31 October 2011, inventory of the Group amounted to HK$105,510,000 (30 April 2011: HK$93,709,000). The increase on inventory was mainly due to the storage of snacks and food in support for the new business. At the same time, the prepayment, deposits and other receivables (including rental deposit of retail shops) also increased in line with the expansion of 759 Store retail network, reaching HK$24,556,000. In terms of accounts receivables, the total accounts receivables increased 4.0% to HK$139,210,000 over that in last year end date, the number of accounts receivables turnover date excluding the effect of retail business also increased by 1 day over that in last year end date, reaching 79 days (30 April 2011: 78 days).

Electronic Components Manufacturing Business

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

Over the period under review, global economy continued to be in a doldrums and the consumption appetite of European and US markets remained low, which in turn affected the overall demand for electronic consumer goods. For the six months ended 31 October 2011, revenue of the electronic components manufacturing business was HK$311,249,000, decreasing 4.7% when compared to the same period of last year's HK$326,481,000, accounting for 84.7% of the Group's total revenue. Operating profit also lowered to HK$15,551,000 from HK$23,875,000 last year. Operating profit margin was 5.0% (2010: 7.3%). The depreciation cost over the period was HK$7,442,000 lower than that of the same period in last year, leading to the increase of gross profit margin of electronic components manufacturing business to 22.7%. If such depreciation expense was excluded, the gross profit margin of electronic components manufacturing business remained at the same rate of 20.3%,as compared with the corresponding period of last year.

Over the period, the Group was keen in optimizing its product mix and enhancing production efficiency, however, the effectiveness from which was off-set by the uplifting operating cost. The indirect labour cost and management staff cost in the Mainland China increased over 25% over the period under review. The inflation forced other indirect cost, management expense and its related welfare cost to rise significantly. The continuous appreciation of RMB have further undermined the entire profit level. As the world economy is encountering its hardship and challenges ahead, domestic consumption in Mainland China have been strengthened to counteract external economic uncertainty and decline of some export business. Lifting local workers salary, in particular wages of general workforce will be a crucial part for promoting China's general economy. The gradual escalation of operation, labour and welfare cost will bring more difficulties in the business environment.

Retail Business

The Group took the consumption model of Japan's living districts as a reference to expand new retail business and opened the first store – "759 STORE" in Kwai Chung Plaza on 7 July 2010 with the market target of servicing extensive neighborhood. The site selection of "759 STORE" goes deep into folk house, and most stores are located in large housing estates, public housing estates and shops along the MTR railway. As of the announcement date of this interim report, number of stores has increased to 53. "759 STORE" mainly focused on retailing snacks, beverages and other foods self imported from Japan and other regions in the world. The origin of its products mainly includes Japan, Taiwan, Korea and the European Union, among which, product "directly imported from Japan" accounts for approximately 69% of the total inventory of the overall retail business, followed by Taiwan (18%), Korea (6%), the European Union (4%), and Hong Kong and Mainland China (3%).

"759 STORE" positions itself as a chain store for snacks of supermarket style, adopts the policy of high flow volume, multi variety selection and extensive distribution of sales points with comfortable environment, desirable service and quality control of food safety, and seeks to improve pleasure of customers in choosing and buying foods. While increasing the number of branch stores, the Group also acts as an importer and commits itself to supply directly imported Japanese foods and overseas foods with super quality to the customers of "759 STORE". Due to insufficient operating data at the start-up stage, we will continuously adjust import categories in response to the taste and preference of our customer base. Moreover, we continuously introduce new products and seasonal varieties from Japan and other regions in the world to give relatively new selections to our customers, make statistical analysis based on substantial sales data and improve the combination of varieties on shelf step by step. On one hand, we allow customers to enjoy desirable products; on the other hand, the Group can enhance high turnover of products.

During the period under review, the Group was still a new joiner in retail business and currently had insufficient actual operating performance data to demonstrate whether the business of "759 STORE" was successful or not. However, with the increase in number of stores, business scale, sales volume, stock replenishing volume and number of members of "759 STORE" have been in a rising trend continuously since its opening in July 2010. We divide the development of "759 STORE" into three stages, among which the first stage is from the launch on 7 July 2010 to April 2011 and the number of branch stores is 11. The second stage is from April 2011 to the end of 2011 and it is expected that the number of branch stores will increase to approximately 60. Currently, "759 STORE" is in this stage. The third stage will be until the mid of next year and the target number of stores will increase to approximately 90. As at 31 October 2011, the Group opened 49 branch stores. During the period, the revenue of retail business amounted to HK$54,503,000, accounting for 14.8% of total revenue of the Group. Gross margin of retail was 27.8%, higher than that of traditional electronic components manufacturing business. Operating loss of retail business was HK$2,301,000.

Investment Property

For the six months ended 31 October 2011, rental income of the Group amounted to HK$1,861,000, representing an increase as compared with HK$1,159,000 of last year. During the period, in order to support the retail business, the Group reclassified certain investment properties to food warehouse. Accordingly, total segment assets of investment properties decreased from HK$112,776,000 of last year end date to HK$80,684,000. 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 therefore recorded a fair value gain of investment properties of HK$1,723,000.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 31 October 2011, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$57,133,000 (30 April 2011: HK$52,349,000). As at 31 October 2011, the Group had aggregate banking facilities (excluding that of foreign exchange derivative financial instrument) of HK$299,601,000 (30 April 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$65,836,000 (30 April 2011: HK$50,079,000). At 31 October 2011, the utilized banking facilities amounting to HK$227,165,000 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 31 October 2011, the Group could comply with such financial covenants.

As at 31 October 2011, the Group's total borrowings from banks amounted to HK$232,060,000 (30 April 2011: HK$196,197,000). As at 31 October 2011, the Group's gearing ratio* was 0.27 (30 April 2011: 0.24), reporting an increase of 0.03 as compared with that of the last financial year-end date. Moreover, the Group did not have any contingent liabilities (30 April 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$4,708,000 for the six months ended 31 October 2011 (2010: HK$3,313,000), representing an increase of HK$1,395,000 as compared with last year.

Financial Resources and Capital Structure

For the six months ended 31 October 2011, net cash outflow of the Group amounted to HK$1,025,000 (2010: HK$5,086,000). Net cash inflow from operating activities amounted to HK$14,970,000 (2010: HK$53,359,000), decreased by HK$38,389,000. The decrease in cash inflow from operating activities was mainly attributable to the development of new business by the Group during the period, among which, increase in prepayments, deposits and other receivables, inventories and accounts payables represented 73% of the total decrease in net cash inflow from operating activities. Besides, net cash outflow from investing activities amounted to HK$38,249,000 (2010: HK$23,137,000) 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$22,254,000 (2010: net cash outflow of HK$35,308,000). The increase on borrowings had resulted in increase on net cash inflow from financing activities during the period.

Cash Flow Summary	**For the six months ended 31 October**	
	2011	2010
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**14,970**	53,359
Net cash outflow from investing activities	**(38,249)**	(23,137)
Net cash inflow/(outflow) from financing activities	**22,254**	(35,308)
Decrease in cash and cash equivalents	**(1,025)**	(5,086)

As at 31 October 2011, the net current assets was HK$4,762,000 (30 April 2011: HK$18,921,000) and the current ratio was 1.02 (30 April 2011: 1.07).

Charges on Assets

As at 31 October 2011, certain assets of the Group with an aggregate carrying value of approximately HK$156,105,000 (30 April 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 South-east Asia. The major revenue currencies are primarily denominated in Hong Kong dollar, Renminbi and United States dollars; whilst the major currencies in purchase commitments and operation costs are primarily denominated in Hong Kong dollar, Renminbi, United States dollars and Japanese Yen. The Group will endeavour to use forward contracts to hedge potential foreign exchange fluctuation if necessary. If 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 31 October 2011, the Group employed approximately 4,000 staff (2010: 4,900). 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 (2010: Nil).

Future outlook

The European markets had been attacked by the sovereign debt issues for some time, the US high unemployment rate and the slow economic recovery pace hit hardly the global economies, especially the consumer market. The domestic export data in China released recently was unsatisfactory and expected the economy will slow down. To maintain economic growth in China, it is contemplated to increase domestic demand to drive economic growth. The scale of domestic demand and income level of citizen have indispensable relationship. With the external circumstance not optimistic, the uplifting of domestic wages and operating cost will bring enormous pressure for those corporations with productions plants in the Mainland. Facing the above uncertain factors, we will be closely monitoring the economic status in the next few years. The Group will continue to strictly control its cost and to enhance its productivity and effectiveness with stringent measures with an effort to optimize the business to meet future challenges.

For years, income of the Group was mainly derived from the production of electronic components. However, it was seriously affected by the worldwide economic crisis in 2008. After the financial tsunami, the Group has a conservative view over the growth of global electronic consumption market. As a result, the Group had been carrying out review, optimization and adjustment to the scale of its electronic components manufacturing business since the financial tsunami. The Group considered that the present business scale is sufficient in meeting its future order demand, hence it significiantly slow-down in making substantial investment to the production business since then. During the period, the Group progressively explored other income sources that are more stable.

"759 STORE" under the Group is still in the initial development stage and the current business scale has been growing gradually. The Group will expand its sales network with its internal financial resources. However, the Group believes that the future of "759 STORE" will face innumerable challenges and we have got ready to constantly make adjustments and improvements to business based on actual operating performance and data, adhere to current operating policy of high flow volume, continuously upgrading our quality customer service, providing customers with more choices on products and setting price systematically to win the trust of and be loved by our customers. We firmly believe that the business of "759 STORE" will continue to develop if we are able to obtain continuous support from extensive customers.

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

During the six months ended 31 October 2011, 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 (HK$)	Purchase price per share Lowest (HK$)	Aggregate consideration (HK$)
June 2011	2,954,000	0.33	0.32	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 six months ended 31 October 2011. 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 2011.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 31 October 2011, except for the following deviation:

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 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. 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.

AUDIT COMMITTEE

The Audit Committee of the Company, currently comprising three independent non-executive directors, has reviewed the accounting principles and practices adopted by the Group, the internal control of the Group and the interim results for the six months ended 31 October 2011.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 15 December 2011

As at the date of this announcement, the Board of the Company 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*