CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

CEC 國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 759)

2010/2011 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of CEC International Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 October 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 31 October	
		2010	2009
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	2	**328,648**	261,067
Cost of sales		**(261,040)**	(208,373)
Gross profit		**67,608**	52,694
Other income		**14**	33
Other loss	3	**(2,548)**	(506)
Selling and distribution expenses		**(5,851)**	(4,717)
General and administrative expenses		**(37,329)**	(37,313)
Operating profit	4	**21,894**	10,191
Finance costs	5	**(3,422)**	(4,389)
Profit before taxation		**18,472**	5,802
Taxation	6	**(5,760)**	(3,712)
Profit for the period		**12,712**	2,090
Earnings per share, basic and diluted	8	**1.82 cents**	0.29 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 October	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**12,712**	2,090
Other comprehensive income		
Change in fair value on available-for-sale financial assets	**382**	271
Currency translation differences	**7,854**	(713)
Total comprehensive income for the period	**20,948**	1,648

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 October 2010** ***HK$'000*** **(Unaudited)**	As at 30 April 2010 *HK$'000* (Restated)
ASSETS			
Non-current assets			
Land use rights		**20,724**	20,681
Property, plant and equipment		**281,345**	301,580
Investment properties		**60,108**	44,020
Available-for-sale financial assets		**8,977**	8,612
Deposit for acquisition of property, plant and equipment and investment properties		**2,759**	–
		373,913	374,893
Current assets			
Inventories		**85,729**	82,605
Accounts receivable	9	**143,146**	131,647
Prepayments, deposits and other receivables		**8,009**	7,701
Pledged bank deposits		**25,676**	25,680
Cash and cash equivalents		**32,788**	27,080
		295,348	274,713
Total assets		**669,261**	649,606
EQUITY			
Share capital		**69,058**	71,661
Reserves		**363,157**	347,111
Total equity		**432,215**	418,772
LIABILITIES			
Non-current liabilities			
Deferred income tax		**4,362**	4,065
Current liabilities			
Borrowings		**167,513**	182,104
Accounts payable	10	**32,339**	20,416
Accruals and other payables		**21,813**	19,001
Taxation payable		**11,019**	5,248
		232,684	226,769
Total liabilities		**237,046**	230,834
Total equity and liabilities		**669,261**	649,606
Net current assets		**62,664**	47,944
Total assets less current liabilities		**436,577**	422,837

Notes:

1. **Basis of preparation and accounting policies**

These unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 April 2010.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2010, as described in those annual financial statements.

(a) HKAS 17 (amendment), "Leases", deletes specific guidance regarding the classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 May 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 May 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land and land use rights from operating leases to finance leases.

(b) On 29 November 2010, the HKICPA issued HK Interpretation 5 - Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. This interpretation states that liability, which may be callable by the lender at any time without cause (an overriding right of demand), must be classified as a current liability in accordance with HKAS 1. In prior years, the Group classified the borrowings based on the maturity of the borrowings. The effective of the interpretation has resulted in a change in the accounting policy relating to the classification of borrowings as current liabilities and non-current liabilities and the Group has reclassified certain borrowings from non-current liabilities to current liabilities.

The effect of change in accounting policies on the adoption of above is as below:

Condensed consolidated statement of financial position:

	As at 31 October 2010 *HK$'000*	**As at 30 April 2010** *HK$'000*	**As at 1 May 2009** *HK$'000*
Decrease in land use rights *(note 1(a))*	(16,612)	(16,838)	(18,922)
Increase in property, plant and equipment *(note 1(a))*	16,612	16,838	18,922
Decrease in borrowings – non-current liabilities *(note 1(b))*	(7,294)	(12,599)	(4,121)
Increase in borrowings – current liabilities *(note 1(b))*	7,294	12,599	4,121

	As at 30 April 2010 (Originally stated) *HK$'000*	**Adjustments** *HK$'000*	**As at 30 April 2010 (Restated)** *HK$'000*
Land use rights *(note 1(a))*	37,519	(16,838)	20,681
Property, plant and equipment *(note 1(a))*	284,742	16,838	301,580
Borrowings – non-current liabilities *(note 1(b))*	12,599	(12,599)	–
Borrowings – current liabilities *(note 1(b))*	169,505	12,599	182,104

	As at 1 May 2009 (Originally stated) *HK$'000*	**Adjustments** *HK$'000*	**As at 1 May 2009 (Restated)** *HK$'000*
Land use rights *(note 1(a))*	40,043	(18,922)	21,121
Property, plant and equipment *(note 1(a))*	351,132	18,922	370,054
Borrowings – non-current liabilities *(note 1(b))*	54,012	(4,121)	49,891
Borrowings – current liabilities *(note 1(b))*	201,544	4,121	205,665

Condensed consolidated income statement:

	Six months ended 31 October	
	2010	**2009**
	HK$'000	*HK$'000*
Decrease in amortisation *(note 1(a))*	(227)	(248)
Increase in depreciation *(note 1(a))*	227	248

The following amendments to the standards and interpretations are mandatory for the first time for the Group's financial year beginning 1 May 2010, but are not currently relevant for the Group.

HKFRSs (amendment)	Improvements to HKFRSs 2009 (excluding HKAS 17 (amendment) "Leases")
HKFRS 1 (amendment)	Additional exemptions for first-time adopters
HKFRS 2 (amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (revised)	Business combinations
HKFRS 5 (amendment)	Non-current asset held for sale and discontinued operations
HKAS 27 (revised)	Consolidated and separate financial statements
HKAS 39 (amendment)	Eligible hedged items
HK(IFRIC)- Int 17	Distributions of non-cash assets to owners

2. Segment information

The Executive Directors of the Group ("management") review the Group's internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Management considers the business from product perspective. The Group has two reportable segments, namely (i) Electronic components manufacturing and (ii) Others (comprising rental income, retail sales 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.

	Six months ended 31 October 2010			Six months ended 31 October 2009		
	Electronic components manufacturing	**Others**	**Total**	Electronic components manufacturing	Others	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
Total sales	**326,481**	**3,160**	**329,641**	260,208	1,612	261,820
Intersegment sales	**–**	**(993)**	**(993)**	–	(753)	(753)
External sales	**326,481**	**2,167**	**328,648**	260,208	859	261,067
Segment results						
Operating profit/(loss)	**23,892**	**(1,998)**	**21,894**	9,871	320	10,191
Finance costs			**(3,422)**			(4,389)
Profit before taxation			**18,472**			5,802
Taxation			**(5,760)**			(3,712)
Profit for the period			**12,712**			2,090
Additions to non-current assets (other than financial instruments)	**5,254**	**17,884**	**23,138**	327	80	407
Depreciation and amortisation	**26,404**	**19**	**26,423**	35,073	27	35,100
Distribution cost and administrative expenses	**41,886**	**1,294**	**43,180**	41,821	209	42,030

	Electronic components manufacturing		**Others**		**Total**	
	As at 31 October 2010	As at 30 April 2010	**As at 31 October 2010**	As at 30 April 2010	**As at 31 October 2010**	As at 30 April 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**604,312**	603,695	**64,949**	45,911	**669,261**	649,606
Segment liabilities	**53,577**	39,221	**575**	196	**54,152**	39,417
Borrowings	**167,513**	182,104	**–**	–	**167,513**	182,104
Unallocated liabilities					**15,381**	9,313
Total liabilities					**237,046**	230,834

Geographical information

	Revenue Six months ended 31 October		Non-current assets	
			As at 31 October	As at 30 April
	2010	2009	**2010**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including the Hong Kong Special Administrative Region)	**264,609**	208,350	**373,662**	374,516
Other regions	**64,039**	52,717	**251**	377
	328,648	261,067	**373,913**	374,893

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 2010, revenues of approximately HK$103,317,000 (2009: HK$75,721,000) are derived from a single external customer. These revenues are attributable to the electronic components manufacturing segment.

Analysis of revenue by category

	Six months ended 31 October	
	2010	2009
	HK$'000	*HK$'000*
Sales of goods	**327,489**	260,208
Rental income	**1,159**	847
Service income from provision of information technology services	**–**	12
	328,648	261,067

3. Other loss

	Six months ended 31 October	
	2010	2009
	HK$'000	*HK$'000*
Net loss on disposals and written off of property, plant and equipment	**2,548**	506

4. Operating profit

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

	Six months ended 31 October	
	2010	2009
	HK$'000	*HK$'000*
		(restated)
Amortisation of land use rights	**245**	242
Raw materials and consumables used	**151,699**	107,405
Change in inventories of finished goods and work in progress	**(16,562)**	(349)
Depreciation of property, plant and equipment	**26,178**	34,858
Employee benefit expenses (including directors' emoluments)	**87,709**	70,632
Provision for impairment of accounts receivable	**399**	3,417
Inventory write-down	**1,009**	1,347

5. Finance costs

	Six months ended 31 October	
	2010	2009
	HK$'000	*HK$'000*
Interest expense	**3,313**	3,891
Amortisation of loan arrangement costs	**109**	498
	3,422	4,389

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% (2009: 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% (2009: 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	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**3,756**	3,012
Overseas taxation including Mainland China		
– current tax	**1,738**	1,267
– over-provision in prior year	**(31)**	–
Deferred taxation	**297**	(567)
	5,760	3,712

7. Dividend

The Board resolved not to declare any dividend in respect of the six months ended 31 October 2010 (2009: Nil).

8. Earnings per share

The calculation of basic earnings per share for the six months ended 31 October 2010 is based on the consolidated profit for the period of approximately HK$12,712,000 (2009: HK$2,090,000) and the weighted average number of 699,916,109 (2009: 716,610,798) shares in issue during the period.

For the six months ended 31 October 2010 and 3l October 2009, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

9. Accounts receivable

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

	As at 31 October 2010 *HK$'000*	As at 30 April 2010 *HK$'000*
0-30 days	**55,776**	56,827
31-60 days	**48,133**	40,370
61-90 days	**21,825**	11,147
91-120 days	**7,453**	8,239
Over 120 days	**13,424**	21,158
	146,611	137,741
Less: provision for impairment of receivables	**(3,465)**	(6,094)
	143,146	131,647

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.

10. Accounts payable

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

	As at 31 October 2010 *HK$'000*	As at 30 April 2010 *HK$'000*
0-30 days	**29,405**	19,532
31-60 days	**1,749**	204
61-90 days	**418**	97
91-120 days	**115**	137
Over 120 days	**652**	446
	32,339	20,416

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Driven by global economic growth, revenue of the Group for the six months ended 31 October 2010 was HK$328,648,000 (2009: HK$261,067,000), representing approximately 26% growth when compared to that of the corresponding period last year. Despite the efforts in improving the cost effectiveness of production flow and application of materials, factors such as the soaring of labour cost, metal raw materials and energy prices over the period had off-set some of the advantages. During the period, gross profit of the Group was HK$ 67,608,000 (2009: HK$52,694,000), increased by about 28%. Gross profit margin was similar to that of the corresponding period last year, reaching 20.6% (2009: 20.2%). In addition to the lifting of revenue, growth of consolidated profits of the Group was relatively higher in proportion, amounting to HK$12,712,000 (2009: HK$ 2,090,000). Net profit to revenue ratio was 3.87% (2009: 0.80%).

As at 31 October 2010, accounts receivable of the Group was HK$143,146,000 (30 April 2010: HK$ 131,647,000), representing about 9% increase from the previous financial year-end date, which was mainly attributable to the augment resulting from the rising of revenue of the Group during the period than the second half of last year. Turnover day of accounts receivable was 10 days quicker than that of last financial year-end date, amounting to 77 days (30 April 2010: 87 days). Inventories jumped to HK$85,729,000 (30 April 2010: HK$82,605,000), slightly rising about 4% as compared with that of last financial year-end date, the growth rate of which was significantly lower than the growth rate of revenue in the second half of last year.

Owing to the Group's stringent control over its costs, general and administrative expenses over the period was HK$37,329,000 (2009: HK$37,313,000), similar to that of the corresponding period last year.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 31 October 2010, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$58,464,000 (30 April 2010: HK$52,760,000). As at 31 October 2010, the Group had aggregate banking facilities (excluding that of foreign exchange derivative financial instrument) of HK$227,560,000 (30 April 2010: HK$283,221,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK$58,033,000 (30 April 2010: HK$100,686,000). As at 31 October 2010, all 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 2010, the Group could comply with such financial covenants.

As at 31 October 2010, the Group's total borrowings from banks amounted to HK$167,513,000 (30 April 2010: HK$182,104,000). As at 31 October 2010, the Group's gearing ratio* was 0.20 (30 April 2010: 0.24), reporting a decrease of 0.04 as compared with that of the last financial year-end date. Moreover, the Group did not have any contingent liabilities (30 April 2010: Nil) as at the same date.

(The ratio of (total borrowings less bank balances and cash) over (total borrowings less bank balances and cash plus total equity))*

Interest Expenses

To strengthen financial security, the Group has been committed to lowering its financial leverage ratio since the economic tsunami. With the decline in our general borrowing level, interest expenses of the Group for the six months ended 31 October 2010 slipped by about 15% as compared with that of the corresponding period last year, amounting to HK$3,313,000 (2009: HK$3,891,000).

Financial Resources and Capital Structure

For the six months ended 31 October 2010, the Group's net cash outflow was HK$5,086,000 (2009: net cash inflow of HK$6,577,000). The net cash inflow from operating activities was HK$53,359,000 (2009: HK$46,322,000), increasing approximately 15%. The net cash outflow from investing activities was HK$23,137,000 (2009: HK$391,000), which was mainly used for the purchase of investment properties for rental income purposes. The net cash outflow from financing activities was HK$35,308,000 (2009: HK$39,354,000).

Cash Flow Summary	For the six months ended 31 October	
	2010	2009
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**53,359**	46,322
Net cash outflow from investing activities	**(23,137)**	(391)
Net cash outflow from financing activities	**(35,308)**	(39,354)
(Decrease)/increase in cash and cash equivalents	**(5,086)**	6,577

As at 31 October 2010, the Group's net current assets was HK$62,664,000 (30 April 2010: HK$47,944,000) and the current ratio was 1.27 (30 April 2010: 1.21).

Charges on Assets

As at 31 October 2010, certain assets of the Group with an aggregate carrying value of approximately HK$71,307,000 (30 April 2010: HK$60,613,000) 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. If Renminbi has remarkable appreciation, the Group might experience additional cost pressure. In this connection, the management will closely monitor the fluctuation trend of Renminbi.

Employees

As at 31 October 2010, the Group employed approximately 4,900 staff (2009: 4,590), of which 4,420 (2009: 4,130) are production staff and 480 (2009: 460) are management staff at all levels. The remuneration of the employees is determined by reference to market benchmark, individual performance, academic qualification and work experience, subject to periodic review. Other agreed employee benefits includes pension scheme, medical insurance, on-job training, education subsidy and other social security and paid leaves stipulated under the relevant jurisdiction of places of operation. Pursuant to the Company's share option scheme, options may be granted to eligible employees to subscribe for shares in the Company. During the period under review, no option was granted under the scheme (2009: Nil)

Future Prospects

Despite that the external operating environment remains uncertain, the Group is optimistic in maintaining a growth of revenue in the second half of the year. Nevertheless, the adverse impact from the expectation of Renminbi appreciation, high rising raw materials price, shortage of labour, continuous rocketing of the operation and labour cost in Mainland China will inevitably post huge stress to the Group's overall profit margin in the second half of the year.

In the past few years, we have been focusing on optimizing and enhancing product design and production efficiency to reduce materials and production costs. We will continue to uphold this operation principle and speed up automation process so as to lower the dependence on labour intensive work flow. In the meantime, the coil products of the Group are essential components in electronic circuits and are extensively applied in various electronic appliance and lighting products. Our customers are widely distributed in various electronic industries. We will strengthen key market developments towards industry leaders of different ranges of products so as to deepen the Group's penetration in different areas of electronic products.

The Group is also dedicated to exploring diversified business opportunity dynamically to turn a new page for the Group's development in the next stage.

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

During the six months ended 31 October 2010, the Company acquired an aggregate of 26,034,000 of its own shares through purchases on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$7,433,540 with a view to benefit its shareholders as a whole in enhancing the net assets and earnings per share of the Company. Details of the repurchases are as follows:

Month of repurchase	Number of shares repurchased	Purchase price per share Highest	Lowest	Aggregate consideration
		(HK$)	*(HK$)*	*(HK$)*
May 2010	16,738,000	0.295	0.250	4,765,390
September 2010	1,590,000	0.280	0.260	427,670
October 2010	7,706,000	0.310	0.280	2,240,480
	26,034,000			7,433,540
		Total expenses on shares repurchased		71,473
				7,505,013

All the 26,034,000 shares repurchased were cancelled on delivery of the share certificates during the six months ended 31 October 2010. The issued share capital of the Company was accordingly reduced by the par value of the repurchased shares so cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 31 October 2010.

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 2010, 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.

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

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

   Before 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the "CEO") were performed by two different executive directors of the Company. Due to the re-allocation of the respective duties of the executive directors of the Company, Mr. Lam Wai Chun, the Chairman of the Board, has been appointed as the Managing Director of the Company with effect from 29 September 2009 and has carried out the responsibilities of the CEO since then. This constitutes a deviation from Code Provision A.2.1 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.

AUDIT COMMITTEE

The Audit Committee of the Company, currently comprising four independent non-executive directors of the Company, has reviewed the accounting principles and practices adopted by the Group, the internal control of the Group and the interim results for the six months ended 31 October 2010.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 7 December 2010

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Ms. Li Hong and Mr. Chung Wai Kin; and five Independent Non-executive Directors, namely Mr. Au Son Yiu, Mr. Lee Wing Kwan, Denis, Dr. Tang Tin Sek, Mr. Goh Gen Cheung and Professor Zhu Yuhe.

Websites: http://www.0759.com
http://www.ceccoils.com
http://www.irasia.com/listco/hk/cecint

* *For identification purpose only*