



Interim Report
2011/2012
中期報告

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)

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lam Wai Chun
(*Chairman and Managing Director*)
Ms. Tang Fung Kwan
Ms. Li Hong
Mr. Chung Wai Kin
Mr. Ho Man Lee
(*appointed on 27 September 2011*)

Independent Non-executive Directors

Mr. Au Son Yiu
Dr. Tang Tin Sek
Mr. Goh Gen Cheung
Professor Zhu Yuhe
Mr. Lee Wing Kwan, Denis
(*retired on 27 September 2011*)

AUDIT COMMITTEE

Dr. Tang Tin Sek (*Chairman*)
Mr. Au Son Yiu
Mr. Goh Gen Cheung
Mr. Lee Wing Kwan, Denis
(*retired on 27 September 2011*)

REMUNERATION COMMITTEE

Mr. Au Son Yiu (*Chairman*)
Dr. Tang Tin Sek
Mr. Goh Gen Cheung
Professor Zhu Yuhe
Ms. Tang Fung Kwan
Mr. Lee Wing Kwan, Denis
(*retired on 27 September 2011*)

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
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Listed on The Stock Exchange of
Hong Kong Limited
Stock Code: 759

2011/2012 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 2011 and the unaudited condensed consolidated statement of financial position as at 31 October 2011 of the Group.

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 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (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	11	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	12	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 October	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net cash generated from operating activities	14,970	53,359
Net cash used in investing activities	(38,249)	(23,137)
Net cash generated from/(used in) financing activities	22,254	(35,308)
Decrease in cash and cash equivalents	(1,025)	(5,086)
Translation adjustments	1,171	986
Cash and cash equivalents at beginning of period	7,548	19,919
Cash and cash equivalents at end of period	7,694	15,819
Analysis of the balance of cash and cash equivalents		
Cash and cash equivalents	27,063	32,788
Bank overdrafts	(19,369)	(16,969)
	7,694	15,819

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	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 China statutory reserve HK\$'000	Corporate development reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 May 2010 (Note a)	71,661	37,132	13,934	-	(69)	2,472	15,508	3,141	66,523	211,910	422,212
Profit for the period	-	-	-	-	-	-	-	-	-	12,712	12,712
Other comprehensive income:											
Currency translation differences	-	-	-	-	-	-	-	-	7,854	-	7,854
Change in fair value of available-for-sale financial assets	-	-	-	-	382	-	-	-	-	-	382
Total comprehensive income	-	-	-	-	382	-	-	-	7,854	12,712	20,948
Transactions with owners in their capacity as owners:											
Purchase of own shares	(2,603)	(4,902)	-	2,603	-	-	-	-	-	(2,603)	(7,505)
Balance at 31 October 2010	69,058	32,230	13,934	2,603	313	2,472	15,508	3,141	74,377	222,019	435,655

Note a: The figures have been restated to reflect prior year adjustments arising from recognition of deferred taxation in respect of revalued investment properties that have been presumed to be recovered through sale in accordance with the Amendments to HKAS 12 "Income Taxes".

	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 China statutory reserve HK\$'000	Corporate development reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 May 2011	66,914	25,744	13,934	4,747	238	3,124	16,209	3,141	87,067	235,052	456,170
Profit for the period	-	-	-	-	-	-	-	-	-	8,306	8,306
Other comprehensive income:											
Currency translation differences	-	-	-	-	-	-	-	-	10,877	-	10,877
Change in fair value of available-for-sale financial assets	-	-	-	-	65	-	-	-	-	-	65
Total comprehensive income	-	-	-	-	65	-	-	-	10,877	8,306	19,248
Transaction with owners in their capacity as owners:											
Purchase of own shares	(295)	(670)	-	295	-	-	-	-	-	(295)	(965)
2010/2011 final dividend	-	-	-	-	-	-	-	-	-	(3,331)	(3,331)
Total transaction with owners	(295)	(670)	-	295	-	-	-	-	-	(3,626)	(4,296)
Balance at 31 October 2011	66,619	25,074	13,934	5,042	303	3,124	16,209	3,141	97,944	239,732	471,122

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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		Retail business		Investment property holding		Eliminations		Total	
	Six months ended 31 October		Six months ended 31 October		Six months ended 31 October		Six months ended 31 October		Six months ended 31 October	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Segment information (continued)

Geographical information

	Revenue		Non-current assets	
	Six months ended 31		As at 31/10/2011	As at 30/4/2011
	October			
	2011 HK\$'000	2010 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 HK\$'000	2010 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Other gain/(loss), net

	Six months ended 31 October	
	2011 HK\$'000	2010 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 HK\$'000	2010 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 HK\$'000	2010 HK\$'000
Interest expense on bank borrowings (<i>Note</i>)		
– 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.

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% (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 HK\$'000	2010 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 31 October 2010, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Property, plant and equipment	Investment properties
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	As at 30 April 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Share capital

	Number of shares of HK\$0.10 each	Nominal Value HK\$'000
Authorised:		
At 1 May 2011 and at 31 October 2011	1,000,000,000	100,000
Issued and fully paid:		
At 1 May 2011	669,144,798	66,914
Repurchase and cancellation of shares	(2,954,000)	(295)
At 31 October 2011	666,190,798	66,619

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\$670,000 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.

12. 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2011, no option was granted under the Scheme (2010: Nil).

14. Capital commitments

	As at 31 October 2011 HK\$'000	As at 30 April 2011 HK\$'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	13,589	14,365

15. Related party transactions

	Six months ended 31 October	
	2011 HK\$'000	2010 HK\$'000
(a) Rental expenses paid to a related company which is owned by directors of the Company	215	162
Rental expense paid to a director of the Company	99	–
(b) Key management compensation		
Salaries and other benefits	3,050	3,007
Pension costs – defined contribution plans	143	127
	3,193	3,134

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 erratic 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).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(continued)*

Retail Business *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Cash Flow Summary

	For the six months ended 31 October	
	2011 HK\$'000	2010 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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 significantly 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.

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 October 2011, 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)	70.89%
Ms. Tang Fung Kwan	4,194,611	–	–	4,194,611	0.63%
Ms. Li Hong	548,000	–	–	548,000	0.08%
Mr. Chung Wai Kin	40,000	–	–	40,000	0.01%
Mr. Ho Man Lee	30,000	–	–	30,000	0.0045%
Mr. Au Son Yiu	6,597,440	–	–	6,597,440	0.99%
Dr. Tang Tin Sek	4,098,000	–	–	4,098,000	0.62%

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 2011, 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 2011, 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.

OTHER INFORMATION

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 October 2011, 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 (Note 2)	-	-	70.89%
Ka Yan China Development (Holding) Company Limited	442,295,660 (Notes 2 and 3)	-	-	-	66.39%
Ka Yan China Investments Limited	-	-	442,295,660 (Notes 2 and 3)	-	66.39%
HSBC International Trustee Limited	-	-	-	442,295,660 (Notes 2 and 3)	66.39%

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	-	-	-	5.52% (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 2011, 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 adjusted based on the total number of shares of the Company in issue as at 31 October 2011 (i.e. 666,190,798 shares).

OTHER INFORMATION

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

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 2011.

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 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		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
June 2011	<u>2,954,000</u>	0.33	0.32	955,840
		Total expenses on shares repurchased		<u>8,394</u>
				<u>964,234</u>

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.

OTHER INFORMATION

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 2011, except for the following deviations:

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

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

2. Under Code Provision A.2.1, the roles of chairman and chief executive 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.

OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three 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 2011.

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 2011. 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 2011.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 15 December 2011

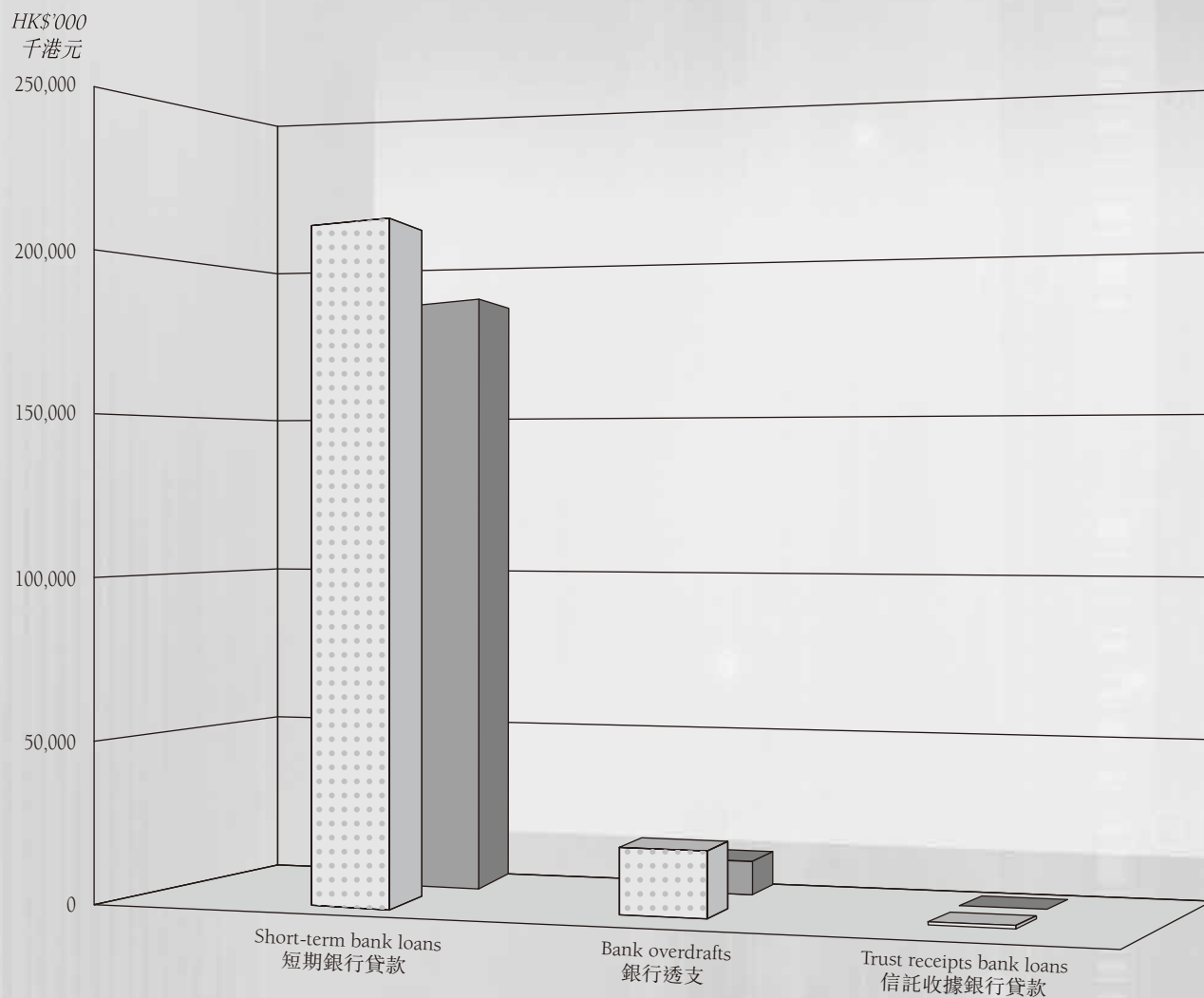
Summary

of credit facilities utilisation

融資 信貸動用摘要

As at 31 October 2011

於2011年10月31日



31/10/2011

30/04/2011



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