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CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

CEC 國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 759)

2013/2014 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of CEC International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 October 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 31 October	
		2013	2012
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**857,786**	611,666
Cost of sales		**(601,745)**	(453,058)
Gross profit		**256,041**	158,608
Selling and distribution expenses		**(159,305)**	(91,472)
General and administrative expenses		**(71,397)**	(54,992)
Operating profit	*3*	**25,339**	12,144
Finance income		**16**	15
Finance costs		**(7,557)**	(6,343)
Finance costs – net	*4*	**(7,541)**	(6,328)
Profit before taxation		**17,798**	5,816
Taxation	*5*	**(4,754)**	(1,761)
Profit for the period		**13,044**	4,055
Earnings per share, basic and diluted	*6*	**1.96 cents**	0.61 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 October	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**13,044**	4,055
Other comprehensive income – items that may be reclassified to income statement		
Change in fair value on available-for-sale financial assets	**(357)**	184
Currency translation differences	**4,151**	(1,900)
Other comprehensive income/(loss) for the period	**3,794**	(1,716)
Total comprehensive income for the period	**16,838**	2,339

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 October 2013 HK$'000 (Unaudited)	As at 30 April 2013 HK$'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		**20,490**	20,645
Property, plant and equipment		**488,068**	480,700
Investment properties		**76,065**	76,065
Available-for-sale financial assets		**9,321**	9,686
Prepaid rent on operating leases		**45,293**	33,166
Deposits paid for acquisition of property, plant and equipment		**3,762**	3,212
Deferred tax assets		**1,429**	1,115
		644,428	624,589
Current assets			
Inventories		**165,164**	163,021
Accounts receivable	*8*	**101,944**	106,928
Deposits, prepayments and other receivables		**37,032**	26,555
Pledged bank deposits		**32,691**	27,616
Cash and cash equivalents		**90,670**	81,004
		427,501	405,124
Total assets		**1,071,929**	1,029,713
EQUITY			
Share capital		**66,619**	66,619
Reserves			
Proposed final dividend		**–**	3,331
Others		**448,834**	431,996
Total equity		**515,453**	501,946
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**1,731**	1,669
Provision for reinstatement cost		**4,120**	3,575
		5,851	5,244
Current liabilities			
Borrowings	*9*	**460,116**	431,137
Accounts payable	*10*	**30,029**	32,352
Accruals and other payables		**54,191**	54,033
Taxation payable		**6,289**	5,001
		550,625	522,523
Total liabilities		**556,476**	527,767
Total equity and liabilities		**1,071,929**	1,029,713
Net current liabilities		**(123,124)**	(117,399)
Total assets less current liabilities		**521,304**	507,190

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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

At 31 October 2013, the Group's current liabilities exceeded its current assets by approximately HK$123,124,000 mainly as a result of a portion of the bank borrowings contractually due for repayment after one year that contain a repayment on demand clause amounting to approximately HK$119,586,000 have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause".

The directors closely monitor the Group's financial performance and liquidity position. They have prepared cash flow projection of the Group for the coming twelve months by taking into account all information that could reasonably be expected to be available including, among others, that it is not probable that the relevant banks will exercise its discretion to demand immediate repayment. The directors believe that the bank borrowings will be repaid in accordance with the scheduled dates set out in the relevant loan agreements and that the banking facilities with the principal banks will be renewed when their current terms expire given the good track records and relationship the Group has with the banks. Under these circumstances, the directors are of the opinion that the Group will have adequate financial resources to support its operations and will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the Interim Financial Statements on a going concern basis.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2013, as described in those annual financial statements.

The Group has adopted the following amendment to standard which is mandatory for the first time for the Group's financial year beginning 1 May 2013 and relevant for the Group:

Presentation of the consolidated statement of comprehensive income has been modified to meet the requirements of HKAS 1 (Amendments) "Presentation of Items of Other Comprehensive Income".

In the current period, the Group has also adopted the following new standards and amendments to standards issued by the HKICPA which are mandatory and relevant to the Group's operations for the accounting period beginning on 1 May 2013. The adoption of these new standards and amendments to standards has no material impact on the Group's results and financial position.

HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 7 (Amendment)	Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 13	Fair value measurement
Annual improvement project	Annual improvement 2009-2011 cycle

The following new standards, new interpretations and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 May 2013 and have not been early adopted:

HKAS 32 (Amendment)	Presentation – Offsetting financial assets and financial liabilities
HKFRS 9	Financial instruments

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

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.

The Group has three reportable segments, namely (i) Electronic components manufacturing; (ii) Retail business and (iii) Investment property holding. Segment information provided to management for decision-making is measured in a manner consistent with that in the Interim Financial Statements.

	Electronic components manufacturing Six months ended 31 October		Retail business Six months ended 31 October		Investment property holding Six months ended 31 October		Eliminations Six months ended 31 October		Total Six months ended 31 October	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**218,207**	259,444	**638,373**	351,076	**1,206**	1,146	**–**	–	**857,786**	611,666
Intersegment sales	**–**	–	**–**	–	**761**	687	**(761)**	(687)	**–**	–
	218,207	259,444	**638,373**	351,076	**1,967**	1,833	**(761)**	(687)	**857,786**	611,666
Segment results										
Operating profit	**1,856**	11,489	**27,045**	4,500	**534**	417			**29,435**	16,406
Corporate expenses									**(4,096)**	(4,262)
Finance costs – net									**(7,541)**	(6,328)
Profit before taxation									**17,798**	5,816
Taxation									**(4,754)**	(1,761)
Profit for the period									**13,044**	4,055
Depreciation and amortisation	**13,319**	15,767	**13,854**	6,882	**7**	11			**27,180**	22,660
Distribution expenses and administrative expenses	**32,952**	49,647	**192,989**	92,065	**665**	490			**226,606**	142,202
Additions to non-current assets (other than financial instruments)	**1,120**	3,130	**44,144**	72,624	**–**	57,067			**45,264**	132,821
	As at 31/10/2013	As at 30/4/2013	**As at 31/10/2013**	As at 30/4/2013	**As at 31/10/2013**	As at 30/4/2013	**As at 31/10/2013**	As at 30/4/2013	**As at 31/10/2013**	As at 30/4/2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**576,547**	586,697	**421,752**	369,978	**76,649**	76,620	**(4,689)**	(4,910)	**1,070,259**	1,028,385
Unallocated assets										
– Deferred income tax									**1,429**	1,115
– Corporate assets									**241**	213
Total assets									**1,071,929**	1,029,713
Segment liabilities	**45,233**	54,563	**43,021**	35,113	**4,490**	4,711	**(4,689)**	(4,910)	**88,055**	89,477
Borrowings									**460,116**	431,137
Unallocated liabilities										
– Deferred income tax									**1,731**	1,669
– Taxation payable									**6,289**	5,001
– Corporate liabilities									**285**	483
Total liabilities									**556,476**	527,767

Geographical information

	Revenue Six months ended 31 October		Non-current assets	
	2013	2012	**As at 31/10/2013**	As at 30/4/2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including the Hong Kong Special Administrative Region)	**793,659**	539,922	**644,428**	624,588
Other regions	**64,127**	71,744	**–**	1
	857,786	611,666	**644,428**	624,589

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

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

3. Operating profit

Operating profit is stated after charging the following:

	Six months ended 31 October	
	2013	2012
	HK$'000	*HK$'000*
Amortisation of land use rights	**272**	258
Cost of inventories recognised as expenses included in cost of sales	**506,030**	356,899
Depreciation of property, plant and equipment	**26,908**	22,402
Employee benefit expenses (including directors' emoluments)	**149,268**	122,359
Provision for impairment of accounts receivable	**859**	76

4. Finance costs – net

	Six months ended 31 October	
	2013	2012
	HK$'000	*HK$'000*
Interest expense on bank borrowings *(Note)*		
– wholly repayable within five years	**7,048**	6,042
– not wholly repayable within five years	**509**	301
Finance costs	**7,557**	6,343
Interest income from bank deposits	**(16)**	(15)
	7,541	6,328

Note: The classification by repayment period is based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

5. Taxation

Income tax expense is recognised based on management's estimate of the annual income tax rate expected for the full financial year. The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until 2035. Hong Kong profits tax has been provided at the estimated rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax rate at the estimated rate of 25% (2012: 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	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**4,888**	1,008
Overseas taxation including Mainland China		
– current tax	**86**	253
Deferred taxation	**(220)**	500
	4,754	1,761

6. Earnings per share

The calculation of basic earnings per share for the six months ended 31 October 2013 is based on the consolidated profit for the period of approximately HK$13,044,000 (2012: HK$4,055,000) and the weighted average number of 666,190,798 (2012: 666,190,798) shares in issue during the period.

For the six months ended 31 October 2013 and 3l October 2012, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

7. Dividend

The Board resolved not to declare any interim dividend in respect of the six months ended 31 October 2013 (2012: Nil).

8. Accounts receivable

The aging analysis of accounts receivable is as follows:

	As at 31 October 2013	As at 30 April 2013
	HK$'000	*HK$'000*
0-30 days	**64,449**	51,220
31-60 days	**13,823**	28,476
61-90 days	**10,637**	10,041
91-120 days	**5,261**	4,303
121 days to 1 year	**14,531**	18,786
	108,701	112,826
Less: provision for impairment of receivables	**(6,757)**	(5,898)
	101,944	106,928

The Group performs on-going credit and collectability evaluation of each customer. The Group offers an average credit period ranging from 30 to 120 days to its customers with specific credit period up to 240 days to one customer.

9. Borrowings

As at 31 October 2013, bank borrowings of approximately HK$119,586,000 (at 30 April 2013: HK$97,861,000) contractually due for repayment after one year but contain a repayment on demand clause have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause".

10. Accounts payable

The aging analysis of accounts payable is as follows:

	As at 31 October 2013	As at 30 April 2013
	HK$'000	*HK$'000*
0-30 days	**22,102**	26,025
31-60 days	**6,845**	4,759
61-90 days	**628**	451
91-120 days	**183**	494
Over 120 days	**271**	623
	30,029	32,352

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

General overview

For the six months ended 31 October 2013, the Group recorded a total revenue of HK$857,786,000 (2012: HK$611,666,000), representing a growth of about 40% when compared with the same period of last year. Over the period, the consolidated gross profit was HK$256,041,000 (2012: HK$158,608,000), representing a rise of 61.4% than the same period of last year, and the consolidated gross profit margin was 29.8% (2012: 25.9%). The uplift of consolidated revenue, gross profit and gross profit margin were mainly driven by the growth of retail business. Over the period under review, revenue from retail business "759 STORE" accounted for 74.4% (2012: 57.4%) of the total revenue, while revenue from the coil manufacturing business accounted for about 25.4% (2012: 42.4%). Since last year, retail business has become the predominant source of revenue of the Group and its contribution has been increasing rapidly.

Over the period under review, selling and distribution expenses and general administrative expenses of the Group were HK$159,305,000 (2012: HK$91,472,000) and HK$71,397,000 (2012: HK$54,992,000) respectively. The increase of selling and distribution expenses was those incurred from shops rental expense, frontline staff salary and related logistics cost for retail business expansion. The general administrative expenses also went up in line with the business expansion. Driven by the growth of retail business, an operating profit of HK$25,339,000 (2012: HK$12,144,000) was recorded over the period. Consolidated profit increased approximately 2.2 times than the same period of last year, amounting to HK$13,044,000 (2012: HK$4,055,000).

Electronic components manufacturing business

The business first established by the Group is electronic component manufacture, of which its coil products are widely applied in electronic products and electric appliances in various fields such as mobile communication equipments, lighting products, household appliances, computers and its peripheral products, power supply devices.

The Group has strictly followed the plan established after the 2008 financial tsunami to manage the electronic component manufacturing business in an orderly manner, and gradually reduced its resources allocated into the manufacturing business. At the same time, the Group also reorganized its client base, focusing on providing service and support to its international clients of years partnership, with an aim to provide greater stability and certainty in orders and accounts receivable. For the six months ended 31 October 2013, revenue from electronic component manufacturing business was HK$218,207,000 (2012: HK$259,444,000), representing a reduction of 15.9% than the same period of last year. Compared with same period last year, gross profit margin also fell to 16.0% (2012: 23.6%). The significant fall of gross profit margin was affected by the fall of revenue, it also mainly attributed to the non-recurring arrangement made by the Group for certain inventories during the period. The Group negotiated with some clients the discontinuation arrangement for some of their products and stopped relevant productions over the period and has made a one-off provision for the parts used. The involved amount was about HK$5,603,000.

The abovesaid non-recurring provision accounted for about 16.1% of HK$34,809,000 (2012: HK$61,136,000) of manufacturing business gross profits. In addition, one client requested for deferred payment for its credited amount, the Group made a one-off additional provision for the accounts receivables at HK$1,257,000. The Group will make a write back of such provision if such credit is received duly later. Such provision also directly contributed to the decrease of operating profits of the electronic components manufacturing business over the period under review, from HK$11,489,000 same period of last year to HK$1,856,000 this period. The Group had actively downsized and streamlined organization structure over the period. As at 31 October 2013, total number of production staff was 2,145 (31 October 2012: 2,665). At this stage, the Group shall adhere to its prudent operation principle by strictly managing and controlling its production cost and efficiency.

Retail business

As at 31 October 2013, the Group has 159 (2012: 111) 759 STORE branches in operation, the number of branches increased by 43% in terms of percentage. Over the period under review, the Group had proactively not renewed the leases of two branches before they expired and has decided to relocate these branches to better locations in the district. Revenue of retail business was HK$638,373,000 (2012: HK$351,076,000), representing an increase of about 81.8% than the same period of last year. Percentage increase in turnover was also greater than that in the total number of branches run then. Over the period under review, gross profit of retail business alone was HK$220,034,000 (2012: HK$96,565,000), and its gross profit margin was 34.5% (2012: 27.5%). Such rise can be attributed to the business growth and business size expansion that allow suppliers to offer more favourable terms to the Group. On the other hand, the Group was able to collect more detailed operation data for retail business after 3 years of operation. The Group is capable in making more accurate and balanced calculation for discounts and member benefits. Apart from that, along with the growth in business size, retail business has started to be benefited from economies of scale, by which operating profit also increases under "lower margin with high turnover" strategy. Segmental operating profit of retail business was HK$27,045,000 (2012: HK$4,500,000) over the period under review, 6 times of that in the same period of last year.

759 STORE is committed to serving the living areas by offering more interesting choices for residents there to select. Most of the branches are located in shopping malls and shop units of public and private housing estates in Hong Kong Island, Kowloon and New Territories. The site selection of 759 STORE goes deep into local residential areas. Over the period under review, shop rental expense increased along with the rise of shop number to HK$60,911,000 (2012: HK$33,395,000), representing about 9.5% (2012: 9.5%) of retail business revenue, similar to that in the same period of last year. For shop area, the Group established a policy last year to expand shop sizes, so as to not only provide customers more spacious and comfortable environment for shopping and leisure, but also increase the number of product types and items shown in shops to provide customers wider choices. As at 31 October 2013, total gross floor area of the Group's

branches was about 203,000 sq ft (2012: 110,000 sq ft), while the average branch gross floor area was about 1,276 sq ft (2012: 990 sq ft). Two shops at Sun Chui Shopping Centre, Sha Tin, and at Sai Wan Ho with area of 5,000 sq ft were opened for the period under review.

The Group adopts a parallel import mode in container unit. The variety of products sold over the period under review was about 6,200 types (2012: 3,500 types). The Group has more products available for selection when compared with last year and the variety has also increased over the review period. Snacks were still the top contributor to the entire retail sales amount, reaching approximately 49% (2012: 56%), with beverages, grocery food items, noodles, seasonings, household and personal care products, wine and beer followed. The weighting of grocery food items plus household and personal care products showed an up-surging trend with the greater average shop areas and the opening of some larger mini-supermarkets. Places of product origin were also expanded to 43 countries and regions (2012: 18). In terms of sales amount, Japanese topped the product place of origin, representing about 59% (2012: 65%), followed by Europe, Korea, Taiwan, Southeast Asia, Americas and other regions.

The Group has placed great emphasis on human resources and believed that offering reasonable salary will induce staff's incentive in return for outstanding performance and satisfactory service to the wider customer group. Over the review period, salary and allowance of frontline staff accounted for about 8.2% (2012: 8.3%) of segmental revenue. It evidenced that staff working efficiency can offset the pressure from salary incremental in the market. In addition, the number of frontline staff employed per branch on average over the same period was 4.1 (2012: 4.1), which was similar to the same period of last year. Staff working experience empowered them to cope with expanded average shop area, product variety and size of sales. Over the period under review, salary and allowances of supporting and managerial staff accounted for about 4.5% (2012: 5.6%) of the segmental revenue, which was 1.1 percentage points lowered than last year's same period as the business scale extended.

Investment property

For the six months ended 31 October 2013, rental income of the Group amounted to HK$1,206,000 (2012: HK$1,146,000).

FINANCIAL REVIEW

Fund surplus and liabilities

As at 31 October 2013, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$123,361,000 (30 April 2013: HK$108,620,000). As at 31 October 2013, the Group had aggregate banking facilities (excluding that of foreign exchange derivative financial instrument) of HK$601,464,000 (30 April 2013: HK$544,036,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK$139,039,000 (30 April 2013: HK$111,946,000). At 31 October 2013, the utilized banking facilities amounting to HK$462,425,000 were secured by charges on the Group's certain land and buildings, investment properties, pledges of the Group's accounts receivable, bank deposits and available-for-sale financial assets. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 31 October 2013, the Group could comply with such financial covenants.

The Group's total borrowings from banks amounted to HK$460,116,000 at 31 October 2013 (30 April 2013: HK$431,137,000), increased by HK$28,979,000. As at 31 October 2013, gearing ratio* of the Group was 0.40 (30 April 2013: 0.39), marking a slight increase than last financial year end date. Moreover, the Group did not have any contingent liabilities (30 April 2013: Nil) as at the same date.

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

Assets

As at 31 October 2013, inventory of the Group was HK$165,164,000 (30 April 2013: HK$163,021,000). Total inventory recorded a light increase of 1.3% comparing with last financial year end date. Relative to the growth of turnover, the Group paid great effort in maintaining an inventory level effectively to reduce working capital pressure and minimize storing obsolesce inventory that could incur loss. Total prepayments, deposits and other receivables (including prepaid rent and rental deposits of retail shops) of the Group as at 31 October 2013 also increased in line with the expansion of 759 STORE retail network, reaching HK$82,325,000 (30 April 2013: HK$59,721,000).

For accounts receivable, given all incomes from retail business were settled by cash, Octopus card and credit card, accounts receivable of the Group contributed by electronic components manufacturing business as at 31 October 2013 was HK$100,709,000 (30 April 2013: HK$105,703,000), decreasing by 4.7% than last financial year end date and the fall was mainly attributed to shrinkage of manufacturing business. The Group shall austerely control the accounts receivable and will adopt a more prudent credit policy. The industrial manufacturing market was clouded by various uncertainties; the Group shall carefully examine customers' orders. Although adoption of a stern credit policy will inevitably result in the vanish of some orders, with the present electronic components profit margin, the first priority of manufacturing business is to lower business risk.

Interest expense

In light of our business growth and increase on borrowings, interest expense of the Group amounted to HK$7,557,000 for the six months ended 31 October 2013 (2012: HK$6,343,000), representing an increase of HK$1,214,000 as compared with same period of last year.

Financial resources and capital structure

For the six months ended 31 October 2013, the Group's net cash inflow was HK$9,050,000 (2012: net cash outflow of HK$15,628,000). Net cash inflow generated from operating activities was HK$27,453,000 (2012: net cash outflow of HK$17,131,000). Cash flow from operating activities and total cash flow amount improved substantially than the same period of last year, which was primarily driven by the gradually stable retail business. At the same time, net cash outflow from investing activities was HK$33,137,000 (2012: HK$110,406,000). Over the period under review, the capital expenditure used for purchasing investment properties and properties for self-use was HK$8,477,000 (2012: HK$94,764,000), which was significantly lower than the same period of last year, making overall capital expenditure reduced to HK$32,587,000 (2012: HK$119,911,000). Capital expenditure for retail business was related to shop fitting-out and equipment configuration, amounting to about HK$23,000,000 (2012: HK$23,351,000). Capital expenditure for manufacturing business over the period was suppressed to extreme lows to approximately HK$1,120,000 (2012: HK$3,130,000). Over the period, owing to decrease in new loan significantly, net cash inflow from financing activities was HK$14,734,000 (2012: HK$111,909,000).

Cash Flow Summary	**For the six months ended 31 October**	
	2013	2012
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	**27,453**	(17,131)
Net cash outflow from investing activities	**(33,137)**	(110,406)
Net cash inflow from financing activities	**14,734**	111,909
Increase/(decrease) in cash and cash equivalents	**9,050**	(15,628)

As at 31 October 2013, the net current liabilities was HK$123,124,000 (30 April 2013: HK$117,399,000) and the current ratio was 0.78 (30 April 2013: 0.78). It included pledged loans of approximately HK$164,464,000 (HK$44,878,000 repayable within one year; HK$119,586,000 repayable after one year). Such loans due for repayment after one year but contain a repayment on demand clause amounting to approximately HK$119,586,000 have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause". After taking the available banking facilities into account, the Board of Directors considered that the Group has sufficient working capital at this moment to cover the need for business development of the Group.

Charges on Assets

As at 31 October 2013, certain assets of the Group with an aggregate carrying value of approximately HK$366,507,000 (30 April 2013: HK$362,832,000) were pledged to secure banking facilities of the Group.

Exchange Risks

The Group's business is mainly conducted in Hong Kong, Mainland China and South-east Asia. The major revenue currencies are primarily denominated in Hong Kong dollar, Renminbi and United States dollars; whilst the major cost currencies are primarily denominated in Hong Kong dollar, Renminbi, United States dollars and Japanese Yen. The Group will endeavour to use forward contracts to hedge potential foreign exchange fluctuation if necessary. If Renminbi has a remarkable appreciation, the manufacturing business of the Group might experience additional cost pressure. In this connection, the Group will closely monitor the fluctuation trend of Renminbi.

EMPLOYEES

As at 31 October 2013, the Group employed approximately 3,400 staff (31 October 2012: 3,700). The remuneration of the employees is determined by reference to market benchmark, individual performance, academic qualification and work experience, and 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.

CORPORATE SOCIAL RESPONSIBILITY

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

- Set up 759 Store Scholarships for the City University of Hong Kong, Tung Wah College and Vocational Training Council to support local higher education and encourage student to study hard.

- Sponsored secondary school students to enroll the"12th Junior Enterprise Leader Training Course" organized by The Hong Kong Polytechnic University to foster the development of leadership skills of local youngsters.

- Co-organized "759 Visual Arts Design Competition" with the Hong Kong Design Institute, sponsored the activity and the scholarship to encourage creativity development and to provide a platform to students for realizing their design concepts.

- Opened the “TWC.759 Co-operative Store” to provide workplace training opportunities to Tung Wah College students.

- Supported the “Hong Kong Business Leaders Programme 2013” and offered internship job opportunities to local tertiary students.

- Sponsored the charity show “落語會” organized by Hong Kong Wakyokai to raise fund for Japan North-East Earthquake Victims.

- Organized volunteers to circulate money bags within the company to raise fund for the Hong Kong Society for Rehabilitation.

- Supported the ORBIS donation programme by placing their donation boxes at 759 Store outlets.

- Sponsored gifts and discount cards to different charity organizations and student associations, such as Hong Kong Blind Union’s “Cane-athon”, Lingnan University’s “Fundraising Walkathon 2013”, New Life Psychiatric Rehabilitation Association, Tung Wah College Wofoo Leaders’ Network, Wofoo Social Enterprises, etc.

Coils Electronic Co., Ltd, the main subsidiary of the Group, was awarded the “5 Consecutive years Caring Company” logo by the Hong Kong Council of Social Service in 2011/12.

OUTLOOK

Electronic manufacturing business

Over the period under review, the Group has been reducing its electronic manufacturing business size gradually, reorganizing its organization structure and revamping some positions. It also provided two non-recurring provisions to align with the Group’s manufacturing business development strategy. In future, the Group will continue to run our business with prudence so as to develop side by side with our well-established clients and suppliers that have already worked with our Group for years. It will strive continuously to maintain low capital investment and maximize the utilization rate of those fully invested automated production facility.

In long term, for a factory that has operated for more than 30 years, though its operation scale has been greatly controlled, the Board of Directors still keep advising managers and staff members to stand firm at their posts of duty so as to maintain the quality assurance system and the factory management that have been established for years and to supply high quality products to our international clients’ electronic product factories. Good maintenance on equipments and facilities also have to been ensured in order to maintain effective operation in our core business and not to increase any burden on our Group’s operation.

Retail business

By firmly sticking to "lower margin with high turnover" principle since the day 759 STORE founded in 2010, the prototype of our retail network has been in shape. As at the report announcement date, 759 STORE has about 168 branches. It is expected that the target of having 180 branches as stated in the annual report of last financial year can be achieved as scheduled within this financial year. In the next financial year, the Group will maintain the business scale of having 180 branches as planned. It will spend one year's time in settling the lease renewal or the branch relocation upon lease expiry, while in the meantime reviewing and improving other operational problems. The Board of Directors understands that in view of the keen competition in Hong Kong local market, it is really hard to say that 759 STORE has already stood up firm in the market. And therefore, to provide good service to Hong Kong local residents, 759 STORE will continue to stick to our policy "high turnover rate, high item variety and desirable service". Our procurement team will continue to go overseas to research high quality items, striving for providing more item choices to our customers at low price and good quality in high goods inflow rate.

In addition to the introduction of snacks, packaged food, noodles and beverages, 759 STORE also imported other types of goods including household, personal care, snacks for pet, wine and beer, grocery food items, frozen food, etc. Beginning from November, the Group has started equipping some branches with frozen freezer and there are about 50 branches providing delicious and convenient frozen food for customers, and it plans to increase the number to 80 by this financial year end date. Although at this moment, not more than general pre-packed items can be shown in some branches under their tenancy agreements, the Group is keen in expanding the number of product type at shops where its leases permit, aiming to persuade landlords to allow "759 STORE" to extend its operating scope with promising results. On the other hand, the Group believed that increasing the variety of product will help heighten customers' selectivity and the fun of shopping, which in turn will enhance the overall sales amount to offset the pressure of the soaring rents.

Over the period under review, the Group operated two mini-supermarkets in San Wai Ho and Sun Chui Shopping Centre in Sha Tin and performance of these two branches were satisfactory and exemplified that a more spacious 759 STORE can help display more products, allowing customers to have more enjoyable shopping experiences. In the future, 759 STORE will continue to run about another 20 mini-supermarkets. Before the Chinese New Year (the "CNY"), five more branches named "759 STORE Supermarket" will be opened, including Eastern Street in Sai Wan, 2nd shop in Mei Foo Sun Chuen, 2nd shop in Tsz Wan Shan, Trade Square in Cheung Sha Wan and Queen's Road West. Apart from 759 STORE's regular items, items that widely labelled as supermarket items, such as household items, fresh vegetables and fruits, are also sold in these branches. The first branch named as "759 STORE Frozen Market" was opened in November in Bulkeley Street, Hunghom. Just like what the branch name literally shows, this branch sells frozen food item in the main with assistance of various import grocery food items. The new branch at Tai Po Plaza, the original Wanchai Road branch and Bowrington Road, Wan Chai branch will be in operation in the name of "759 STORE Frozen Market" shortly before the CNY.

The Group will have two innovative trials before the CNY. A shop named "759 STORE Household Market" will be opened in Fitfort, North Point in December. This shop mainly sells household good and personal care products mostly from Japan and Korea, and some from other parts of the world. CEC International in all senses is a company that built up from industrial business and sited at Hong Kong and Pearl River Delta. "759 STORE Household Market" will introduce small electrical appliances that produced by Hong Kong manufacturers in Pearl River Delta, through which the past relationship in industrial business are rebuilt.

Besides, our first "759 KAWAIILAND" will soon start its opening at Lockhart Road in Causeway Bay. This shop is specialized in selling fashionable items, including cosmetic items, healthcare products and various interesting goods, mainly from Japan and a portion will be from Korea. The above will be the trail retail development project of the Group. The Board of Directors will collect market and operation data carefully in two to three quarters and will conduct a more detailed study and analysis to foster long term development plan.

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 2013. 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 2013.

CORPORATE GOVERNANCE CODE

The Company has adopted the principles and complied with the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules for the six months ended 31 October 2013, except for the following deviations:

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

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

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

   The Chairman of the Board did not attend the Annual General Meeting of the Company held on 27 September 2013 (the "2013 AGM") due to illness at the material time. Ms. Tang Fung Kwan, the executive director of the Company, who took the chair of 2013 AGM, and other members of the Board (including the chairman of the Audit Committee and the members of the Remuneration Committee and the Nomination Committee) attended the 2013 AGM to ensure effective communication with the shareholders of the Company.

3. Under code provision A.6.7 of the Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

   Mr. Au Son Yiu was unable to attend the 2013 AGM due to his overseas commitments at the material time.

AUDIT COMMITTEE

The Audit Committee of the Company, currently comprising three independent non-executive directors, 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 2013.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions for the six months ended 31 October 2013. 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 2013. The Model Code also applies to the relevant employees of the Group.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 31 October 2013 will be despatched to the shareholders of the Company on or before 31 January 2014 and will be published on the website of Hong Kong Exchanges and Clearing Limited and of the Company.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 20 December 2013

As at the date of this announcement, the Board of the Company comprises three Executive Directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan and Mr. Ho Man Lee; and three Independent Non-executive Directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek and Mr. Goh Gen Cheung.

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

* *For identification purpose only*