



Interim Report  
**2012/2013**  
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

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### DIRECTORS

#### *Executive Directors*

Mr. Lam Wai Chun  
*(Chairman and Managing Director)*  
 Ms. Tang Fung Kwan  
 Ms. Li Hong  
 Mr. Ho Man Lee  
 Mr. Chung Wai Kin  
*(retired on 27 September 2012)*

#### *Independent Non-executive Directors*

Mr. Au Son Yiu  
 Dr. Tang Tin Sek  
 Mr. Goh Gen Cheung  
 Professor Zhu Yuhe

### AUDIT COMMITTEE

Dr. Tang Tin Sek *(Chairman)*  
 Mr. Au Son Yiu  
 Mr. Goh Gen Cheung

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

Mr. Lam Wai Chun *(Chairman)*  
 Mr. Au Son Yiu  
 Dr. Tang Tin Sek  
 Mr. Goh Gen Cheung

### 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  
 Mainland China

### SHARE REGISTRARS AND TRANSFER OFFICES

*Bermuda Principal Share Registrar*  
 Butterfield Fulcrum Group (Bermuda) Limited  
 26 Burnaby Street  
 Hamilton HM 11  
 Bermuda

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



## 2012/2013 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 2012 and the unaudited condensed consolidated statement of financial position as at 31 October 2012 of the Group.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 31 October	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	2	611,666	367,613
Cost of sales		(453,058)	(280,138)
Gross profit		158,608	87,475
Other gain, net	3	–	493
Selling and distribution expenses		(91,472)	(24,467)
General and administrative expenses		(54,992)	(47,498)
Operating profit	4	12,144	16,003
Finance income		15	23
Finance costs		(6,343)	(4,708)
Finance costs – net	5	(6,328)	(4,685)
Profit before taxation		5,816	11,318
Taxation	6	(1,761)	(3,012)
Profit for the period		4,055	8,306
Earnings per share, basic and diluted	8	0.61 cent	1.25 cents

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Six months ended 31 October	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
<b>Profit for the period</b>	4,055	8,306
<b>Other comprehensive income</b>		
Change in fair value on available-for-sale financial assets	184	65
Currency translation differences	(1,900)	10,876
<b>Total comprehensive income for the period</b>	<b>2,339</b>	<b>19,247</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 October 2012 HK\$'000 (Unaudited)	As at 30 April 2012 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		20,764	21,080
Property, plant and equipment	9	419,289	379,900
Investment properties	9	127,245	70,178
Available-for-sale financial assets		9,245	9,072
Rental deposits		23,908	12,354
Deposits paid for acquisition of property, plant and equipment and investment properties		1,355	10,811
		<b>601,806</b>	<b>503,395</b>
<b>Current assets</b>			
Inventories		153,635	118,383
Accounts receivable	10	124,842	126,146
Deposits, prepayments and other receivables		50,782	22,979
Pledged bank deposits		29,092	27,750
Cash and cash equivalents		33,517	38,622
		<b>391,868</b>	<b>333,880</b>
<b>Total assets</b>		<b>993,674</b>	<b>837,275</b>
<b>EQUITY</b>			
Share capital	11	66,619	66,619
Reserves			
Proposed final dividend		–	3,331
Others		412,993	410,654
<b>Total equity</b>		<b>479,612</b>	<b>480,604</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax		3,635	3,135
<b>Current liabilities</b>			
Borrowings	12	414,207	279,087
Accounts payable	13	51,790	36,849
Accruals and other payables		40,706	34,608
Taxation payable		3,724	2,992
		<b>510,427</b>	<b>353,536</b>
<b>Total liabilities</b>		<b>514,062</b>	<b>356,671</b>
<b>Total equity and liabilities</b>		<b>993,674</b>	<b>837,275</b>
<b>Net current liabilities</b>		<b>(118,559)</b>	<b>(19,656)</b>
<b>Total assets less current liabilities</b>		<b>483,247</b>	<b>483,739</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 October	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(17,131)	14,970
Net cash used in investing activities	(110,406)	(38,249)
Net cash generated from financing activities	111,909	22,254
Decrease in cash and cash equivalents	(15,628)	(1,025)
Translation adjustments	(1,685)	1,171
Cash and cash equivalents at beginning of period	17,947	7,548
Cash and cash equivalents at end of period	634	7,694
Analysis of the balance of cash and cash equivalents		
Cash and cash equivalents	33,517	27,063
Bank overdrafts	(32,883)	(19,369)
	634	7,694

## 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			Retained earnings HK\$'000	Total HK\$'000
							China statutory reserve HK\$'000	Corporate development reserve HK\$'000	Exchange reserve 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
<b>Other comprehensive income:</b>											
Currency translation differences	-	-	-	-	-	-	-	-	10,876	-	10,876
Change in fair value of available-for-sale financial assets	-	-	-	-	65	-	-	-	-	-	65
<b>Total comprehensive income</b>	-	-	-	-	65	-	-	-	10,876	8,306	19,247
<b>Transaction with owners:</b>											
Purchase of own shares	(295)	(669)	-	295	-	-	-	-	-	(295)	(964)
2010/2011 final dividend	-	-	-	-	-	-	-	-	-	(3,331)	(3,331)
	(295)	(669)	-	295	-	-	-	-	-	(3,626)	(4,295)
Balance at 31 October 2011	66,619	25,075	13,934	5,042	303	3,124	16,209	3,141	97,943	239,732	471,122
Balance at 1 May 2012	66,619	25,075	13,934	5,042	399	3,124	16,400	3,141	100,135	246,735	480,604
Profit for the period	-	-	-	-	-	-	-	-	-	4,055	4,055
<b>Other comprehensive income:</b>											
Currency translation differences	-	-	-	-	-	-	-	-	(1,900)	-	(1,900)
Change in fair value of available-for-sale financial assets	-	-	-	-	184	-	-	-	-	-	184
<b>Total comprehensive income</b>	-	-	-	-	184	-	-	-	(1,900)	4,055	2,339
<b>Transaction with owners:</b>											
2011/2012 final dividend	-	-	-	-	-	-	-	-	-	(3,331)	(3,331)
Balance at 31 October 2012	66,619	25,075	13,934	5,042	583	3,124	16,400	3,141	98,235	247,459	479,612



## 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 2012.

At 31 October 2012, the Group’s current liabilities exceeded its current assets by approximately HK\$118,559,000. This is mainly because a portion of the bank borrowings contractually due for repayment after one year but contain a repayment on demand clause amounting to approximately HK\$70,297,000 have been classified as current liabilities in accordance with the HK Interpretation 5, “Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause”. In preparing these financial statements, the directors have taken into account all information that could reasonably be expected to be available and consider that it is not probable that the relevant bank will exercise its discretion to demand immediate repayment. Accordingly, the directors believe that such bank borrowings will be repaid in accordance with the scheduled dates set out in the relevant loan agreements. In addition, the Group’s forecasts show that the Group will have adequate financial resources to support its operation in the foreseeable future. Under these circumstances, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2012, as described in those annual financial statements.

The following amendments to the standards are mandatory for the first time for the Group’s financial year beginning 1 May 2012, but are not currently relevant for the Group.

HKFRS 1 (amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (amendment)	Disclosures – Transfers of financial assets

The following new standards, new interpretations and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 May 2012 and have not been early adopted:

HKAS 1 (amendment)	Presentation of financial statements
HKAS 19 (amendment)	Employee benefits
HKAS 27 (revised)	Separate financial statements
HKAS 28 (revised)	Investments in associates and joint ventures
HKFRS 32 (amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
HKFRS 7 (amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
HKFRS 7 and 9 (amendments)	Mandatory effective date and transition disclosures
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
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine
Fourth annual improvements Project (2011)	Improvements to HKFRS published in June 2012

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. Segment information (continued)

#### Geographical information

	Revenue		Non-current assets	
	Six months ended 31		As at 31/10/2012	As at 30/4/2012
	October			
	2012 HK\$'000	2011 HK\$'000	As at 31/10/2012 HK\$'000	As at 30/4/2012 HK\$'000
The PRC (including the Hong Kong Special Administrative Region)	539,922	291,539	601,803	503,380
Other regions	71,744	76,074	3	15
	611,666	367,613	601,806	503,395

Revenue by geographical location is determined on the basis of the destination of shipment or place of sales to the customers.

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

For the six months ended 31 October 2012, revenues of approximately HK\$55,584,000 (2011: HK\$81,081,000) 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	
	2012 HK\$'000	2011 HK\$'000
Sales of goods – electronic components manufacturing	259,444	311,249
Sales of goods – retail business	351,076	54,503
Rental income	1,146	1,861
	611,666	367,613

### 3. Other gain, net

	Six months ended 31 October	
	2012 HK\$'000	2011 HK\$'000
Fair value gains on investment properties	–	1,723
Net loss on written off and disposals of property, plant and equipment	–	(1,230)
	–	493

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. Operating profit

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

	Six months ended 31 October	
	2012 HK\$'000	2011 HK\$'000
Amortisation of land use rights	258	256
Cost of inventories recognised as expenses included in cost of sales	356,899	174,061
Depreciation of property, plant and equipment	22,402	20,934
Employee benefit expenses (including directors' emoluments)	122,359	96,624
Provision for/(reversal of) impairment of accounts receivable	76	(381)

### 5. Finance costs – net

	Six months ended 31 October	
	2012 HK\$'000	2011 HK\$'000
Interest expense on bank borrowings ( <i>Note</i> )		
– wholly repayable within five years	6,042	4,521
– not wholly repayable within five years	301	187
Finance costs	6,343	4,708
Interest income from bank deposits	(15)	(23)
	6,328	4,685

*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% (2011: 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% (2011: 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	
	2012 HK\$'000	2011 HK\$'000
Hong Kong profits tax		
– current tax	1,008	2,193
Overseas taxation including Mainland China		
– current tax	253	69
Deferred taxation	500	750
	1,761	3,012

### 7. Dividend

The Board resolved not to declare any interim dividend in respect of the six months ended 31 October 2012 (2011: Nil).

### 8. Earnings per share

The calculation of basic earnings per share for the six months ended 31 October 2012 is based on the consolidated profit for the period of approximately HK\$4,055,000 (2011: HK\$8,306,000) and the weighted average number of 666,190,798 (2011: 667,030,186) shares in issue during the period.

For the six months ended 31 October 2012 and 31 October 2011, 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 2012	379,900	70,178
Exchange differences	(1,023)	–
Additions	62,844	57,067
Disposals/Written off	(30)	–
Depreciation	(22,402)	–
	419,289	127,245

## 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 2012 HK\$'000	As at 30 April 2012 HK\$'000
0-30 days	51,914	55,537
31-60 days	31,642	35,168
61-90 days	20,307	19,474
91-120 days	8,692	5,391
Over 120 days	14,919	13,131
	127,474	128,701
Less: provision for impairment of receivables	(2,632)	(2,555)
	124,842	126,146

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

	As at 31 October 2012 HK\$'000	As at 30 April 2012 HK\$'000
Authorised: 1,000,000,000 (as at 30 April 2012: 1,000,000,000) shares of HK\$0.10 each	100,000	100,000
Issued and fully paid: 666,190,798 (as at 30 April 2012: 666,190,798) shares of HK\$0.10 each	66,619	66,619

### 12. Borrowings

Bank borrowings of approximately HK\$70,297,000 contractually due for repayment after one year but contain a repayment on demand clause have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause".

### 13. Accounts payable

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

	As at 31 October 2012 HK\$'000	As at 30 April 2012 HK\$'000
0-30 days	31,436	26,659
31-60 days	12,547	8,452
61-90 days	4,517	975
91-120 days	1,267	84
Over 120 days	2,023	679
	51,790	36,849

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 14. 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.

The share option scheme expired on 25 September 2012 and no option was granted under the Scheme during the period from 1 May 2012 to 25 September 2012 (2011: Nil).

### 15. Commitments

	As at 31 October 2012 HK\$'000	As at 30 April 2012 HK\$'000
(a) Capital commitments in respect of property, plant and equipment and investment properties:		
Contracted but not provided for	1,023	58,569
(b) Operating lease commitments – where the Group is the lessee		
At 31 October 2012, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:		
Not later than one year	67,940	38,592
Later than one year and not later than five years	82,110	40,011
	<b>150,050</b>	<b>78,603</b>

The above lease commitments do not include commitments for additional rentals payable, if any, when turnover of individual retail outlets exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

### 16. Related party transactions

	Six months ended 31 October	
	2012 HK\$'000	2011 HK\$'000
(a) Rental expenses paid to a related company which is owned by directors of the Company	372	215
Rental expenses paid to a director of the Company	131	99
(b) Key management compensation		
Salaries, allowances and other benefits in kind	2,206	1,966
Bonuses	74	–
Pension costs – defined contribution plans	149	143
	<b>2,429</b>	<b>2,109</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

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### BUSINESS REVIEW

#### General Overview

The six months ended 31 October 2012 was a period filled with challenges and opportunities for the Group. While the electronic components manufacturing business experienced bitter winter in its economic cycle, the retail business had a remarkable growth. During the period under review, the increase of revenue from 759 STORE went over the decline of revenue from the coil business and pushed up the Group's total revenue to HK\$611,666,000 (2011: HK\$367,613,000), representing an increase of 66.4% in comparison with that in the same period of last year. During the period under review, gross profit of the Group amounted to HK\$158,608,000, representing a rise of some HK\$71,133,000 in comparison with the gross profit HK\$87,475,000 in the previous year. Growth of the gross profit was mainly attributed to the retail business growth. The gross profit margin was 25.9% (2011: 23.8%).

Operating strategy of 759 STORE focused on reasonable pricing to sell and offer wide variety of confectioneries and food from Japan, Korea, Taiwan, the European Union, America, etc, to the people of Hong Kong in the way of high sales volume with low profit margin. From the date 759 STORE started to run, it gained vast support and recognition from its valuable customers. The branch number of 759 STORE expanded from 71 as at the end date of last financial year to 111 by October of this year, adding 40 branch stores. The branch number has increased for 64, in which there was 47 branch stores in the same period of last year.

Over the review period, the selling and distribution expenses and the general and administrative expenses were HK\$91,472,000 and HK\$54,992,000 respectively, representing an increase of HK\$67,005,000 and HK\$7,494,000 over the same period in last year. Increase on the selling and distribution expenses was mainly due to additional retail store rent, frontline staff wages and related logistics cost. Despite the operating profit of the retail business was able to turn loss to gain within just 2 years time since 759 STORE started operation and contributed to the Group's overall profit, the operating profit decreased as the core business of the Group, electronic components manufacturing business, was adversely affected by the global economic cycle making the operating profit of the electronic components business decrease for HK\$8,077,000. In the light of the combined effect of the above two major factors, the Group recorded a total operating profit of HK\$12,144,000 during the period, representing a decrease of HK\$3,859,000 over the same period of last year. The consolidated profit of the Group amounted to HK\$4,055,000 (2011: HK\$8,306,000), down by HK\$4,251,000 over the same period of last year.



## MANAGEMENT DISCUSSION AND ANALYSIS

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### BUSINESS REVIEW *(continued)*

#### Electronic Components Manufacturing Business

Electronic components manufacturing business is the main business of the Group. The products are widely applied in various electronics and electric appliances, including mobile communication equipments, lighting products, electrical appliances, computer and its peripheral products, power supply devices and etc.

Over the period under review, the business environment for the industrial manufacturing sector was extremely challenging. For the six months ended 31 October 2012, revenue from the electronic components business was HK\$259,444,000, representing a decline of 16.6% in comparison with the revenue HK\$311,249,000 of the same period in last year. The share of electronic components business in Group's total revenue also reduced to 42.4% from 84.7% of last year. Operating profit margin recorded an increase when compared with that of last year, however, as the amount of actual revenue decrease, operating profit over the period under review was HK\$11,489,000 (2011: HK\$19,566,000), representing a decrease of HK\$8,077,000 in comparison with the operating profit in the same period of last year. The decline of operating profit in the electronic components business was the key factor for the fall of the Group's profit over the period.

With major economies around the world was in a doldrums and recession, the lack of will to expend also affected the overall demand for electronic consumer goods. Owing to the decreasing general demand and consumer's increasing bargaining power, manufacturers have to run with higher cost or to accept greater secondary risks in order to maintain its order.

Fortunately, the Group had changed its operating model by not solely relying on the capital intensive investment in manufacturing industry after the 2008 financial crisis and had actively engaged in retail and property investment businesses to alleviate the excessive rely on the manufacturing business in the short term. This move enabled the Group to have more room for continuous development during the period of sluggish manufacturing industry.

Depreciation of some equipment and devices were completed over the period, while there was no other large project in progress, the depreciation expense of electronic business over the period decreased HK\$3,120,000 in comparison with that in the same period of last year. In addition, over the period the product prices are more stable, allowing the gross profit margin of manufacturing business to grow slightly to 23.6% (2011: 22.7%).

With the Group's over 30 years experience which has gone through a number of economic cycles, the present stage of development, even under such volatile market condition, is still controllable by the Group. We will work closely with our employees and continue to strive for better results in a prudent and persevering manner. Combining strengths from all parties, we are highly confident in overcoming all uncertainties in this economic cycle, with the hope that the economy will resurge soon.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### BUSINESS REVIEW *(continued)*

#### Retail Business

During the period under review, our retail business had delivered encouraging results. As our retail network expanded, revenue from retail business grew substantially from HK\$54,503,000 last year to HK\$351,076,000. Our retail business has also outperformed the coils business to become the major driver of revenue of the Group. Its share of the Group's revenue increased significantly from 14.8% last year to 57.4% this year. The increase in revenue drove up the gross profit. During the period, the gross profit amounted to HK\$96,565,000 and the gross profit margin was 27.5% (2011: 27.8%), higher than that of the traditional coils manufacturing business. Our retail business expansion also resulted in the increase in selling and distribution expenses to HK\$92,065,000 for the period. In only two years of operation, 759 STORE achieved some early success. It experienced a turn from loss to gain with an operating profit of HK\$4,500,000, increased by HK\$6,801,000 from the same period of last year (2011: loss of HK\$2,301,000).

As at the date of this report, 759 STORE had a total of 117 branch stores. The Group had basically achieved its target of 120 branch stores in 2012, over 6 months earlier than the original plan. 759 STORE had no high expectation on any success when it first stepped into retail market. The resource the Group put into retail business was very limited at the beginning. After that, the retail business grew rapidly and became the main area in the Group's investment. In this long-dominated retail market, we managed to find a slice of market in which 759 STORE could flourish and widely accepted by the public for the business model it employed. We fully understand that the competitors of 759 STORE are those experienced big retailers of great power. The slim chance, we believed, would long have been lost if we were trapped by experience existing in the market and not to take action swiftly to extend our market share. Although fast growth inevitably put pressure on the Group's working capital in short term, we had coped it with internal resources and bank loans as much as possible where no equity funding need is considered necessary. We deeply believed that, the endeavors and efforts we gave in this year had turned into a strong foundation to consolidate our position in new market competition.

Next, we will shift our focus from network expansion to business consolidation. In the meantime, we will actively explore more sources of goods. In the past, we were only able to source products from overseas wholesalers. We now begin to explore more upstream product manufacturers or even liaise with bigger distributors. With 759 STORE's existing network and scale, we endeavour to negotiate with suppliers for better prices by providing stable and long-term orders. This is the only way for the Group to achieve better performance while coherent with the principle of selling at reasonable price.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### BUSINESS REVIEW *(continued)*

#### Retail Business *(continued)*

As to operations, we have a team of passionate employees, providing customers with intimate services and creating a comfortable and welcoming shopping environment in 759 STORE. Under this poor retail environment, our customers continued to show their strong support and helped 759 STORE grow in such a difficult time. As to procurement, despite that we were unable to source from the key suppliers locally, we received strong support from various suppliers in Japan, Korea, Taiwan, the European Union and America, etc so that the Group could continue to source its products legally by means of parallel imports even without any dealership rights. We aim to introduce high-quality, low-priced and trendy products from Japan, Korea, Taiwan, the European Union, America, etc to local residents in Hong Kong, in a way of offering brand-new items from time to time. In spite of the setbacks that we have endured in the course of procurement, we will continue to endeavour to seek various solutions to recover the damages incurred by existing challenges. At the same time, despite that 759 STORE had nearly no buffer inventory from local suppliers, the retail business performed satisfactorily with an inventory turnover day of approximately 20 days. We would like to express our gratitude towards our relentless staff. During the period, inventory cost as a result of expiry or torn product packages due to delivery or storage accounted for less than 0.05% of the turnover from retail business. In spite of this, we will endeavour to improve our operating procedures and implement stringent cost control. In the meanwhile, the Group will also enhance its own retail data management system from time to time so as to formulate purchase plans, logistics and replenishment arrangements based on more real-time sales figures.

At the same time, as a retailer having only two years of retailing experience, our success is attributable to the assistance and support of various parties, including our landlords, who are willing to take 759 STORE as their tenant in their shopping malls despite our new entrant status in the retail industry. As to rent, we overcome the rental expenses by adopting the “high turnover with low margin” operation strategy. Currently, the overall shop rental to retail turnover is about 10%, which is still within the Group’s controllable range.

#### Investment property

For the six months ended 31 October 2012, rental income of the Group amounted to HK\$1,146,000, representing a decrease as compared with HK\$1,861,000 in the same period of last year. During the same period last year, the Group turned some of the investment properties to foodstuffs warehouses to support its retail business. Under the relevant accounting standards, the investment properties shall be accounted at fair value as at the date of change to properties held for own use purpose. Accordingly, the Group recorded a fair value gain of investment properties of HK\$1,723,000 in the same period of last year. During the period under review, in view of the anticipated low interest environment, the Group has continued to utilize surplus funds to acquire properties in Hong Kong. Some of those properties were used by the Group’s retail operation while the rest for investment holding purpose. The total assets of the investment property segment has accordingly increased from HK\$76,871,000 as at the year-end date to HK\$127,788,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### FINANCIAL REVIEW

#### Fund Surplus and Liabilities

As at 31 October 2012, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$62,609,000 (30 April 2012: HK\$66,372,000). As at 31 October 2012, the Group had aggregate banking facilities (excluding that of foreign exchange derivative financial instrument) of HK\$476,475,000 (30 April 2012: HK\$381,903,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK\$62,268,000 (30 April 2012: HK\$102,816,000). At 31 October 2012, the utilized banking facilities amounting to HK\$402,747,000 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 2012, the Group could comply with such financial covenants.

Due to the rapid expansion of retail business and purchase of properties during the period, the Group's total borrowings from banks amounted to HK\$414,207,000 at 31 October 2012 (30 April 2012: HK\$279,087,000), increased by HK\$135,120,000. As at 31 October 2012, the Group's gearing ratio\* was 0.42 (30 April 2012: 0.31), reporting an increase of 0.11 as compared with that of the last financial year-end date. Moreover, the Group did not have any contingent liabilities (30 April 2012: 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))

#### Assets

As at 31 October 2012, inventory of the Group was HK\$153,635,000 (30 April 2012: HK\$118,383,000). The increase in inventory was mainly due to the necessary stocks of snacks and food in support for the new business development. At the same time, prepayments, deposits and other receivables (including rental deposit of retail shops) also increased in line with the expansion of 759 STORE retail network, reaching HK\$74,690,000.

Since the tsunami hit in 2008, the Group has remained conservative over the sustainable growth of the global electronics consumption market and stopped to make large-scale investment in its production to retain funding for exploring other reliable sources of income. Taking into account of the capital ample liquidity in the local market, coupled with the Hong Kong dollar-denominated borrowings of the Group, in order to safeguard the Group's assets, the Group applied the capital recovered to purchase industrial and residential properties in Hong Kong for its own use or for rental income in an orderly manner since 2009, and to gradually pledged to the bank for the grant of some banking facilities during the period.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (continued)

#### Interest expense

In light of our business growth and increase on borrowings, interest expense of the Group amounted to HK\$6,343,000 for the six months ended 31 October 2012 (2011: HK\$4,708,000), representing an increase of HK\$1,635,000 as compared with last year.

#### Financial Resources and Capital Structure

For the six months ended 31 October 2012, net cash outflow of the Group amounted to HK\$15,628,000 (2011: HK\$1,025,000). Net cash outflow from operating activities amounted to HK\$17,131,000 (2011: net cash inflow of HK\$14,970,000). Despite the poor electronic market conditions, the coils business remained a major source of cashflow to the Group and provided strong support for the speedy expansion of store network during the period. As at 31 October 2012, deposits, rentals in advance and prepaid rent for shop leasing, snack inventory, and prepayments for purchase of snack inventory amounted to HK\$107,000,000. Such retail payment resulted in cash outflow from operating activities of more than HK\$60,000,000. As the Group shifted its focus from expanding market share to business consolidation, and the Group could basically balance the purchase level by using the sales data collected, together with the introduction of seasonal food into the market, the Group was able to accelerate the recovery of some working capital backlog. We believe that the cashflow of the Group will continue to improve in the second half of the year. Meanwhile, net cash outflow from investing activities was HK\$110,406,000 (2011: HK\$38,249,000), which was mainly used as the purchase of certain properties and the fitting-out work for retail stores. During the period, net cash inflow from financing activities amounted to HK\$111,909,000 (2011: HK\$22,254,000). The increase on borrowings resulted in increase in net cash inflow from financing activities during the period.

<i>Cash Flow Summary</i>	<b>For the six months ended 31 October</b>	
	<b>2012 HK\$'000</b>	<b>2011 HK\$'000</b>
Net cash (outflow)/inflow from operating activities	<b>(17,131)</b>	14,970
Net cash outflow from investing activities	<b>(110,406)</b>	(38,249)
Net cash inflow from financing activities	<b>111,909</b>	22,254
Decrease in cash and cash equivalents	<b>(15,628)</b>	(1,025)

As at 31 October 2012, the net current liabilities was HK\$118,559,000 (30 April 2012: HK\$19,656,000) and the current ratio was 0.77 (30 April 2012: 0.94). It included pledged loans of approximately HK\$95,175,000 (HK\$24,878,000 repayable within one year; HK\$70,297,000 repayable after one year). Such loans due for repayment after one year but contain a repayment on demand clause amounting to approximately HK\$70,297,000 have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause". Due to the rapid expansion of the retail business in the past twelve months, the Group has faced short-term pressure for its working capital as additional cash outflow from operation was resulted for purchase of inventory and prepaid rental and deposits. Majority of the additional cashflow needs were financed by bank loans which in turn was collateralised by the Group's properties as well as other assets. Taking into account the currently available facilities and the planned slow down in expansion which would ease further capital need, management believes that they will have adequate working capital to meeting their needs and no equity funding need is considered necessary at this moment.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### FINANCIAL REVIEW *(continued)*

#### Charges on Assets

As at 31 October 2012, certain assets of the Group with an aggregate carrying value of approximately HK\$340,217,000 (30 April 2012: HK\$235,132,000) 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 2012, the Group employed approximately 3,700 staff (2011: 4,000). 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. The share option scheme expired on 25 September 2012 and no option was granted under the scheme during the period under review (2011: Nil).

### CORPORATE SOCIAL RESPONSIBILITY

The Group continued to take active role in corporate citizenship practice through participating in various forms of charity, volunteer services and health activities, encouraging its staff to care for the society and promoting their mental and physical development in a healthier and balanced way. The Group has also dedicated in participating charitable community activities by granting donations to charitable organizations and education institutions. Details of events participated during the period are listed as follows:

- Set up 759 Store Scholarships for the City University of Hong Kong, Tung Wah College and Vocational Training Council to support local higher education and encourage student to study hard.
- Sponsored secondary school students to enroll the "11th Junior Enterprise Leader Training Course" organized by The Hong Kong Polytechnic University to foster the development of leadership skills of local youngsters.
- Co-organized "759 Store Card Design Competition" with the HKICC Lee Shau Kee School of Creativity and donated the scholarship to encourage creativity development and to provide a platform to students for realizing their design concepts.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### CORPORATE SOCIAL RESPONSIBILITY *(continued)*

- Opened the “TWC • 759 Co-operative Store” to provide workplace training opportunities to Tung Wah College students.
- Sponsored and organized volunteer team to participate in the “Tai O Stilt House Restoration and Community Development Project” initiated by Habitat for Humanity China, which aims to improve the living conditions and revitalize the local community of Tai O by restoring and repairing the historic stilt homes for low-income families. Through restoration instead of reconstruction, both economic development and heritage preservation will be promoted.
- Donated to the Caring Company Scheme 2011/12 to support The Hong Kong Council of Social Service to develop community programs for raising awareness of Corporate Social Responsibility in Hong Kong.
- Donated to “Hong Kong Island Flag Day” organized by Hong Kong Aged Concern Limited to promote the spirit of “self-help”, “mutual help”, “help others” of elderly.
- Supported the ORBIS donation programme by placing their donation boxes at 759 Store outlets.
- Encouraged the staff of Zhongshan Coils to participate in the “十萬市民健身跑” health care activity organized in Dong Feng Zhen.
- Sponsored gifts and discount cards to different charity organizations and student associations, such as Po Lam Baptist Church Bradbury Neighbourhood Elderly Centre, The Society for the Welfare of the Autistic Persons, Tin Shui Wai Women Association Limited, Hong Kong Sheng Kung Hui Holy Nativity Church Neighbourhood Elderly Centre, Tung Wah Group of Hospitals Jockey Club Tai Kok Tsui Integrated Services Centre, etc.

In 2012, Coils Electronic Co., Ltd, the main subsidiary of the Group, was awarded the “5 Consecutive years Caring Company” logo by the Hong Kong Council of Social Service.

### OUTLOOK

Due to the volatile external environment, the electronic component manufacturing business was operating in a market crowded with extremely low sentiment. To cope with the fluctuations during the cycles, we must be prudent; well disciplined; and keep encouraging our staffs to carry out their duties conscientiously. Since October this year, the orders from electronic components has signs of slightly picked up, and such growth momentum continued in November. Our coils business will be able to keep its firm foothold in the absence of any further deteriorating operating circumstances.

In the past 30 years, we have gone through various economic cycles and from those lessons we learnt – surviving the turmoil and keep operating will be the only thing could be done at that moment. Nevertheless, we also understand well that, our electronic components manufacturing business will once again be the Group’s core growth engine after the storm.

As to retail business, in addition to establishing key strategic footholds, our interim store expansion plan will be completed as we open the 120 branch stores. After that, we will be more curious and slow down a bit on new stores opening. We will direct our attention to business consolidation than on network expansion.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### OUTLOOK *(continued)*

While the management was determined to develop retail business as our core business, the Group was well aware that – we were entering a market that has been dominated by experienced retailers with tremendous power. We were also psychologically be prepared for the possible big challenges we might face for future expansion and sustaining business.

In this regard, the Group swiftly captured those locations with lower barriers (lesser competition). Meanwhile, we continued to source new suppliers and items to replace those being delisted as a result of intercept of other players. In spite of numerous setbacks that we have endured in supply, our sales performance has raised the hope of some suppliers who acquiesced to continue their supply to 759 STORE by means of parallel imports.

As to our staff relations, we have a team of passionate staffs and staff receive also reasonable returns. Combing both, we are fortunate enough to have a team of warriors who fight for the industry and the company's welfares.

As to financing, we are eager to maximise the utilisation of the trade services of the banks. The Group did not have to seek for any credit terms from suppliers. In a consideration which is free from credit request, future business growth will be the sole factor a potential supplier needs to consider when coming to question of whether to start business with 759 STORE. In this regards, we saved the time and effort in persuading any new supplier that even we are new to the market yet we could perform well in this market. Furthermore, the move has buy us time to accumulate sales data and build our track record which we believe will be the most solid foundation in support of our long-term supplies relations.

The Group also attempted to reopen the gate of local purchase to alleviate its sole reliance on parallel imports. At present, some local large-scale suppliers have initially entered into trial cooperation agreements with us. We will expand the purchases from Europe and America. With increasing varieties and quantities of commodities, we also tend to open larger stores and hope to offer a higher-end leisurely shopping environment for our customers. We have also attempted to open a café corner in some of our stores with an aim to bring a new and refreshing experience to our customers.

Our management stressed that we adopted an aggressive but not risky approach in our development. On the contrary, all we have been doing was – spotting a gap and filled it – timing was all important or we might lose our surviving space for consolidating our business in this retail market. We will closely monitor our competitors and market changes and fine-tune our strategies from time to time. In the meantime, we will maintain our fair price strategy. Only by doing so, the Group will be able to sustain and tap into the local retail market in the long run.



## OTHER INFORMATION

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 October 2012, 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. Ho Man Lee	30,000	–	–	30,000	0.0045%
Mr. Au Son Yiu	5,597,440	–	–	5,597,440	0.84%
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.

## OTHER INFORMATION

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

#### (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%

Notes:

- 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.
- 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.
- 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.
- Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

Save as disclosed above, as at 31 October 2012, 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 2012, 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 2012, 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 2012, 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 2012 (i.e. 666,190,798 shares).

## OTHER INFORMATION

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### 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 2012.

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

The Company had not redeemed any of its listed shares during the six months ended 31 October 2012. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the six months ended 31 October 2012.

### CORPORATE GOVERNANCE CODE

The Company has adopted the principles and complied with the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules for the six months ended 31 October 2012, except for the following deviations:

1. Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Before 29 September 2009, the roles of the Chairman of the Board and the chief executive 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 the code provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive 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.

2. Under code provision E.1.2 of the Code, the Chairman of the Board should attend the annual general meeting of the Company.

The Chairman of the Board did not attend the Annual General Meeting of the Company held on 27 September 2012 (the "2012 AGM") due to illness at the material time. Ms. Tang Fung Kwan, the executive director of the Company, who took the chair of 2012 AGM, and all other members of the Board (including the chairman of each of the Audit Committee and the Remuneration Committee) attended the 2012 AGM to ensure effective communication with the shareholders of the Company.



## OTHER INFORMATION

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### 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 2012.

### REMUNERATION COMMITTEE

The Company established a remuneration committee for the purpose of making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration committee also has the delegated responsibility to (i) make recommendations to the Board the remuneration packages of individual executive directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment and (ii) make recommendations to the Board on the remuneration of non-executive directors. The remuneration committee currently comprises five members including one executive director, namely Ms. Tang Fung Kwan, and four independent non-executive directors, namely Mr. Au Son Yiu (chairman of the Remuneration Committee), Dr. Tang Tin Sek, Mr. Goh Gen Cheung and Professor Zhu Yuhe.

### NOMINATION COMMITTEE

The Company established a nomination committee to review the structure, size and composition (including the skills, knowledge and experience) of the Board, to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy and to assess the independence of independent non-executive directors of the Company. The nomination committee currently comprises four members including one executive director, namely Mr. Lam Wai Chun (chairman of the Nomination Committee), and three independent non-executive directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek and Mr. Goh Gen Cheung.

### 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 2012. 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 2012.

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

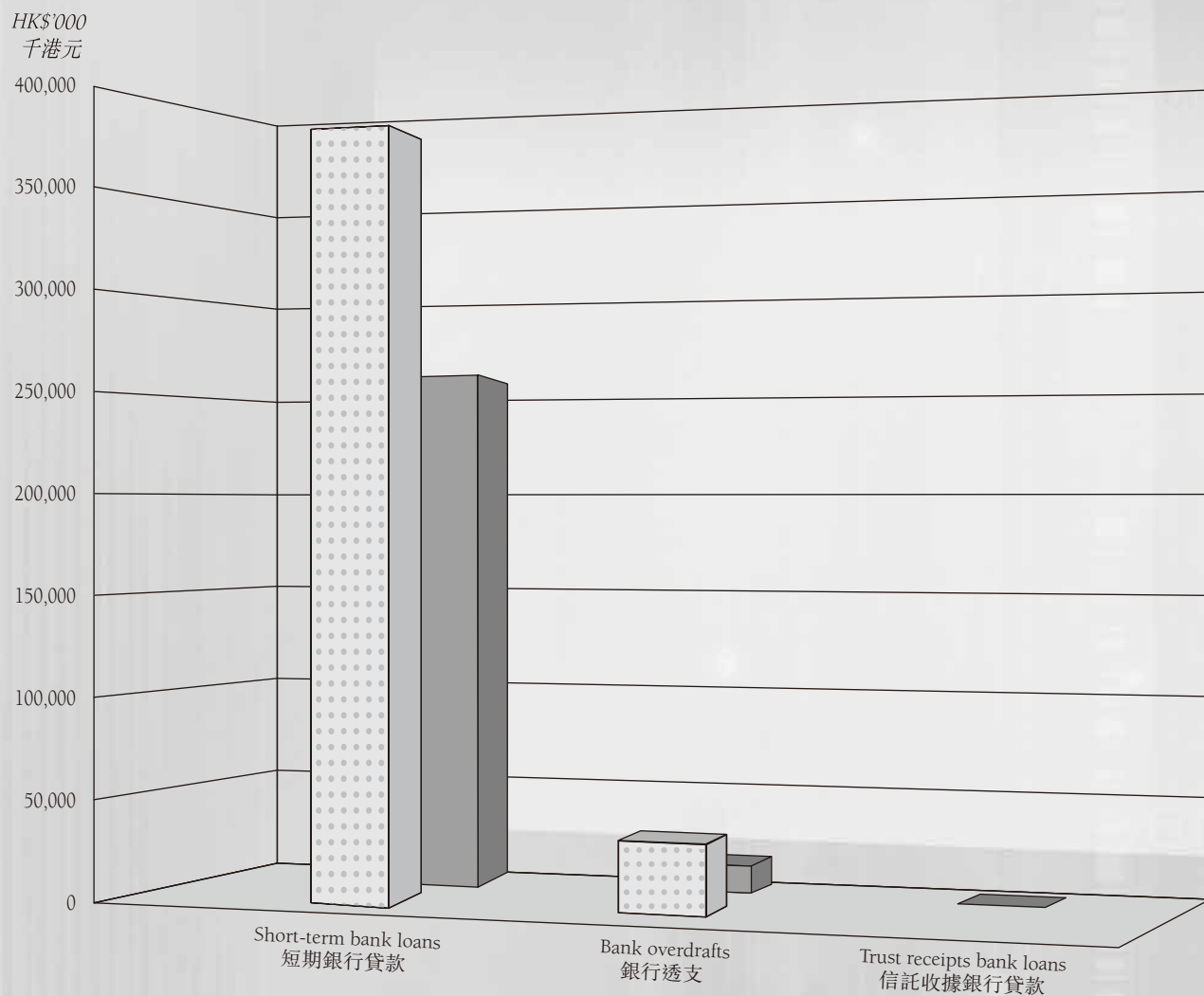
# Summary

of credit facilities utilisation

## 融資 信貸動用摘要

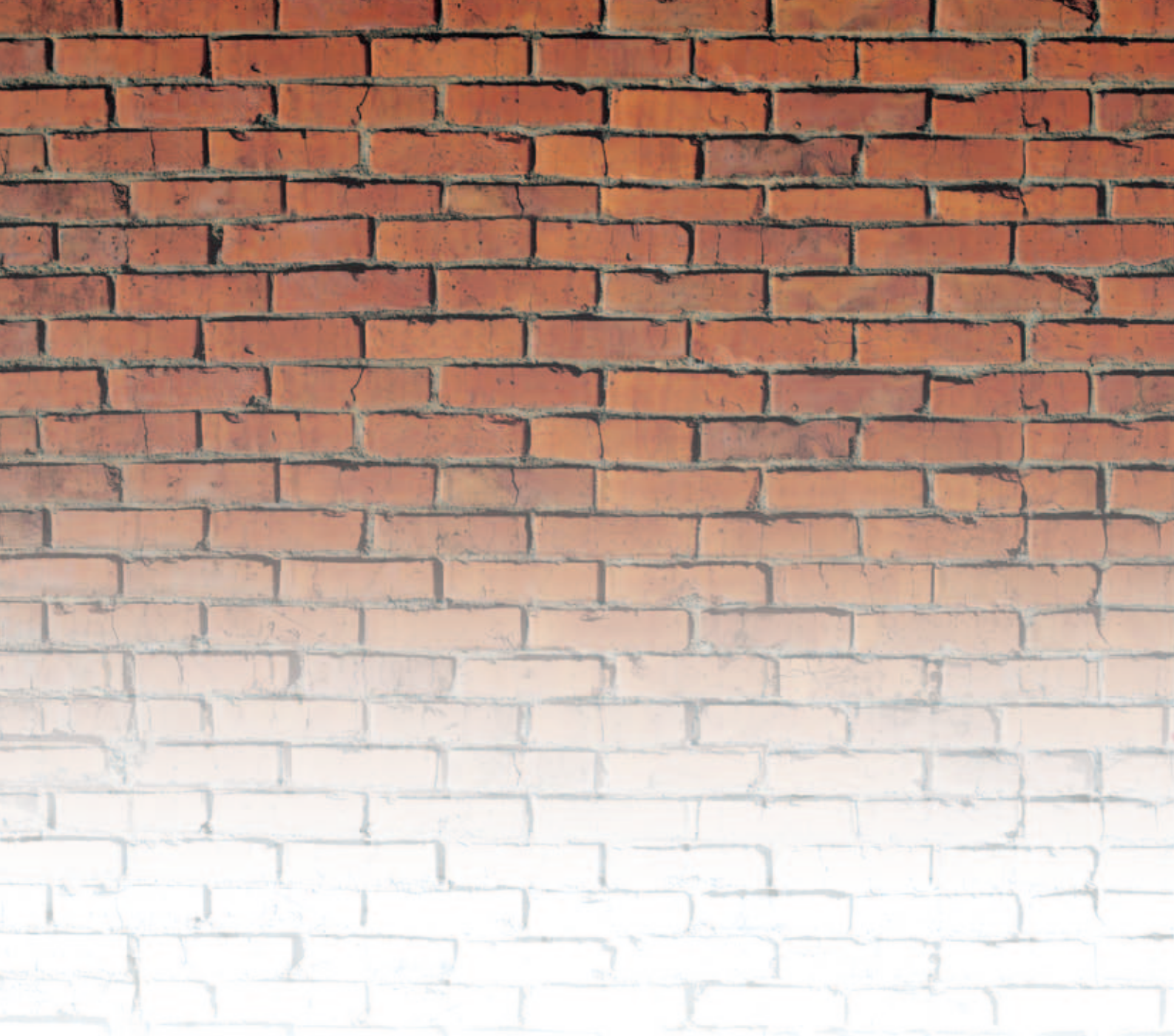
As at 31 October 2012

於2012年10月31日



31/10/2012

30/04/2012



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