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# CEC-COILS®

CEC國際控股有限公司  
CEC INTERNATIONAL HOLDINGS LIMITED

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

(Stock Code 股份代號 : 759)

INTERIM REPORT 2009/2010 中期報告

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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. Chung Wai Kin  
(*appointed on 29 September 2009*)

#### *Independent Non-executive Directors*

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

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### COMPANY SECRETARY

Ms. Ho Wing Yi

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*

### LEGAL ADVISERS

F. Zimmern & Co.  
Appleby

### PRINCIPAL BANKERS

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

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

### HEADQUARTERS IN MAINLAND CHINA

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

### SHARE REGISTRARS AND TRANSFER OFFICES

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

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

## 2009/2010 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 2009 and the unaudited condensed consolidated statement of financial position as at 31 October 2009 of the Group.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 31 October	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Revenue	2	261,067	394,959
Cost of sales		(208,373)	(327,564)
Gross profit		52,694	67,395
Other income – interest income		33	316
Other loss	3	(506)	(98)
Selling and distribution expenses		(4,717)	(7,739)
General and administrative expenses		(37,313)	(43,854)
Operating profit	4	10,191	16,020
Finance costs	5	(4,389)	(7,694)
Profit before taxation		5,802	8,326
Taxation	6	(3,712)	(1,190)
Profit for the period		2,090	7,136
Attributable to:			
– equity holders of the Company		2,090	7,129
– minority interest		–	7
		2,090	7,136
Earnings per share, basic and diluted	8	0.29 cent	0.99 cent

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 October	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
<b>Profit for the period</b>	<b>2,090</b>	7,136
<b>Other comprehensive income</b>		
Change in fair value on available-for-sale financial assets	271	(877)
Currency translation differences	(713)	6,612
<b>Total comprehensive income for the period</b>	<b>1,648</b>	12,871
<b>Total comprehensive income attributable to:</b>		
– equity holders of the Company	1,648	12,864
– minority interest	–	7
	<b>1,648</b>	12,871

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 October 2009 HK\$'000 (Unaudited)	As at 30 April 2009 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights	9	39,606	40,043
Property, plant and equipment	9	316,146	351,132
Investment properties	9	26,804	26,804
Available-for-sale financial assets		8,448	8,177
		<b>391,004</b>	<b>426,156</b>
<b>Current assets</b>			
Inventories		77,715	92,084
Accounts receivable	10	135,890	124,307
Prepayments, deposits and other receivables		6,816	5,757
Tax recoverable		-	652
Pledged bank deposits		25,672	27,690
Cash and cash equivalents		38,069	30,212
		<b>284,162</b>	<b>280,702</b>
<b>Total assets</b>		<b>675,166</b>	<b>706,858</b>
<b>EQUITY</b>			
Share capital	11	71,661	71,661
Reserves		336,561	334,913
<b>Total equity</b>		<b>408,222</b>	<b>406,574</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		20,660	54,012
Deferred income tax		5,304	5,871
		<b>25,964</b>	<b>59,883</b>
<b>Current liabilities</b>			
Borrowings		199,800	201,544
Accounts payable	12	20,355	18,145
Accruals and other payables		19,318	20,236
Taxation payable		1,507	476
		<b>240,980</b>	<b>240,401</b>
<b>Total liabilities</b>		<b>266,944</b>	<b>300,284</b>
<b>Total equity and liabilities</b>		<b>675,166</b>	<b>706,858</b>
<b>Net current assets</b>		<b>43,182</b>	<b>40,301</b>
<b>Total assets less current liabilities</b>		<b>434,186</b>	<b>466,457</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 October	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Net cash generated from operating activities	46,322	7,796
Net cash used in investing activities	(391)	(30,260)
Net cash used in financing activities	(39,354)	(17,030)
Increase/(decrease) in cash and cash equivalents	6,577	(39,494)
Translation adjustments	(575)	130
Cash and cash equivalents at beginning of period	30,212	70,316
Cash and cash equivalents at end of period	36,214	30,952
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	38,069	41,409
Bank overdrafts	(1,855)	(10,457)
	36,214	30,952

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company			Total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
	Share Capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000			
Balance at 1 May 2008	71,661	126,948	229,006	427,615	248	427,863
Profit for the period	–	–	7,129	7,129	7	7,136
Other comprehensive income:						
Change in fair value of available-for-sale financial assets	–	(877)	–	(877)	–	(877)
Currency translation differences	–	6,612	–	6,612	–	6,612
Total comprehensive income for the period ended 31 October 2008	–	5,735	7,129	12,864	7	12,871
2007/2008 final dividend	–	–	(3,583)	(3,583)	–	(3,583)
Balance at 31 October 2008	71,661	132,683	232,552	436,896	255	437,151
Balance at 1 May 2009	71,661	135,606	199,307	406,574	–	406,574
Profit for the period	–	–	2,090	2,090	–	2,090
Other comprehensive income:						
Change in fair value of available-for-sale financial assets	–	271	–	271	–	271
Currency translation differences	–	(713)	–	(713)	–	(713)
Total comprehensive income for the period ended 31 October 2009	–	(442)	2,090	1,648	–	1,648
Balance at 31 October 2009	71,661	135,164	201,397	408,222	–	408,222



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 April 2009.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2009, as described in those annual financial statements.

The following new standards and amendments to standards are mandatory for the first time for the Group’s financial year beginning 1 May 2009.

- HKAS 1 (revised), “Presentation of financial statements”. The revised standard prohibits the presentation of items of income and expenses (that is “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The Interim Financial Statements have been prepared under the revised disclosure requirements.

It has also introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements.

- HKFRS 8, “Operating segments”. HKFRS 8 replaces HKAS 14, “Segment reporting”. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to management.

- Amendment to HKFRS 7, “Financial instruments: disclosures”. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 30 April 2010.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The following new standards, amendments to standards and interpretations are mandatory for the first time for the Group's financial year beginning 1 May 2009, but are not currently relevant for the Group.

- HKAS 23 (amendment), "Borrowing costs".
- HKFRS 2 (amendment), "Share-based payment".
- HKAS 32 (amendment), "Financial instruments: presentation".
- HK(IFRIC) 9 (amendment), "Reassessment of embedded derivatives" and HKAS 39 (amendment), "Financial instruments: Recognition and measurement".
- HK(IFRIC) 13, "Customer loyalty programmes".
- HK(IFRIC) 15, "Agreements for the construction of real estate".
- HK(IFRIC) 16, "Hedges of a net investment in a foreign operation".
- HKAS 39 (amendment), "Financial instruments: Recognition and measurement".

The Group has not early adopted any new standards, amendments or interpretations which have been issued on or before 31 October 2009 but are not effective for the financial year ending 30 April 2010. The Group is in the process of assessing their impact on the Group's results and operations.

### 2. Segment information

The chief operating decision-maker ("management") reviews the Group's internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Management considers the business from product perspective. The Group has two reportable segments, namely (i) Electronic components manufacturing and (ii) Others (comprise rental income and service income from provision of information technology services). Segment information provided to management for decision-making is measured in a manner consistent with that in the financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. Segment information (continued)

	Six months ended 31 October 2009			Six months ended 31 October 2008		
	Electronic components manufacturing HK\$'000	Others HK\$'000	Total HK\$'000	Electronic components manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue						
Total sales	260,208	1,612	261,820	394,234	2,130	396,364
Intersegment sales	-	(753)	(753)	-	(1,405)	(1,405)
External sales	260,208	859	261,067	394,234	725	394,959
Segment results						
Operating profit	9,871	320	10,191	15,666	354	16,020
Finance costs			(4,389)			(7,694)
Profit before taxation			5,802			8,326
Taxation			(3,712)			(1,190)
Profit for the period			2,090			7,136
Additions to non-current assets	327	80	407	48,319	-	48,319
Depreciation and amortisation	35,073	27	35,100	36,389	26	36,415
Distribution cost and administrative expenses	41,821	209	42,030	51,273	320	51,593

	Electronic components manufacturing		Others		Total	
	As at 31/10/2009 HK\$'000	As at 30/4/2009 HK\$'000	As at 31/10/2009 HK\$'000	As at 30/4/2009 HK\$'000	As at 31/10/2009 HK\$'000	As at 30/4/2009 HK\$'000
	Segment assets	646,716	678,064	28,450	28,142	675,166
Unallocated assets					-	652
Total assets					675,166	706,858

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. Segment information (continued)

Geographical information

	Revenue		Non-current assets	
	Six months ended		As at 31/10/2009	As at 30/4/2009
	31 October			
	2009 HK\$'000	2008 HK\$'000	31/10/2009 HK\$'000	30/4/2009 HK\$'000
The PRC (including the Hong Kong Special Administrative Region)	208,350	312,023	390,512	425,532
Other regions	52,717	82,936	492	624
	<b>261,067</b>	394,959	<b>391,004</b>	426,156

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

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

For the six months ended 31 October 2009, revenues of approximately HK\$75,721,000 (2008: HK\$126,138,000) are derived from a single external customer. These revenues are attributable to the electronic components manufacturing segment.

### 3. Other loss

	Six months ended	
	31 October	
	2009 HK\$'000	2008 HK\$'000
Net loss on disposals and written off of property, plant and equipment	506	98

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. Operating profit

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

	Six months ended 31 October	
	2009 HK\$'000	2008 HK\$'000
Amortisation of leasehold land and land use rights	490	484
Cost of inventories sold	107,056	181,144
Depreciation of property, plant and equipment	34,610	35,931
Employee benefit expenses (including directors' emoluments)	70,632	105,712
Provision for impairment of accounts receivable	3,417	139
Inventory write-down/(reversal of inventory write-down)	1,347	(299)

### 5. Finance costs

	Six months ended 31 October	
	2009 HK\$'000	2008 HK\$'000
Interest expense	3,891	6,807
Amortisation of loan arrangement costs	498	887
	4,389	7,694

## 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% (2008: 16.5%) on the estimated assessable profit for the period. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 12.5% to 25% (2008: 12.5% to 25%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended 31 October	
	2009 HK\$'000	2008 HK\$'000
Hong Kong profits tax		
– current tax	3,012	917
– over-provision in prior year	–	(137)
Overseas taxation including Mainland China- current tax	1,267	1,884
Deferred taxation	(567)	(1,474)
	3,712	1,190

### 7. Dividend

The Board resolved not to declare any dividend in respect of the six months ended 31 October 2009 (2008: Nil).

### 8. Earnings per share

The calculation of basic earnings per share for the six months ended 31 October 2009 is based on the profit attributable to equity holders of the Company of approximately HK\$2,090,000 (2008: HK\$7,129,000) and the weighted average number of 716,610,798 (2008: 716,610,798) shares in issue during the period.

For the six months ended 31 October 2009 and 31 October 2008, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. Movements in capital expenditures

During the six months ended 31 October 2009, the additions to capital expenditures were approximately HK\$407,000 (2008: HK\$48,319,000); the total net book value of disposals and write-offs of property, plant and equipment was approximately HK\$522,000 (2008: HK\$103,000).

### 10. Accounts receivable

The aging analysis of accounts receivable is as follows:

	As at 31 October 2009 HK\$'000	As at 30 April 2009 HK\$'000
Current	112,281	112,380
Overdue by 0 – 1 month	14,915	8,701
Overdue by 1 – 2 months	6,321	1,192
Overdue by 2 – 3 months	2,373	2,034
Overdue by more than 3 months	5,650	3,093
	141,540	127,400
Less: provision for impairment of accounts receivable	(5,650)	(3,093)
	135,890	124,307

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 2009 HK\$'000	As at 30 April 2009 HK\$'000
Authorised:		
1,000,000,000 (As at 30 April 2009: 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 2009: 716,610,798) shares of HK\$0.10 each	71,661	71,661

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. Accounts payable

The aging analysis of accounts payable is as follows:

	As at 31 October 2009 HK\$'000	As at 30 April 2009 HK\$'000
Current	19,329	17,635
Overdue by 0 – 1 month	856	111
Overdue by 1 – 2 months	9	33
Overdue by 2 – 3 months	–	71
Overdue by more than 3 months	161	295
	<b>20,355</b>	<b>18,145</b>

### 13. Share options scheme

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

During the six months ended 31 October 2009, no option was granted under the Scheme (2008: Nil).

### 14. Capital commitments

	As at 31 October 2009 HK\$'000	As at 30 April 2009 HK\$'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	1,998	108

### 15. Related party transactions

	Six months ended 31 October	
	2009 HK\$'000	2008 HK\$'000
(a) Rental expenses paid to a related company which is owned by a director of the Company	242	–
(b) Key management compensation is as below:		
Wages and salaries	2,885	2,951
Pension costs – defined contribution plans	207	251
	<b>3,092</b>	<b>3,202</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

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### BUSINESS REVIEW

For the six months ended 31 October 2009, revenue of the Group amounted to HK\$261,067,000 (2008: HK\$394,959,000), slipping 34% as compared with that of the corresponding period last year. Gross profit was HK\$52,694,000 (2008: HK\$67,395,000), falling 22% as compared with that of the corresponding period last year. Profit attributable to equity holders of the Company reduced to HK\$2,090,000 (2008: HK\$7,129,000), representing a drop of 71%. However, comparing with the business in the second half of last financial year, revenue and gross profit marked an increase of 19% and 94% respectively, which indicates that the order has been recovering steadily from the previous low level and that the business of the Group has been moving towards a stable development phase under the Group's cautious and strong sales strategy. During the period under review, gross profit margin was 20.2% (2008: 17.1%), increasing by a percentage of 3.1 as compared with that of the corresponding period last year. In respect of operating expenses, selling and distribution expenses and general and administrative expenses were HK\$4,717,000 (2008: HK\$7,739,000) and HK\$37,313,000 (2008: HK\$43,854,000) respectively, lowering 39% and 15% respectively as compared with those of the corresponding period last year.

In respect of working capital, the accounts receivable of the Group was HK\$135,890,000 (30 April 2009: HK\$124,307,000) as at 31 October 2009, reporting an increase of about 9% as compared with that of the financial year-end date of last year. Since the revenue during the period under review recorded an uplift of about 19% as compared with the revenue of HK\$219,573,000 in the second half of last financial year, the Group will continue to closely monitor the quality of the accounts receivable and adopt stringent credit policy. As at 31 October 2009, inventory of the Group was HK\$77,715,000 (30 April 2009: HK\$92,084,000), decreasing approximately 16% as compared with that of the financial year-end date of last year. The continuous reduction in inventory was mainly attributed to the Group's tremendous effort in enhancing the material utilization of the production workflow. Besides, the closure of some under-performing factories during last year also caused the fall of overall inventory level. The Group's accounts payable was HK\$20,355,000 (30 April 2009: HK\$18,145,000).



## MANAGEMENT DISCUSSION AND ANALYSIS

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### FINANCIAL REVIEW

#### *Fund Surplus and Liabilities*

As at 31 October 2009, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$63,741,000 (30 April 2009: HK\$57,902,000). As at 31 October 2009, the Group had aggregate banking facilities (excluding that of foreign exchange derivative financial instrument) of approximately HK\$346,887,000 (30 April 2009: HK\$396,613,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK\$126,018,000 (30 April 2009: HK\$138,239,000). As at 31 October 2009, approximately HK\$114,869,000 of the total used facilities were secured by charges on the Group's certain accounts receivables, pledges of the Group's bank deposits and available-for-sale financial assets. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 31 October 2009, the Group could comply with such financial covenants.

As at 31 October 2009, the Group's total borrowings granted from banks amounted to HK\$220,460,000 (30 April 2009: HK\$255,556,000), of which HK\$199,800,000 (30 April 2009: HK\$201,544,000) was current and will be repayable within one year, and HK\$20,660,000 (30 April 2009: HK\$54,012,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. As at 31 October 2009, the Group's gearing ratio\* was 0.31 (30 April 2009: 0.36), reporting a decrease of 0.05 as compared with that of the financial year-end date of last year. Moreover, the Group did not have any contingent liabilities (30 April 2009: Nil) as at the same date.

(\* The ratio of (total borrowings less cash and cash equivalents) over (total borrowings less cash and cash equivalents plus total equity))

#### *Financial Resources and Capital Structure*

For the six months ended 31 October 2009, the Group's net cash inflow (increase in cash and cash equivalents) was HK\$6,577,000 (2008: net cash outflow of HK\$39,494,000). The net cash inflow from operating activities was HK\$46,322,000 (2008: HK\$7,796,000). The net cash outflow from financing activities was HK\$39,354,000 (2008: HK\$17,030,000). Currently, financial leverage of the Group has been lowered gradually, significantly enhancing the company's safety in sustaining business under the severely unpleasant market conditions. In addition, the Group's interest expenses amounted to HK\$3,891,000 (2008: HK\$6,807,000), reducing 43% as compared with that of the corresponding period last year.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (continued)

#### Financial Resources and Capital Structure (continued)

The Group did not have any material fixed asset investment project during the period under review. For the six months ended 31 October 2009, net cash outflow from investing activities was HK\$391,000 (2008: HK\$30,260,000).

#### Cash Flow Summary

	For the six months ended 31 October	
	2009 HK\$'000	2008 HK\$'000
Net cash inflow from operating activities	46,322	7,796
Net cash outflow from investing activities	(391)	(30,260)
Net cash outflow from financing activities	(39,354)	(17,030)
Increase/(decrease) in cash and cash equivalents	6,577	(39,494)

As at 31 October 2009, the Group's net current assets was HK\$43,182,000 (30 April 2009: HK\$40,301,000) and the current ratio was 1.18 (30 April 2009: 1.17).

#### Charges on Assets

As at 31 October 2009, certain assets of the Group with an aggregate carrying value of approximately HK\$47,228,000 (30 April 2009: HK\$50,871,000) were pledged to secure banking facilities of the Group.

#### Exchange Risk

The Group's business is mainly conducted in Hong Kong, Mainland China and South-east Asia. The major revenue currencies are primarily denominated in Hong Kong dollar, Renminbi and United States dollar whilst the major currencies in purchase commitments are primarily denominated in Hong Kong dollar, Renminbi and United States dollar. Recently, the United States dollar has persistently weakening against world's major currencies, and there have been news frequently from the market revealing the expectation on the rise of exchange rate of Renminbi to United States dollar. In the event of a remarkable appreciation of Renminbi against United States dollar, the Group might experience additional cost pressure. In this connection, the management will closely monitor the fluctuation trend of Renminbi.



## MANAGEMENT DISCUSSION AND ANALYSIS

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### FUTURE PROSPECTS

The financial tsunami arose last year induced the devastating fluctuation of order of the Group. During the period under review, the demand from the electronic consumer market stabilized to some extent. However, as the market environment is still uncertain, it is difficult to predict the future market movement at this stage. To safeguard against any uncertain market condition in the future, the Group will undertake a progressive sales approach and will concentrate resources mainly in servicing the existing customers and complying with their business development plans. The Group will also continue to adopt “budgeting expenditure by income” as its operating principle; further tightening the operating expenses, making full use of its resources and further optimizing its break-even-point so as to strengthen its ability to sustain business when encountering market fluctuations.

The Group will dedicate its effort in improving its financial structure and lowering financial risk, and hence shall maintain a prudent financial management policy. Apart from reducing expenditure, the Group will endeavor its best effort in controlling the accounts receivable and inventory level, so as to increase the flexibility of utilizing working capital and improve the cash flow level.

### EMPLOYEES

After the large-scaled staff cut-off during last year, the present total number of staff reduced 40% as compared with that of the corresponding period last year. As at 31 October 2009, the Group employed approximately 4,590 staff (2008: 7,600), including approximately 4,130 production staff and 460 management staff at all levels. In response to the present operation arrangement, the Group will cut off the positions in the Hong Kong headquarter by approximately twenty percent, based on the actual job requirements, in the second half of the financial year. On the other hand, the Group will hire approximately twenty percent additional production staff in each production plant in Mainland China to accommodate the future order demand. The remuneration of the employees is determined by reference to market benchmark, individual performance and work experience, subject to periodic review. Other agreed employee benefits include pension scheme, medical insurance, on-job training, education subsidy and other social security fund and paid leaves stipulated under the relevant jurisdiction of places of operation. Pursuant to the Company's share option scheme, options may be granted to eligible employees to subscribe for shares in the Company. During the period under review, no option was granted under the scheme (2008: Nil).



## OTHER INFORMATION

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 October 2009, 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	Trust 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)	65.90%
Ms. Tang Fung Kwan	4,194,611	–	–	4,194,611	0.59%
Ms. Li Hong	548,000	–	–	548,000	0.08%
Mr. Au Son Yiu	6,257,440	–	–	6,257,440	0.87%
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 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”). 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 2009, 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 2009, 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 2009, 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)	–	–	65.90%
Ka Yan China Development (Holding) Company Limited	442,295,660 (Notes 2 and 3)	–	–	–	61.72%
Ka Yan China Investments Limited	–	–	442,295,660 (Notes 2 and 3)	–	61.72%
HSBC International Trustee Limited	–	–	–	442,295,660 (Notes 2 and 3)	61.72%

*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	–	–	–	5.13% (Note 4)

## OTHER INFORMATION

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

#### Shares of the Company *(continued)*

Notes:

1. All the above interests in the shares of the Company were long positions.
2. 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.
3. 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 2009, 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.
4. The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 October 2009 (i.e. 716,610,798 shares).

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 31 October 2009.

### 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 disclosure in relation to the details of the 2007 Agreement (as defined below), which includes a condition relating to specific performance of the controlling shareholder of the Company:

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



## OTHER INFORMATION

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### DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES *(continued)*

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

If the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2007 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2007 Facility, together with the accrued interest, and all other amounts accrued or outstanding under all finance documents (including the 2007 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2007 Facility shall immediately become payable on demand. As at 31 October 2009, the aggregate outstanding loan under the 2007 Agreement was approximately HK\$100,000,000.

### 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 2009. 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 2009.

### CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules for the six months ended 31 October 2009, except for the following deviations:

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

Three 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 meetings of the Company at least once every three years in accordance with the Bye-laws of the Company. The Company intended to comply with Code Provision A.4.1 by entering into a letter of appointment with specific term with each of the non-executive directors of the Company upon their respective re-election. The other two independent non-executive directors have entered into their respective letters of appointment with specific term upon their re-election at the annual general meeting held on 29 September 2009.

## OTHER INFORMATION

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

2. Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Before 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the “CEO”) were performed by two different executive directors of the Company. Due to the re-allocation of the respective duties of the executive directors of the Company, Mr. Lam Wai Chun, the Chairman of the Board, has been appointed as the Managing Director of the Company with effect from 29 September 2009 and has carried out the responsibilities of the CEO since then. This constitutes a deviation from Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, as Mr. Lam Wai Chun is the founder of the Group and possesses substantial and valuable experience in the industry that is relevant to the Group’s operation, the Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders.

### DISCLOSURE OF INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under rule 13.51B(1) of the Listing Rules, the changes of information of directors are as follows:

Dr. Tang Tin Sek, the independent non-executive director of the Company, retired as an independent non-executive director of Wai Chun Group Holdings Limited, a company listed on the Stock Exchange, on 28 September 2009.

Mr. Goh Gen Cheung, the independent non-executive director of the Company, is an independent non-executive director of Beijing Properties (Holdings) Limited (formerly known as Peaktop International Holdings Limited), a company listed on the Stock Exchange. The change of name of such listed company became effective during the period under review.

### AUDIT COMMITTEE

The Audit Committee of the Company currently 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 2009.

## OTHER INFORMATION

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### 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 2009. 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 2009.

By Order of the Board

**Lam Wai Chun**

*Chairman*

Hong Kong, 14 December 2009

# Summary

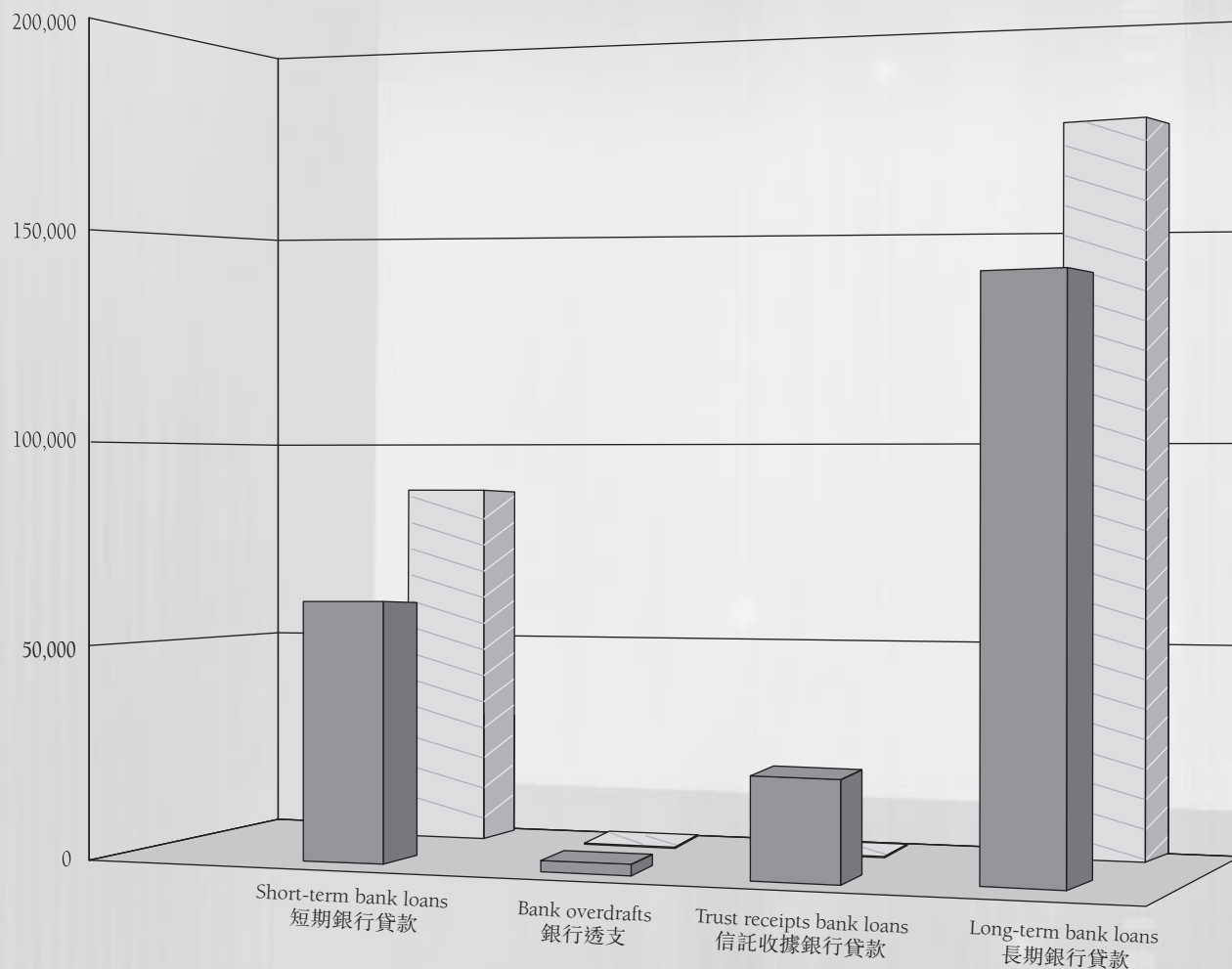
of credit facilities utilisation

## 融資 信貸動用摘要

As at 31 October 2009

於2009年10月31日

HK\$'000  
千港元



■ 31/10/2009

▨ 30/4/2009

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