

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 : 0759)

Interim Report 中 期 報 告

2007/2008

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms. Li Lai Sheung

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co.
 Appleby Hunter Bailhache

PRINCIPAL BANKERS

China Construction Bank
 CITIC Ka Wah Bank Limited
 Dah Sing Bank Limited
 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 Fund Services (Bermuda) Limited
 Rosebank Centre
 11 Bermudiana Road
 Pembroke HM08
 Bermuda

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor
 Services Limited
 46th Floor
 Hopewell Centre
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Listed on The Stock Exchange of
 Hong Kong Limited
 Stock Code: 0759

2007/2008 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 cash flow statement, condensed consolidated statement of changes in equity of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 31 October 2007 and the unaudited condensed consolidated balance sheet as at 31 October 2007 of the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 31 October		Six months ended 31 October	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	2	216,429	179,154	393,561	351,918
Cost of sales	4	(173,264)	(142,688)	(313,906)	(280,809)
Gross profit		43,165	36,466	79,655	71,109
Other income	3	466	406	793	785
Selling and distribution expenses	4	(4,435)	(3,587)	(7,933)	(7,082)
General and administrative expenses	4	(25,719)	(19,545)	(46,716)	(38,079)
Operating profit		13,477	13,740	25,799	26,733
Finance costs	5	(5,678)	(5,304)	(9,834)	(9,749)
Profit before taxation		7,799	8,436	15,965	16,984
Taxation	6	(626)	(1,267)	(1,892)	(2,974)
Profit for the period		7,173	7,169	14,073	14,010
Attributable to:					
– equity holders of the Company		7,305	7,169	14,429	14,010
– minority interest		(132)	–	(356)	–
		7,173	7,169	14,073	14,010
Earnings per share for profit attributable to equity holders of the Company during the period	8				
– basic		1.02 cents	1.00 cent	2.01 cents	1.96 cents
– diluted		1.02 cents	1.00 cent	2.01 cents	1.96 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 31 October 2007 HK\$'000 (Unaudited)	As at 30 April 2007 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights	9	36,334	31,117
Property, plant and equipment	9	362,616	355,836
Investment properties	9	9,148	9,148
Available-for-sale financial assets		8,214	7,895
Deposit for acquisition of property, plant and equipment		1,760	3,623
		418,072	407,619
Current assets			
Inventories		104,897	79,574
Accounts receivable	10	190,196	173,801
Prepayment, deposits and other receivables		8,511	8,477
Tax recoverable		–	21
Pledged bank deposits		26,996	26,509
Bank balances and cash		176,475	31,586
		507,075	319,968
Total assets		925,147	727,587
EQUITY			
Share capital	11	71,661	71,661
Reserves			
Proposed final dividend		–	6,808
Others		318,926	295,782
		390,587	374,251
Minority interest		94	–
Total equity		390,681	374,251
LIABILITIES			
Non-current liabilities			
Borrowings	12	226,313	38,329
Deferred income tax		8,462	10,777
		234,775	49,106
Current liabilities			
Borrowings	12	206,351	224,972
Accounts payable	13	59,077	47,424
Accruals and other payables		30,064	25,204
Taxation payable		4,199	6,630
		299,691	304,230
Total liabilities		534,466	353,336
Total equity and liabilities		925,147	727,587
Net current assets		207,384	15,738
Total assets less current liabilities		625,456	423,357

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31 October	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Net cash generated from operating activities	32,433	28,848
Net cash used in investing activities	(41,210)	(30,172)
Net cash generated from financing activities	149,231	2,809
Increase in cash and cash equivalents	140,454	1,485
Translation adjustments	496	1,862
Cash and cash equivalents at beginning of period	31,585	44,053
Cash and cash equivalents at end of period	172,535	47,400
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	176,475	47,400
Bank overdrafts	(3,940)	–
	172,535	47,400

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company					Minority interest HK\$'000	Total equity HK\$'000
	Share capital	Other reserves	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 May 2006	71,661	64,515	204,800	340,976	–	340,976	
Change in fair value of available-for-sale financial assets	–	405	–	405	–	405	
Currency translation differences	–	5,617	–	5,617	–	5,617	
Net income recognised directly in equity	–	6,022	–	6,022	–	6,022	
Profit for the period	–	–	14,010	14,010	–	14,010	
Total recognised income for 2006	–	6,022	14,010	20,032	–	20,032	
2005/2006 final dividend	–	–	(6,449)	(6,449)	–	(6,449)	
Balance at 31 October 2006	71,661	70,537	212,361	354,559	–	354,559	
Balance at 1 May 2007	71,661	85,926	216,664	374,251	–	374,251	
Change in fair value of available-for-sale financial assets	–	388	–	388	–	388	
Currency translation differences	–	8,327	–	8,327	–	8,327	
Net income recognised directly in equity	–	8,715	–	8,715	–	8,715	
Profit/(loss) for the period	–	–	14,429	14,429	(356)	14,073	
Total recognised income for 2007	–	8,715	14,429	23,144	(356)	22,788	
2006/2007 final dividend	–	–	(6,808)	(6,808)	–	(6,808)	
Capital contribution by a minority shareholder of a subsidiary	–	–	–	–	450	450	
Balance at 31 October 2007	71,661	94,641	224,285	390,587	94	390,681	

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 2007.

The accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 30 April 2007, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the financial year beginning 1 May 2007. The adoption of such standards, amendments and interpretations has no significant effect on the Group’s results but will have certain disclosure impacts on the annual financial statements of this financial year.

The Group has not early adopted any new standards, amendments or interpretations which have been issued on or before 31 October 2007 but are not effective for the financial year ending 30 April 2008. The Group is in the process of assessing their impact on the Group’s results and operations.

2. Segment information

(a) Primary segments

	Six months ended 31 October 2007			Six months ended 31 October 2006		
	Electronic components		Total	Electronic components		Total
	manufacturing	Others		manufacturing	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
Sales	392,958	2,243	395,201	351,189	2,119	353,308
Intersegment sales	-	(1,640)	(1,640)	-	(1,390)	(1,390)
External sales	392,958	603	393,561	351,189	729	351,918
Operating results						
Operating profit	25,471	328	25,799	26,547	186	26,733
Finance costs			(9,834)			(9,749)
Profit before taxation			15,965			16,984
Taxation			(1,892)			(2,974)
Profit for the period			14,073			14,010
Capital expenditures	43,350	31	43,381	32,255	-	32,255
Depreciation	36,025	23	36,048	33,253	20	33,273
Amortisation	408	-	408	308	-	308

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Segment information (continued)

(a) Primary segments (continued)

	Electronic components manufacturing		Others		Total	
	As at 31/10/2007	As at 30/4/2007	As at 31/10/2007	As at 30/4/2007	As at 31/10/2007	As at 30/4/2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other information						
Segment assets	914,210	716,216	10,937	11,350	925,147	727,566
Unallocated assets					-	21
Total assets					925,147	727,587
Segment liabilities	521,450	335,422	355	507	521,805	335,929
Unallocated liabilities					12,661	17,407
Total liabilities					534,466	353,336

(b) Secondary segments

	Turnover Six months ended 31 October		Total assets		Capital expenditures Six months ended 31 October	
	2007	2006	As at 31/10/2007	As at 30/4/2007	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	114,918	117,587	283,848	123,617	11,540	8,907
Mainland China	193,881	157,875	589,100	544,549	31,793	22,634
Taiwan	23,479	24,404	19,902	26,203	48	714
Europe	12,201	13,375	3,165	4,525	-	-
Singapore	11,904	20,840	16,811	19,011	-	-
Others	37,178	17,837	12,321	9,682	-	-
Total	393,561	351,918	925,147	727,587	43,381	32,255

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Other income

	Three months ended 31 October		Six months ended 31 October	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest income	444	406	771	785
Dividend income	22	–	22	–
	466	406	793	785

4. Expenses by nature

	Three months ended 31 October		Six months ended 31 October	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Amortisation of prepaid operating lease payment	221	156	408	308
Cost of inventories sold	172,397	142,581	312,197	280,573
Depreciation of property, plant and equipment	18,370	16,542	36,048	33,273
Employee benefit expense (including directors' emoluments)	49,787	42,101	98,822	82,820
Reversal of provision for impairment of accounts receivable	(232)	(731)	(357)	(1,897)

5. Finance costs

	Three months ended 31 October		Six months ended 31 October	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest expense	5,214	5,000	9,172	9,103
Amortisation of deferred borrowing costs	464	304	662	646
	5,678	5,304	9,834	9,749

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 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 12% to 27% (2006: 7.5% to 27%) 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:

	Three months ended 31 October		Six months ended 31 October	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong profits tax – current tax	244	1,106	1,787	2,040
Overseas taxation including				
Mainland China – current tax	1,463	1,082	2,420	2,321
Deferred taxation	(1,081)	(921)	(2,315)	(1,387)
	626	1,267	1,892	2,974

7. Dividend

The Board resolved not to declare any dividend in respect of the six months ended 31 October 2007 (2006: Nil).

8. Earnings per share

The calculation of basic earnings per share for the three months ended 31 October 2007 is based on the profit attributable to equity holders of the Company of approximately HK\$7,305,000 (2006: HK\$7,169,000) and 716,610,798 (2006: 716,610,798) shares in issue during the period.

The calculation of basic earnings per share for the six months ended 31 October 2007 is based on the profit attributable to equity holders of the Company of approximately HK\$14,429,000 (2006: HK\$14,010,000) and 716,610,798 (2006: 716,610,798) shares in issue during the period.

For the three months and six months ended 31 October 2006 and 31 October 2007, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

9. Movements in capital expenditures

During the six months ended 31 October 2007, the additions to capital expenditures were approximately HK\$43,381,000 (2006: HK\$32,255,000) which included property, plant and equipment of HK\$38,061,000 (2006: HK\$28,494,000) and leasehold land and land use rights of HK\$5,320,000 (2006: HK\$3,761,000). The total net book value of disposals and write-offs of property, plant and equipment was approximately HK\$137,000 (2006: HK\$93,000). There was no movement on investment properties during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. Accounts receivable

The aging analysis of accounts receivable is as follows:

	As at 31 October 2007 HK\$'000	As at 30 April 2007 HK\$'000
Current	175,383	158,243
Overdue by 0 – 1 month	9,931	11,506
Overdue by 1 – 2 months	4,032	1,979
Overdue by 2 – 3 months	850	2,004
Overdue by more than 3 months	966	1,386
	191,162	175,118
Less: provision for impairment of accounts receivable	(966)	(1,317)
	190,196	173,801

Management of the Group and the Company's Accounts Receivable Supervisory Committee perform on-going credit and collectibility 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 2007 HK\$'000	As at 30 April 2007 HK\$'000
Authorised:		
1,000,000,000 (As at 30 April 2007: 1,000,000,000) shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
716,610,798 (As at 30 April 2007: 716,610,798) shares of HK\$0.10 each	71,661	71,661

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. Borrowings

	As at 31 October 2007 HK\$'000	As at 30 April 2007 HK\$'000
Non-current		
Bank borrowings	226,232	38,109
Finance lease liabilities	81	220
	226,313	38,329
Current		
Bank overdrafts	3,940	–
Bank borrowings	202,131	224,592
Finance lease liabilities	280	380
	206,351	224,972
	432,664	263,301

In October 2007, the Company drew down a 3-year transferable term loan facility of an aggregate amount of HK\$300,000,000 (the "Facility"). The Facility was applied to prepay all of the Company's outstanding indebtedness under a HK\$243,000,000 transferable term loan and revolving credit facility agreement dated 27 April 2005 and the balance thereof was used as general working capital of the Group.

13. Accounts payable

The aging analysis of accounts payable is as follows:

	As at 31 October 2007 HK\$'000	As at 30 April 2007 HK\$'000
Current		
Overdue by 0 – 1 month	1,048	902
Overdue by 1 – 2 months	–	257
Overdue by 2 – 3 months	204	479
Overdue by more than 3 months	457	219
	59,077	47,424

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.

During the six months ended 31 October 2007, no option was granted under the Scheme (2006: Nil).

15. Capital commitments

	As at 31 October 2007 HK\$'000	As at 30 April 2007 HK\$'000
Capital commitments in respect of leasehold land and land use rights as well as property, plant and equipment:		
Contracted but not provided for	4,009	4,134

16. Related party transaction

Key management compensation

	Six months ended 31 October 2007 HK\$'000	2006 HK\$'000
Wages and salaries	2,792	2,339
Pension costs – defined contribution plans	222	182
	3,014	2,521

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 31 October 2007, the turnover of the Group was HK\$393,561,000 (2006: HK\$351,918,000), achieving an 11.8% growth over the corresponding period last year. During the period, the Group recorded a gross profit of HK\$79,655,000 (2006: HK\$71,109,000) and gross profit margin was 20.2% (2006: 20.2%), similar to that of the corresponding period last year. During the period under review, the acute labour shortage in Mainland China led to a hefty rise in the overall wages for staff. The production labour cost of the Group jumped approximately 10% (including the impact of appreciation in Renminbi) over the corresponding period last year. On the other hand, despite the rising prices of metal raw materials and energy cost, the same gross profit margin level was maintained during the period and this was attributable to the Group's devotion to improving production flow and undertaking research and development on applied materials. Profit attributable to equity holders of the Company for the period was HK\$14,429,000 (2006: HK\$14,010,000).

As at 31 October 2007, the accounts receivable of the Group amounted to HK\$190,196,000 (30 April 2007: HK\$173,801,000), up approximately 9% compared with that of the financial year-end date of last year, which was mainly linked to the 11.8% growth in the Group's turnover over that of the corresponding period last year. The accounts receivable turnover days reduced by 5 days to 83 days (30 April 2007: 88 days) compared with that of the financial year-end date of last year. The Group's inventories rose to HK\$104,897,000 (30 April 2007: HK\$79,574,000), up approximately 32% compared with that of the financial year-end date of last year, mainly spurred by a rise in raw materials in response to the increase of turnover. Aiming to lower the inventory level, the Group will continue to strive to improve the management of purchasing, production and logistics. During the period, the Group incurred general and administrative expenses amounting to HK\$46,716,000 (2006: HK\$38,079,000), up 23% over the corresponding period last year, mainly pulled by: (1) the recruitment of additional staff and professionals for sales, engineering and administration in its Hong Kong headquarters, Taiwan and Beijing; (2) the expansion of offices of its Hong Kong headquarters and those in Taiwan and Beijing; (3) a decrease in reversal of provision for impairment of accounts receivable compared with that of the corresponding period last year; and (4) a loss in foreign exchange arisen from currency fluctuation.

FINANCIAL REVIEW

Fund Surplus and Liabilities

On 17 September 2007, the Company and a group of banks entered into a 3-year transferable term loan facility agreement of up to an aggregate amount of HK\$300,000,000, which was wholly drawn down on 29 October 2007. Part of the facility amounting to HK\$81,000,000 was used to prepay all of the Company's outstanding indebtedness under a HK\$243,000,000 transferable term loan and revolving credit facility agreement dated 27 April 2005. As at 31 October 2007, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$176,475,000 (30 April 2007: HK\$31,586,000). The banking facilities amounting to HK\$438,668,000 were secured by mortgages on the Group's certain land and buildings, pledges of the Group's bank deposits and available-for-sale financial assets, and corporate guarantees provided by the Company and its certain subsidiaries. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 31 October 2007, the Group could comply with such financial covenants, which indicates that the Group's financial position remained satisfactory.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Fund Surplus and Liabilities (continued)

As at 31 October 2007, the Group's total borrowings granted from banks and financial institutions amounted to HK\$432,664,000 (30 April 2007: HK\$263,301,000), of which HK\$206,351,000 (30 April 2007: HK\$224,972,000) will be repayable within one year and HK\$226,313,000 (30 April 2007: HK\$38,329,000) will be repayable within a period of more than one year but not exceeding five years. As at 31 October 2007, the Group's net gearing ratio* was 0.59 (30 April 2007: 0.56). A higher net gearing ratio as compared with that of the financial year-end date of last year was mainly due to the expansion of the Group's core business by purchasing production facilities for its coils business. For the six months ended 31 October 2007, the capital expenditure was HK\$43,381,000 (2006: HK\$32,255,000), up approximately 34% over the corresponding period last year.

(* The ratio of (total borrowings plus bills payable and contingent liabilities less total cash and bank deposits) over (net tangible assets less proposed final dividend))

Financial Resources and Capital Structure

For the six months ended 31 October 2007, the Group's net cash inflow (increase in cash and cash equivalents) was HK\$140,454,000 (2006: HK\$1,485,000). The substantial increase in cash resulted from the draw-down of the aforesaid syndicated loan by the Company during the period. The net cash inflow from financing activities was HK\$149,231,000 (2006: HK\$2,809,000). The net cash inflow from operating activities was HK\$32,433,000 (2006: HK\$28,848,000). The Group's interest expense amounted to HK\$9,172,000 (2006: HK\$9,103,000) for the six months ended 31 October 2007.

For the six months ended 31 October 2007, net cash outflow from investing activities was HK\$41,210,000 (2006: HK\$30,172,000), the capital expenditure of which was mainly used for the purchase of machinery and equipment and expansion of plants for enhancing production capacity.

Cash Flow Summary

	For the six months ended	
	31 October	
	2007	2006
	HK\$'000	HK\$'000
Net cash inflow from operating activities	32,433	28,848
Net cash outflow from investing activities	(41,210)	(30,172)
Net cash inflow from financing activities	149,231	2,809
Increase in cash and cash equivalents	140,454	1,485

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Charges On Assets

As at 31 October 2007, certain assets of the Group with an aggregate carrying value of approximately HK\$39,128,000 (30 April 2007: HK\$38,620,000) were pledged to secure banking facilities and finance leases of the Group.

Exchange Risks

The Group's business is mainly conducted in Mainland China, Hong Kong and South-east Asia. The major revenue currencies are primarily denominated in Hong Kong dollar, Renminbi and United States dollar; whilst the major currencies in purchase commitments are primarily denominated in Hong Kong dollar, Renminbi, United States dollar and Japanese Yen. Therefore, there are some natural hedges in the Group's currency exposures. However, the mild yet consistent appreciation of Renminbi, it would have some negative impact on the Group's profit. By virtue of the mild and somewhat predictable fluctuation in Renminbi, the Board considers that it is not necessary for the Group to purchase any highly cost foreign exchange futures or options contract for hedging against exchange risks for the time being, but will continue to closely monitor the fluctuations in exchange rates of the currencies. The Group's borrowings are mainly settled in Hong Kong dollars. The Board believes that there is no substantial exchange risk in this respect.

FUTURE PLAN AND PROSPECTS

In the next half year, the Group will pursue its policy laid down earlier this financial year by re-devising the industrial handicrafts and upholding to improve the existing production mode and to optimize production flow, thereby lowering the inventory level effectively so as to reduce the logistics cost.

EMPLOYEES

The Group employed approximately 8,400 (2006: 7,900) employees as at 31 October 2007. The remuneration of the employees is determined by reference to market benchmark, individual performance and work experience, subject to periodic review, while bonus entitlement depends on the Group's results and employees' individual performance. Other employee benefits include pension scheme and medical insurance. Subsidies on training and education are also provided. Under the share option scheme of the Company, options may be granted to eligible employees to subscribe for shares in the Company.

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 October 2007, the interests and short positions 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”) were as follows:

(a) Shares of the Company

Name of director	Number of shares of HK\$0.10 each				Percentage of issued share capital
	Personal interests (Note 2)	Corporate interests	Trust interests	Total interests	
Mr. Lam Wai Chun	24,531,188	434,555,660 (Note 3)	434,555,660 (Note 3)	459,086,848 (Note 3)	64.06%
Ms. Tang Fung Kwan	3,502,611	–	–	3,502,611	0.49%
Ms. Li Hong	548,000	–	–	548,000	0.08%
Mr. Au Son Yiu	5,617,440	–	–	5,617,440	0.78%
Dr. Tang Tin Sek	3,714,000	–	–	3,714,000	0.52%

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 434,555,660 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”). By virtue of his 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 434,555,660 shares in the corporate interests and trust interests related to the same block of shares in the Company and duplicated each other. Accordingly, Mr. Lam Wai Chun’s total interests of 459,086,848 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				Percentage of issued non-voting deferred shares
	Personal interests	Corporate interests	Family interests	Total interests	
Mr. Lam Wai Chun (Notes 4 and 5)	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 respectively in Coils Electronic Co., Limited, representing approximately 42.86% and approximately 3.57% respectively of the 14,000,000 non-voting deferred shares of HK\$1.00 each in the share capital of Coils Electronic Co., Limited. Mr. Lam Wai Chun was deemed to be interested in all these shares under the SFO by virtue of, in the case of shares held by Ka Yan China Development (Holding) Company Limited, the reasons set out in Note 3 to sub-paragraph (a) above and, in the case of Ms. Law Ching Yee, the fact that Ms. Law Ching Yee is the spouse of Mr. Lam Wai Chun.
- All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited 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 2007, 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 in the register kept by the Company pursuant to section 352 of 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 pursuant to the Model Code.

Save as disclosed above, as at 31 October 2007, 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 2007, according to the register required to be 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 Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"))

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trust interests	Beneficial owner	
Ms. Law Ching Yee	459,086,848 (Note 2)	-	-	-	64.06%
Ka Yan China Development (Holding) Company Limited	-	-	-	434,555,660 (Notes 2 and 3)	60.64%
Ka Yan China Investments Limited	-	431,555,660 (Notes 2 and 3)	-	-	60.22%
HSBC International Trustee Limited	-	-	431,555,660 (Notes 2 and 3)	-	60.22%

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

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trust interests	Beneficial owner	
Toko, Inc.	-	-	-	36,785,402	5.13%*

Notes:

- All the above interests in the shares of the Company were long positions.
- The 434,555,660 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. By virtue of Mr Lam Wai Chun being a founder of the Trust, Ms Law Ching Yee was deemed to be interested in all the shares held by her spouse, Mr. Lam Wai Chun, for the purpose of the SFO.
- The interests of Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited were in respect of the same 431,555,660 shares and duplicated each other. Such shares formed part of the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 31 October 2007, the actual duplicate interests held by Ka Yan China Investments Limited and HSBC International Trustee Limited in the Company was 434,555,660 shares which were also the same shares held by Ka Yan China Development (Holding) Company Limited as referred to in the Note 2 above.

* The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 October 2007 (i.e. 716,610,798 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 2007.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of rule 13.21 of the Listing Rules, the Company makes the following disclosures in relation to the details of the 2005 Agreement (as defined below) and the 2007 Agreement (as defined below), all of which include a condition relating to specific performance of the controlling shareholder of the Company:

- (a) On 27 April 2005, the Company (as borrower) entered into a 3-year transferable term loan and revolving credit facility agreement (the “2005 Agreement”) for an aggregate amount of HK\$243,000,000 (the “2005 Facility”) with Coils Electronic Co., Limited (“Coils”) and CEC-Coils Singapore Pte Ltd., being two indirect wholly-owned subsidiaries of the Company (collectively, as original guarantors), and a group of banks. The 2005 Facility consist of (1) a term loan for an aggregate amount of HK\$194,400,000 and (2) a revolving credit facility for an aggregate amount of HK\$48,600,000.
- (b) On 17 September 2007, the Company (as borrower), Coils (as original guarantor) and a group of banks entered into a 3-year transferable term loan facility agreement (the “2007 Agreement”) for an aggregate amount of HK\$300,000,000 (the “2007 Facility”).

Under the provisions of the 2005 Agreement and the 2007 Agreement, it would be an event of default, inter alia, if Mr. Lam Wai Chun, the Chairman of the Company and a controlling shareholder of the Company, ceases to be the Chairman of the Company or ceases to be involved actively in the management and business of the Group.

For the 2005 Facility, if the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2005 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2005 Facility, together with accrued interest, and all other amounts accrued or outstanding under all finance documents (including the 2005 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2005 Facility shall immediately become payable on demand. . All the outstanding indebtedness under the 2005 Agreement had been prepaid in October 2007.

For the 2007 Facility, if the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2007 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2007 Facility, together with accrued interest, and all other amounts accrued or outstanding under all finance documents (including the 2007 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2007 Facility shall immediately become payable on demand. As at 31 October 2007, the aggregate carrying value of the outstanding loan under the 2007 Agreement was approximately HK\$296,581,000.

OTHER INFORMATION

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 2007. 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 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied 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 2007, except for the deviation from the Code Provision A.4.1 which requires that non-executive directors should be appointed for a specific term, subject to re-election.

All the independent non-executive directors of the Company have not been appointed for a specific term, but are subject to retirement by rotation at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws of the Company. The Company considers that sufficient measure has been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group, the internal control of the Group and the Interim Report for the six months ended 31 October 2007.

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-month period to 31 October 2007. 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 2007.

By Order of the Board
Tang Fung Kwan
Deputy Chairman and Managing Director

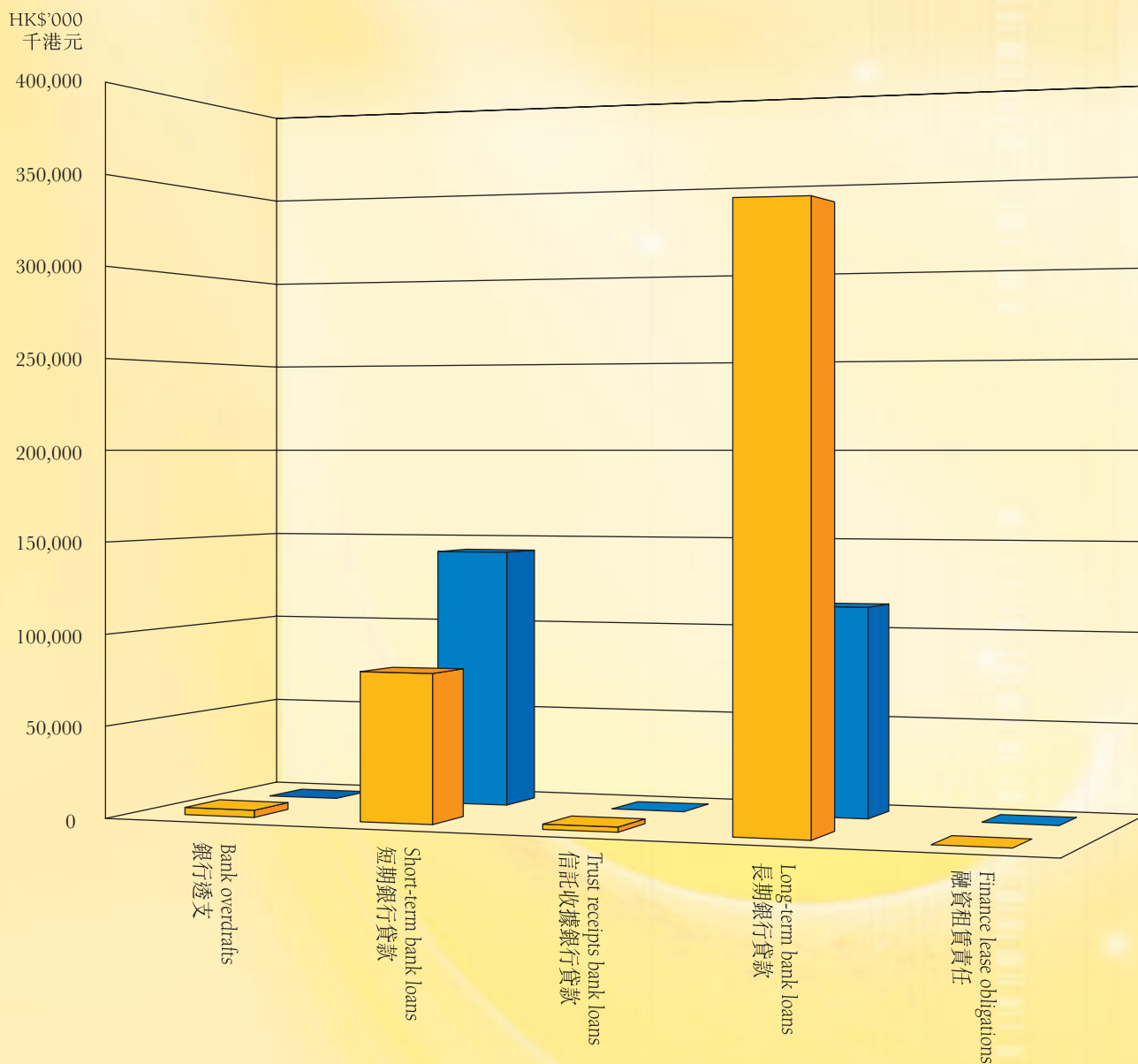
Hong Kong, 18 December 2007

Summary of credit facilities utilisation

融資 信貸動用摘要

As at 31 October 2007

於2007年10月31日



31/10/2007

30/4/2007

