Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Lam Wai Chun *(Chairman and Managing Director)*
Mr. Saito Misao *(Deputy Chairman)*
Ms. Tang Fung Kwan
Ms. Hu Yan Huan
Mr. Iwata Kenji

Non-executive Director

Mr. Tang Tin Sek

Independent Non-executive Directors

Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis

COMPANY SECRETARY

Ms. Li Lai Sheung *ACIS*

AUDITORS

Arthur Andersen & Co
Certified Public Accountants

LEGAL ADVISERS

Richards Butler
Appleby Spurling & Kempe

PRINCIPAL BANKERS

Dao Heng Bank Limited
Dah Sing Bank Limited
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flats A and B, 2nd Floor
Hing Win Factory Building
No. 110 How Ming Street
Kwun Tong
Kowloon
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

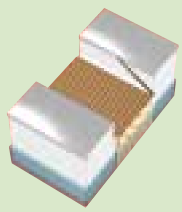
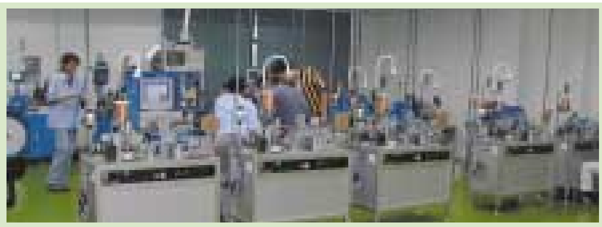
Hong Kong Branch Share Registrar

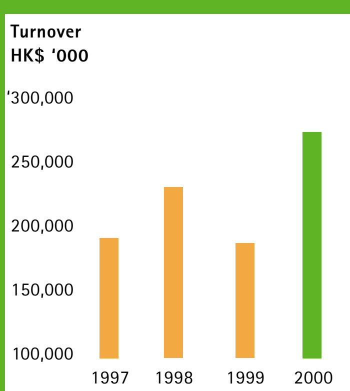
Central Registration Hong Kong Limited
Rooms 1901-5, 19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

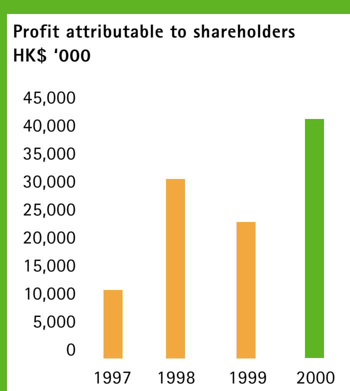
Web: http://www.ceccoils.com
http://www.0759.com
E-mail: info@ceccoils.com
Listed on The Stock Exchange of Hong Kong Limited
Stock Code: 0759

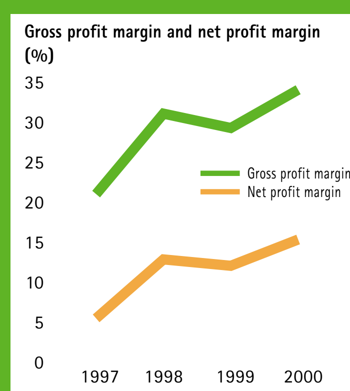
Financial Highlights

	As at 30th April, / Year ended 30th April, 2000 HK$'000	1999 HK$'000	% Change
Turnover	271,292	193,943	+ 39.9
Profit before taxation	46,694	25,976	+ 79.8
Profit attributable to shareholders	41,910	23,641	+ 77.3
Total assets	368,108	226,291	+ 62.7
Shareholders' equity	196,511	121,123	+ 62.2
PER SHARE DATA			
Basic earnings per share (HK cents)	24.12	15.76	+ 53.0
FINANCIAL RATIOS			
Gross profit margin (%)	34.3	29.5	+ 16.3
Net profit margin (%)	15.4	12.2	+ 26.2
Current ratio	1.00	0.95	+ 5.3
Interest cover	5.50	3.68	+ 49.5
Gearing (%)	26.4	30.6	- 13.7







Definitions

Basic earnings per share:	$\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares}}$	Current ratio:	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Gross profit margin (%):	$\frac{\text{Gross profit x 100\%}}{\text{Turnover}}$	Interest cover:	$\frac{\text{Profit from operations}}{\text{Finance cost}}$
Net profit margin (%):	$\frac{\text{Profit attributable to shareholders x 100\%}}{\text{Turnover}}$	Gearing (%):	$\frac{\text{Total borrowings x 100\%}}{\text{Total assets}}$

4-Year Financial Summary

The following is a summary of the consolidated results of CEC International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the last four financial years prepared on the basis set out in the note below.

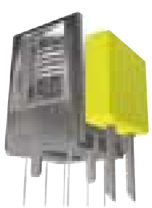
RESULTS

	Year ended 30th April,			
	2000	1999	1998	1997
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	271,292	193,943	233,310	196,248
Cost of sales	(178,359)	(136,634)	(160,317)	(154,683)
Gross profit	92,933	57,309	72,993	41,565
Other revenue	1,864	1,517	1,749	1,058
Distribution and selling expenses	(9,253)	(6,368)	(7,721)	(5,382)
General and administrative expenses	(28,483)	(16,774)	(22,716)	(16,595)
Profit from operations	57,061	35,684	44,305	20,646
Finance cost	(10,367)	(9,708)	(11,058)	(8,840)
Profit before taxation	46,694	25,976	33,247	11,806
Taxation	(4,860)	(2,335)	(2,979)	(877)
Profit after taxation but before minority interests	41,834	23,641	30,268	10,929
Minority interests	76	–	–	–
Profit attributable to shareholders	41,910	23,641	30,268	10,929

Note:

The consolidated results of the Group for the years ended 30th April, 1997, 1998, and 1999 have been prepared on the assumption that the current structure of the Group had been in existence throughout those years.

Chairman's Statement



Dear Shareholders,

On behalf of the Board of Directors of CEC International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present the first annual report of the Group since the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15th November, 1999.

RESULTS

The Group has successfully achieved outstanding earnings growth during the year ended 30th April, 2000. Turnover, profit attributable to shareholders, earnings per share, gross profit margin and net profit margin all established record highs. A summary of the financial results of the Group for the year ended 30th April, 2000 is as follows:

– Turnover was approximately HK$271,292,000, representing an increase of approximately 40% over the preceding year;

– Profit attributable to shareholders was approximately HK$41,910,000, representing an increase of approximately 77% as compared to that of the preceding year;

Net profit increased by 77%

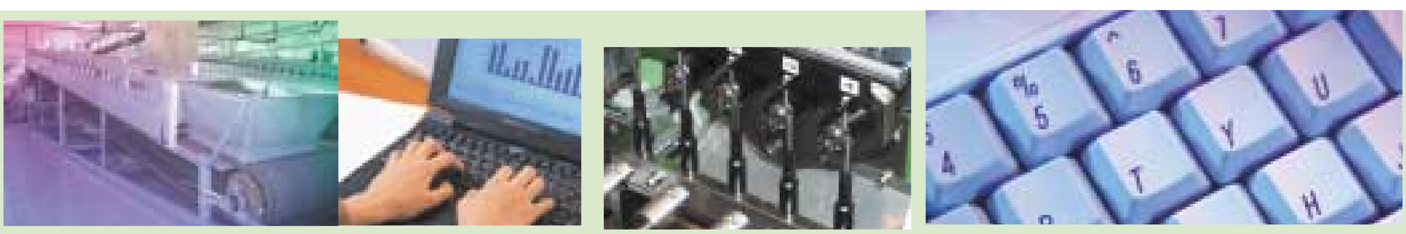
- Earnings per share was approximately 24.12 HK cents, representing an increase of approximately 53% over the preceding year; and

- Gross profit margin was approximately 34.3% (1999: 29.5%) whereas net profit margin was approximately 15.4% (1999: 12.2%).

DIVIDENDS AND DISTRIBUTIONS

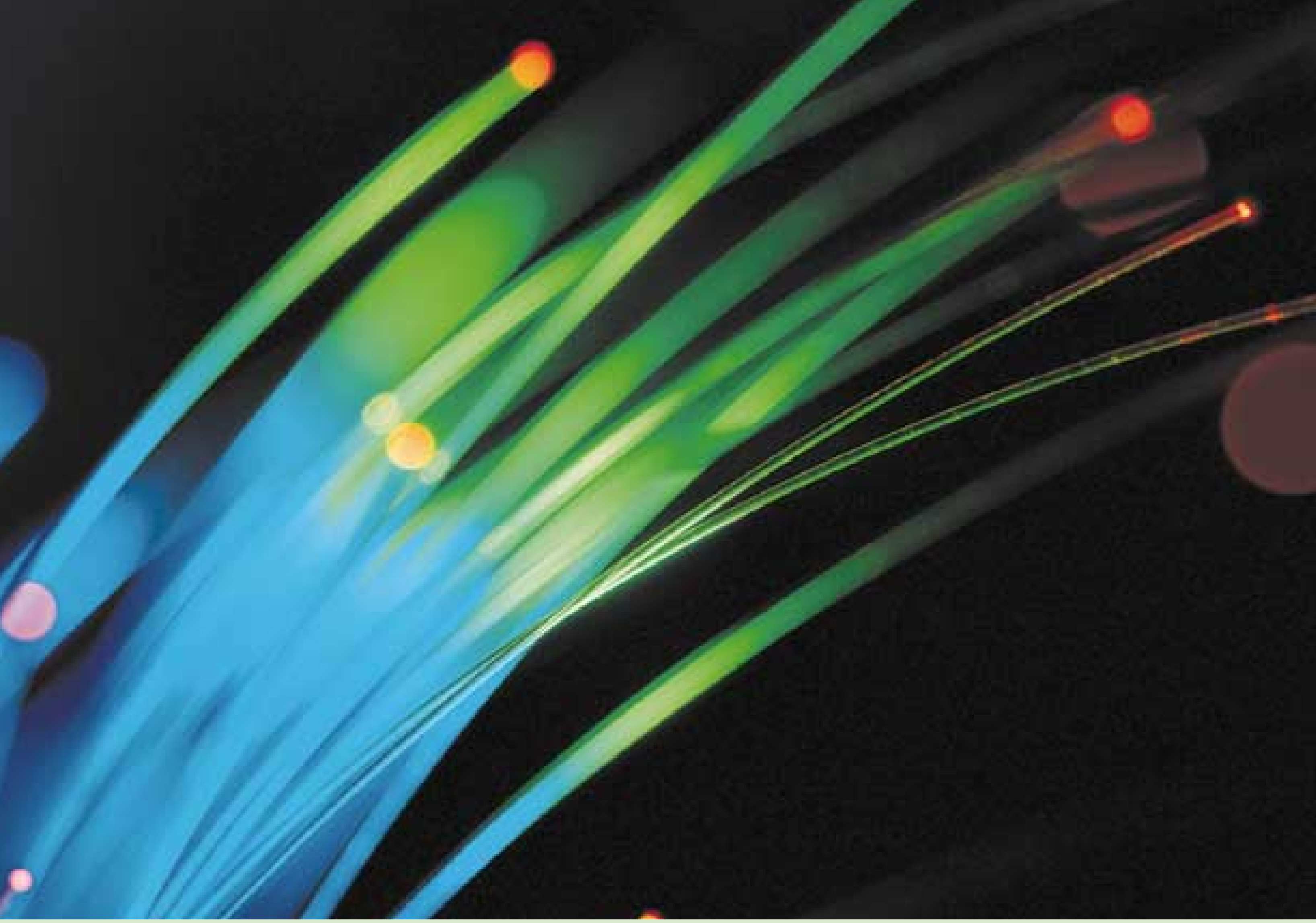
In October 1999, an interim dividend of HK$1,088,000 was paid by a subsidiary of the Company to its then shareholders prior to the Group's reorganisation and the listing of the Company's shares on the Stock Exchange.

The directors have recommended the payment of a final dividend of 5 HK cents per share (the "Proposed Final Dividend") for the year ended 30th April, 2000 to shareholders whose names appear on the Company's register of members on 17th August, 2000 (the "Record Date"). Together with the interim dividend of HK$1,088,000 already paid, the total dividends for the year ended 30th April, 2000 will be HK$11,088,000. The Proposed Final Dividend will be paid in cash with an option to receive new fully paid shares in lieu of cash in respect of part or all of such dividend (the "Scrip Dividend Scheme").



The directors have also recommended a bonus issue of new shares of HK$0.10 each in the capital of the Company to shareholders whose names appear on the Company's register of members on the Record Date (the "Proposed Bonus Share Issue"). The Proposed Bonus Share Issue will be made on the basis of three bonus shares (the "Bonus Shares") for every two existing shares held on the Record Date. The Bonus Shares will be credited as fully paid at par and will rank pari passu with the existing shares in all respects when issued.

The Company will not allot any fractions of shares pursuant to the Proposed Bonus Share Issue. Shares representing fractional entitlement will be aggregated and issued to a nominee to be nominated by the directors. Such Bonus Shares (if any) will be sold and the net proceeds thereof (if any) will be retained by the Company for its own benefits. Subject to the conditions being satisfied, certificates for the Bonus Shares are expected to be despatched to the shareholders by ordinary post on or before 14th September, 2000. Dealings in the Bonus Shares are expected to commence on 18th September, 2000.



Innovative

A circular containing details of, inter alia, the Scrip Dividend Scheme and the Proposed Bonus Share Issue, together with a form of election, will be sent to shareholders of the Company in due course. The issue of new shares under the Scrip Dividend Scheme and the Proposed Bonus Share Issue is subject to the approval of the Listing Committee of the Stock Exchange to grant the listing of and permission to deal in such shares. The dividend warrants and the share certificates for the scrip dividend and Bonus Shares will be sent to shareholders on or about 14th September, 2000.

The adjustment to the subscription price of the 2003 warrants of the Company as a result of the Proposed Bonus Share Issue will be announced in a separate announcement upon the Company obtaining the relevant confirmation from the auditors of the Company or an approved merchant bank.

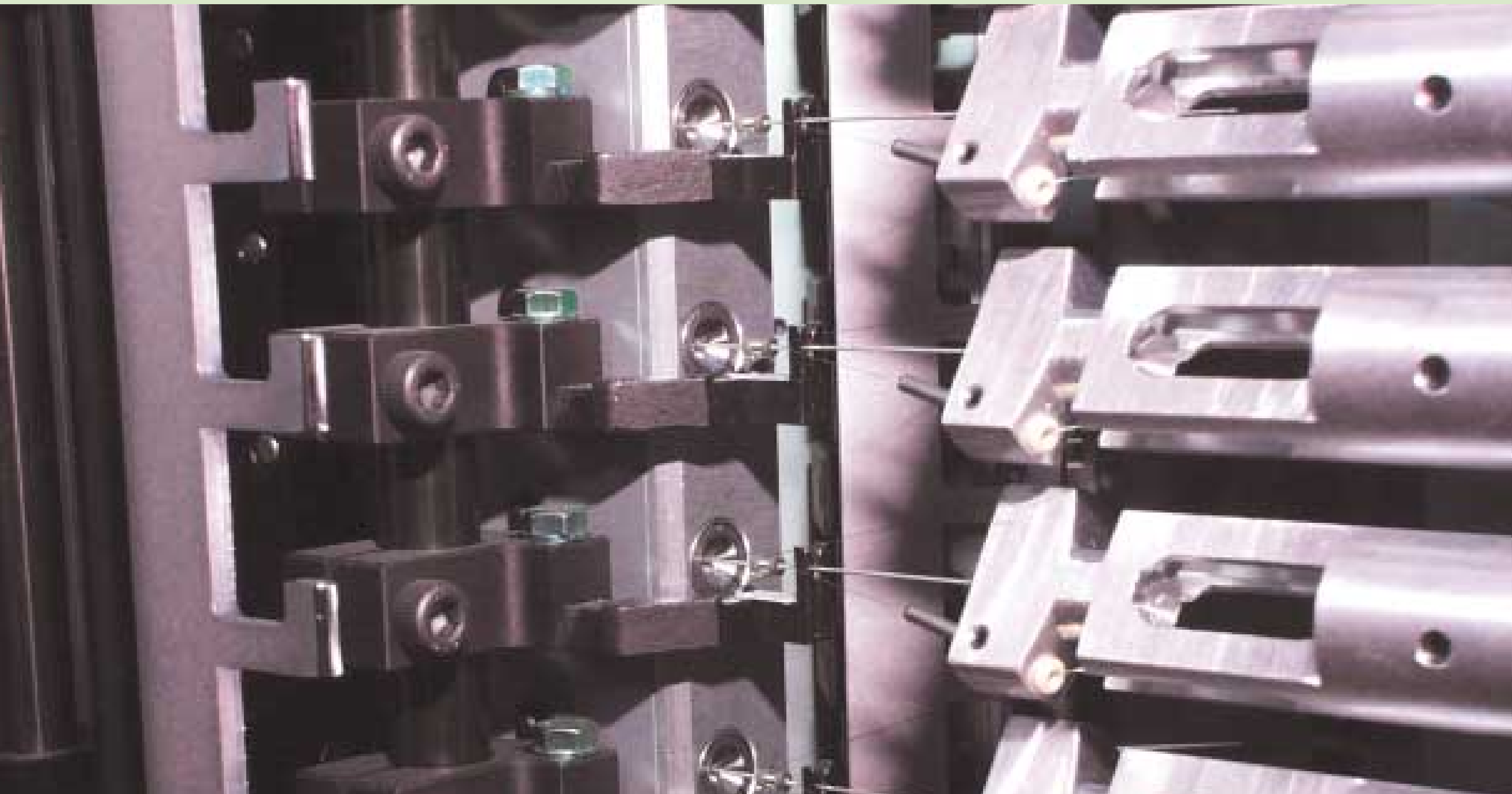
CLOSURE OF REGISTER OF MEMBERS

In order to qualify for the Proposed Final Dividend and the Proposed Bonus Share Issue, all transfer documents accompanied by the relevant share certificates and, in the case of warrantholders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies must be lodged with the Company's branch share registrar in Hong Kong, Central Registration Hong Kong Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00pm on 10th August, 2000. The register of members of the Company will be closed from 11th August, 2000 to 17th August, 2000, both dates inclusive, during which period no transfer of shares will be effected and no shares will be allotted and issued on the exercise of the subscription rights attaching to the outstanding warrants.

BUSINESS REVIEW

The year ended 30th April, 2000 was an exciting year marked with promising growth in business and profitability. This was largely attributable to the Group's success in seizing the opportunities arising from the trend and development in the global electronics industry by actively introducing new and tailor-made products to our customers and expanding our manufacturing facilities for products which suit the markets' needs most.

Management efficiency
Cost effectiveness



The following summarises the Group's major accomplishments during the year under review which contributed to such significant improvement in business performance:

Initial Public Offering

The year under review marked a milestone for the Group. The Company was successfully listed on the Stock Exchange on 15th November, 1999 following an issue of 50,000,000 new shares at an issue price of HK$1.10 per share. Approximately HK$44,407,000 of net proceeds was raised from the new issue. This accomplishment positions the Group to a new financial frontier that widens the horizon for growth and expansion. Based on this new solid ground, the Group will seek for more business opportunities to elevate to a higher range of business development.

Expansion and Upgrade of Production Capacity

Entering the information technology era, success often depends on the ability in gripping information accurately and in a timely manner. To overcome the geographical barriers to access of information, the demand for modern handheld electronic communication products such as mobile phones and personal digital assistants (PDA) has been gathering momentum at an amazing speed. Accordingly, the demand for miniaturised electronic components also increases. The Group capitalised on these emerging business opportunities by launching families of miniature

components. Production facilities for wire-wound chip inductors in Singapore have been increased by two folds. Three production lines for high quality fixed inductors, which were widely used in the manufacture of telecommunications products, have been installed in November 1999 that raised the production capacity of fixed inductors by approximately 30%. The Group's ability in meeting the demand for miniaturised electronic components has therefore been considerably raised.

Digital revolution in the audio-visual (AV) sector has transformed the way we live. Integration of Internet connectivity into traditional TV sets, introduction of digital cameras, DVD players and MD Hi-Fi's, etc, have brought forth new product concept and a boost to the AV market. The Group has strengthened its product families and quality and automated its production facilities to line up with this growing market demand. Approximately HK$24,000,000 has been invested in new and fully automated production facilities for the manufacture of power inductors, radio frequency (RF) transformers, intermediate frequency transformers (IFT), and toroidal transformers. As technology continues to revolutionise the electronics industry, the Group will continue playing its part to sustain that revolution.

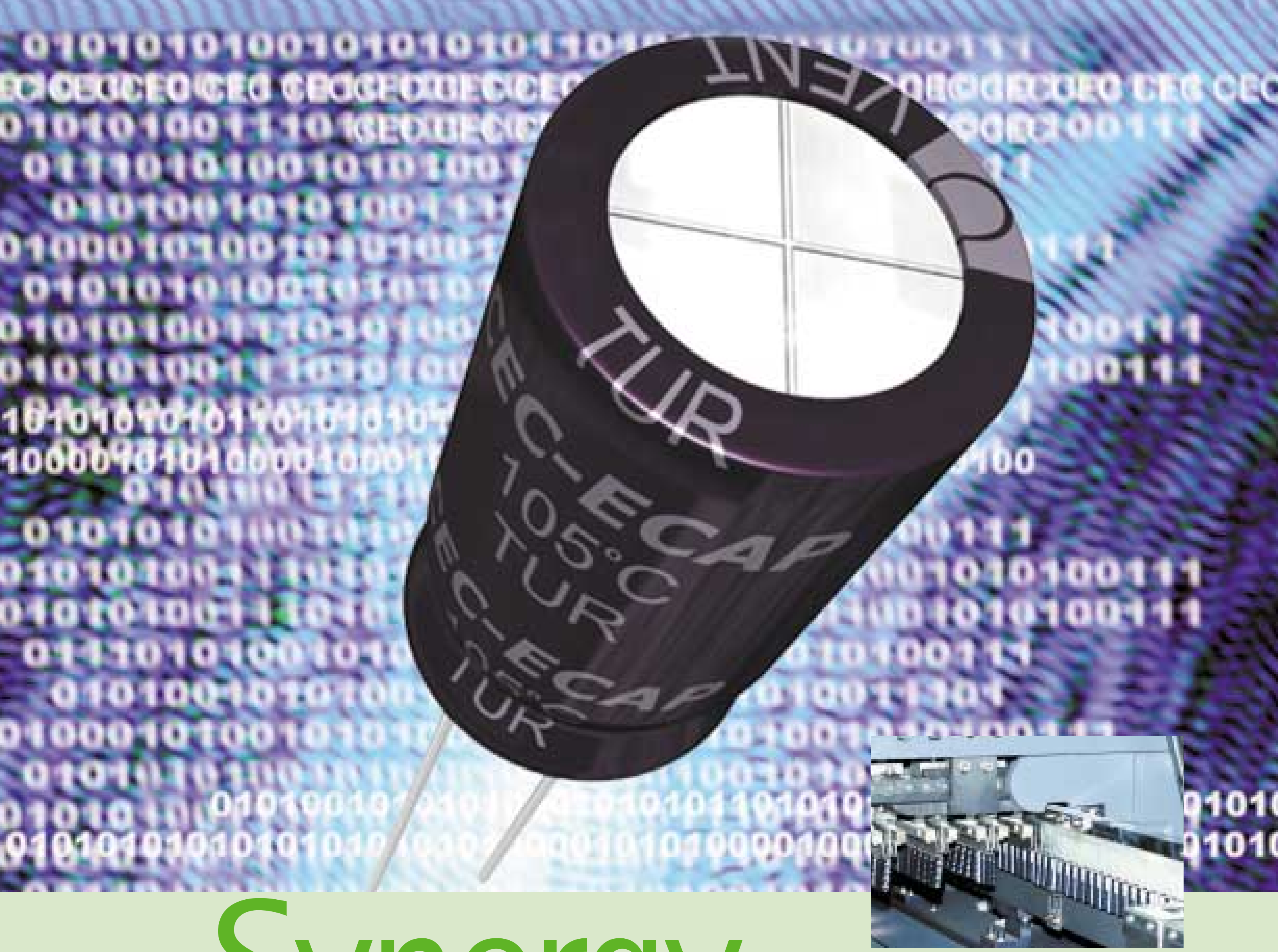
Supply Chain Management

The Group benefited from its well planned strategic supply chain management in the past to produce its own coils components, in particular, ferrite cores, plastic and metal parts. Approximately HK$18,500,000 was further invested during the year under review in the manufacture of coils components as well as their mouldings. The output of coils components for April 2000 as compared to the beginning of the financial year has been raised by approximately 30%. Coupled with its success in cost control despite record high demand, the Group has a gross margin and net margin of approximately 34.3% and 15.4% respectively. Based on this solid ground of operational efficiency, the Group will seek for further business expansion to strive for higher return on shareholders' investment.

To further improve its strategic supply chain management, the Group has also been cooperating with the local authority in Shaoguan, Guangdong Province, to develop the technology in refining ferrite powder. An abundant supply of high-quality and low-cost ferrite powder to the Group is expected for the manufacture of ferrite cores, which will save considerable production cost and further improve the quality of the Group's products.

Global Expansion

The management of the Group realises the importance of providing quality customer services and fostering closer contacts with its existing and potential customers to the Group's future. The Group believes that an investment in establishing its global presence is an investment in that future. Prior to 1999, the Group has already set up offices in major cities in the Asia-Pacific region, such as Shanghai, Xiamen, Zhongshan, Taipei and Singapore. Our commitment in enhancing our global presence was further evidenced in September 1999 by the establishment of a new branch office in Tokyo, Japan, which is one of the pioneers in the electronics industry. The Group benefited from the building of closer contacts with customers in their headquarters and collecting most up-to-date market intelligence in the innovative product development stage. The Group has already successfully gained "design-in" approval status for samples of new products from a number of renowned customers in Japan. To better serve its prestigious multinational customers who envisioned the booming industries in India and set up production facilities in the country, the Group established a new representative office in Bangalore, India, in January 2000. Following the great business opportunities emerging in these markets, further rooms for the Group's growth and expansion are expected to be coming in the near future.



Synergy

Besides, the Group is currently actively considering the feasibility of setting up new representative offices and manufacturing facilities around the world, such as Turkey, Germany and the United Kingdom, in a bid to further extend our global market presence and exploit the unique competitive edges, such as technology and human resources, in different parts of the world.

Development of Complementary Products

Another objective of the Group is to expand into the manufacture of new product lines that complement to what we offered to our current customers. The new millenium saw the Group's successful entry to the manufacture of electrolytic capacitors, a kind of electronic components complementary to coils, in April 2000. The Group believes that the diversification will bring in synergistic effect for the Group's business as both coils and capacitors are the basic elements of electronic circuits which share the same customer base.

FUTURE PLANS AND PROSPECTS

Based on its sound business and financial position, the Group looks forward confidently to the new millenium and will adhere to its principles of proactive business development as and when opportunities arise. The mission of the Group's management is to grow the business in a manner to ensure delivery of superior value to all our shareholders.

Products Development

Owing to the increasingly demanding requirements for clarity in electronic data communication and transmission, the market demand for electronic components that are effective in eliminating noise in pulse data lines and AC lines has been growing rapidly. Together with the increasing awareness of potential risk of electromagnetic interference (EMI) resulting from the popularity of telecommunication, the market demand for line filters is expanding at a very high speed. The fast-growing markets for modern and compact electronic, telecommunication, and household electrical products will give rise to a huge demand for compact but high power converters such as switching mode power supply (SMPS). The Group will devote more resources to the development and expansion of the product families of line filters and power converters in order to cater for the substantial growth in the target market. The Group has planned further to build its core competence by investing in new production facilities for the manufacture of manganese zinc ferrite cores series which are major components in the manufacture of line filters and power converters. To capitalise on the great business opportunities emerging in the information technology and telecommunication sectors, the Group has also planned to expand its production capacity for a variety of chip inductors such as wire-wound chip inductors.

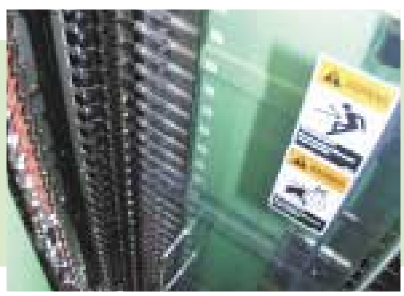
Competitive edge

As an experienced electronic component supplier, the Group believes the accomplishment in the coils industry can be further extended to the electrolytic capacitors business owing to their complementary nature. The Group plans to devote more resources in the research and development of electrolytes and forming of aluminium foils which are one of the major materials used in the manufacture of electrolytic capacitors. Such investment is to build the Group's competitive edge in the industry and transform the Group from a capacitor assembler to a manufacturer of higher profit margin by equipping itself with powerful research and development capabilities.

The Group believes the key to its competitiveness lies in its ability to offer better but more cost-effective components to its customers. The Group will continue to cultivate and sustain its competitive advantages in cost effectiveness through the implementation of its long term strategy of supply chain management.

Strategic Partnerships

To well-equip itself for both the challenges and opportunities arising in the global arena, the Group and forward-looking market participants realise the importance of strategic alliance in sustaining and exploring further growth opportunities. The Group realises its strength in its highly efficient operational system and invites market



participants with complementary interest. In particular, the Group is researching into cooperation plans in depth with leading international coil manufacturers and is prepared to capture further opportunities for business growth and expansion, always with the objective of maximising our shareholders' value in mind.

E-commerce

Entering into the Internet Era, the Group is developing e-commerce functionality for its "on-line sales" system and product specification simulation system. System testing is underway and positive responses from sample customers have been received. Upon its completion, customers will be able to place orders, request for samples, and set their product specification through Internet, which enables the Group to provide more tailor-made and value-added services to its customers.

The Group plans to further invest approximately HK$2,000,000 to strengthen the management information system which will improve management controls within the Group over its business applications and processes such as manufacturing, sales and marketing, accounting and finance. The system capabilities will also be extended to provide platforms for its over 6,000 business partners, customers and suppliers for business to business (B2B) solutions in the electronics industry.

Focus on Research and Development

The Group strongly believes that one of its strengths in the electronics industry is its proven ability to adapt to customers' ever changing technical specifications of coils by introducing new products and upgrading its existing products swiftly. Focusing on the world's rapidly growing technologies: Local Area Networking (LAN), wireless broadband communications, and interactive voice, data and video applications, the Group plans to work more closely with its customers to capture opportunities arising from the electronics industry and develop "design-in" components of information technology products such as LAN hubs, routers and switches, high-speed personal computer data interfaces, cable modems and power converters.

Another priority of the Group in the coming year will be the research into the concoction formulae and production technology of strontium ferrite magnets in Zhongshan. The market for strontium ferrite magnets is very wide-ranging as they are widely used components in electronic products. As such, the Group strongly believes that the investment will bring in further solid prospects to the Group.

Timely Disclosure of More Information to the Public

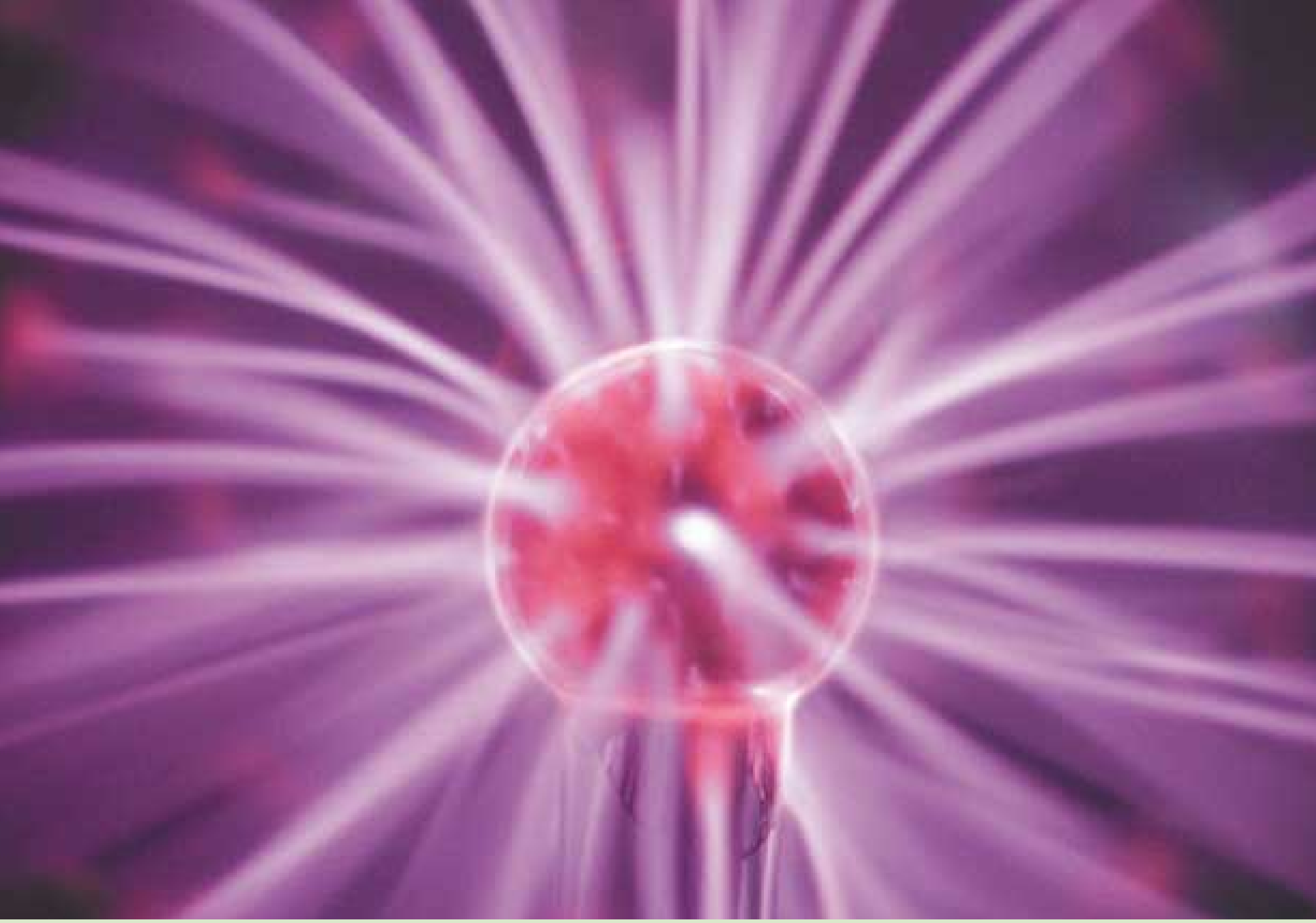
The directors consider that the disclosure of financial information is of great importance to the shareholders and prospective investors. On 14th March, 2000, the Company voluntarily announced the Group's quarterly results for the three months and nine months ended 31st January, 2000 to the public to enhance its transparency. Such act has received favourable applause from investors. With a view to keeping the public informed of more timely information, the directors have decided to disclose the Group's financial information to the public on a quarterly basis in the foreseeable future.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The proceeds from the issue of new shares for the listing on the Stock Exchange in November 1999, after deduction of related issuance expenses, amounted to approximately HK$44,407,000 and have been applied up to 30th April, 2000 as follows:

– Approximately HK$29,105,000 was used for the installation of fully automated production lines.

– Approximately HK$5,194,000 was used for the set up of production facilities for the manufacture of motor coils.



- Approximately HK$6,884,000 was used for the set up of research and development center in Japan.
- Approximately HK$779,000 was used for the further implementation of vertical integration by setting up production facilities for the manufacture of ceramic saggers which are used for manufacturing ferrite cores.
- The balance of approximately HK$2,445,000 was applied as additional working capital of the Group.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to extend my sincere thanks and express appreciation to our business associates, customers and suppliers for their continual support, to the management and staff for their valuable dedication and devotion to the Group throughout the years.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 13th July, 2000

Directors And Senior Management Profile

Executive Directors

Mr. LAM Wai Chun, aged 41, was appointed as the Chairman and the Managing Director of the Company with effect from 4th October, 1999 and 27th October, 1999 respectively. Mr. Lam is also the founder of the Group and has over 29 years of experience in coils sale and manufacturing industry. Mr. Lam is responsible for formulating the overall business strategies and plans of the Group. Mr. Lam was awarded the 1999 Young Industrialist of Hong Kong.

Mr. SAITO Misao, aged 64, was appointed as the Deputy Chairman of the Company with effect from 4th October, 1999. He is responsible for the sales and marketing and product development of the Group. He holds a bachelor degree of electric communication from Tokyo Denki University in 1958 and has over 36 years of experience in sales and manufacture of coils as well as sales of other electronic components. He has extensive experience in international coils manufacturing and sales markets including Hong Kong and Japan. He joined the Group as an adviser in 1994.

Ms. TANG Fung Kwan, aged 30, was appointed as an executive director of the Company with effect from 29th September, 1999. She is responsible for the Group's overall strategic planning and development, as well as formulation of corporate policies and marketing. She holds a bachelor degree in economics from The University of Hong Kong and a master degree in business administration from the University of South Australia, Australia. She joined the Group in 1993.

Ms. HU Yan Huan, aged 51, was appointed as an executive director of the Company with effect from 29th September, 1999. She is responsible for the overall production planning and manufacturing operations for the Group's production facilities. She has over 18 years of experience in the coils manufacturing industry. She joined the Group in 1982.

Mr. IWATA Kenji, aged 61, was appointed as an executive director of the Company with effect from 29th September, 1999. He is responsible for the sales and marketing, strategic planning as well as business and product development of the Group. He holds a bachelor degree in engineering from the Tokai University, Japan and has over 34 years of experience in the sales and manufacture of coils and other electronic components as well as product design and development. He joined the Group in August 1999.

Non-Executive Director

Mr. TANG Tin Sek, aged 41, has been appointed as a non-executive director of the Company since 1st January, 2000. He is a Certified Public Accountant and has over 19 years' auditing, accounting and financial management experience in Hong Kong and Australia. Mr. Tang is a graduate of The University of Hong Kong with a bachelor of science degree and holds a master degree of business administration from The University of Sydney, Australia. He is also a Chartered Certified Accountant in the United Kingdom, a Chartered Accountant in Australia and a Certified Public Accountant of China. Mr. Tang is also an independent non-executive director for several companies listed on the Stock Exchange.

Independent Non-Executive Directors

Mr. AU Son Yiu, aged 54, was appointed as an independent non-executive director of the Company with effect from 29th September, 1999. He is a registered investment adviser and has extensive experience in the securities industry. He is also a director of Realink Securities Limited, China Point Stock Brokers Limited and I & P Securities Limited, a consultant to Dao Heng Securities Limited and a member of the Election Committee for the financial services subsector election for the 1998 Legislative Council. Mr. Au is also an independent non-executive director for several public companies listed on the Stock Exchange. In addition, he was the Ex-Deputy Chairman of Hongkong Clearing (1992-1994) and Ex-Council member of the Stock Exchange (1988-1994).

Mr. LEE Wing Kwan, Denis, aged 55, was appointed as an independent non-executive director of the Company with effect from 29th September, 1999. He is the chairman of the Hong Kong Special Administrative Region Small & Medium Enterprises Committee, a member of Trade Advisory Board and Business Advisory Group. He is also a Council & General Committee member of The Hong Kong General Chamber of Commerce, executive committee member of Hong Kong Coalition of Service Industries and committee member of Hong Kong/Japan Business Co-operation Committee. He is the managing director of Futaba Discount Stores Limited and an adviser to the OMAC Group of companies.

Senior Management

Mr. HO Kwok Keung, aged 42, is the head of the engineering department. He is responsible for the overall management and coordination of the research and development functions. He has over 24 years of experience in the electronics and electrical field. He joined the Group in 1996.

Mr. ZHANG Suo, aged 29, is the senior manager of the quality assurance department. He is responsible for the overall quality assurance functions of the Group's operations in the Municipality of Zhongshan, Guangdong Province, the PRC. He holds a bachelor degree in professional mechanics from the Beijing Forestry University, the PRC. He joined the Group in 1994.

Mr. LAW Hoo Shan, aged 40, is the general manager of the sales and marketing department. He has over 15 years of experience in sales and marketing of coils. He joined the Group in 1985.

Mr. CHIN Chi Nam, aged 43, is the manager of Coils Electronic Co., Limited, Taiwan Branch. He is responsible for the overall management of the Group's operation in Taiwan. He joined the Group in 1988.

Ms. LI Hong, aged 31, is the general manager of Xiamen Coils Electronic Co., Ltd. She is responsible for the overall management of the Group's operation in the Municipality of Xiamen, Fujian Province, the PRC. She holds a bachelor degree of literature in English from Changchun Teacher College, the PRC. She joined the Group in 1994.

Ms. ZENG Ping Xin, aged 36, is the senior manager of the production department. She is responsible for the overall manufacturing operations and general management of the Group's production facilities in the Municipality of Zhongshan, the PRC. She has over 18 years of experience in coils manufacturing industry. She joined the Group in 1982.

Mr. CHENG Yong, aged 54, is the senior manager of the Group's sales office in Shanghai, the PRC. He is responsible for the sales and engineering functions of the Group in Shanghai, the PRC. He has over 31 years of experience in product design and development. He holds a bachelor degree of engineering from the Shanghai University of Science & Technology, the PRC. He joined the Group in 1993.

Mr. CHEUNG Man Ho, aged 27, is the senior finance manager of the Group. He is responsible for the accounting and corporate finance functions of the Group. He has over 3 years of audit experience in an international audit firm. He holds a bachelor degree of arts (Honours) in accountancy from the City University of Hong Kong. He is an associate member of the Hong Kong Society of Accountants and an associate member of the Association of Chartered Certified Accountants. He joined the Group in January 1999.

Ms. MAI Shao Ling, aged 36, is the senior manager of the Group. She is responsible for the general administration of the Group's production facilities in the Municipality of Zhongshan, Guangdong Province, the PRC. She has over 17 years of experience in administration. She joined the Group in 1983.

Mr. WANG Ming, aged 36, is the senior manager of the engineering department. He is responsible for the design and development of moulds. He graduated from Xinjiang Institute of Industry, the PRC, and is a mechanical engineer. He joined the Group in 1994.

Mr. LI Jian, aged 28, is the senior manager of the general administration department. He is responsible for the general administration of the quality assurance system of the Group. He holds a bachelor degree in history from the Renmin University of China, the PRC. He joined the Group in 1995.

Mr. IIDA Kazuo, aged 52, is the chief engineer of the Group's research and development center in Japan. He graduated from Ikuie Technical College in Japan and has over 30 years of experience in coil design and development. He joined the Group in October 1999.

Mr. CHAN Yuk Lun, aged 32, is the accounting manager of the Group. He is responsible for the Group's accounting function. He holds a bachelor degree of business administration (Hons) from Bolton Institute. He joined the Group in 1992.

Ms. WANG Chun Hong, aged 29, is the general manager of the sales and marketing department. She is responsible for the Group's sales and marketing functions in the PRC and overseas. She holds a bachelor degree in literature from Ningxia University, the PRC. She joined the Group in 1994.

Ms. ZENG Jian Ling, aged 32, is the senior manager of the customer service department. She is responsible for the Group's sales support and customer services. She has over 16 years of experience in marketing and production of coils. She joined the Group in 1983.

Mr. HUANG Guo Xiang, aged 30, is the senior manager of the engineering department. He is responsible for the research and development of new formulae for the manufacture of ferrite cores. He holds a bachelor degree in engineering from the University of Electronic Science and Technology of China, the PRC. He joined the Group in 1994.

Ms. LI Lai Sheung, aged 36, is the company secretary of the Company. She is an associate member of The Institute of Chartered Secretaries and Administrators. She joined the Group in October 1999.

Mr. CHUI Chi Keung, **Chadwick**, aged 24, is the development manager of the Group. He is responsible for managing the e-commerce and application development project within the Group. He holds a bachelor degree of engineering from The University of Hong Kong and has worked as a technical consultant on enterprise management solution. He joined the Group in May 2000.

Mr. NG Ban Keong, aged 43, is the assistant general manager of CEC-Coils Singapore Pte. Ltd. He is responsible for the production and sales management of the Group's operation in Singapore. He joined the Group in October 1999.

Mr. THATT Suresh, aged 40, is the manager of the sales and marketing in India. He holds a bachelor degree of science and bachelor degree of engineering in mechanics from Bangalore University in India. He is responsible for the market development in India. He joined the Group in January 1999.

Report of the Directors

(Amounts expressed in Hong Kong dollars unless otherwise stated)

The directors have the pleasure of presenting their first annual report together with the audited financial statements of CEC International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 30th April, 2000.

Group Reorganisation And Basis Of Presentation

The Company was incorporated in Bermuda on 10th September, 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). On 28th October, 1999, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation scheme which included exchanges of shares in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's shares were listed on the Stock Exchange on 15th November, 1999.

Details of the group reorganisation scheme and the basis of presentation of the financial statements are set out in Note 1 to the accompanying financial statements.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, development, manufacture and sale of a wide range of coils. The Group's products are generally used in the manufacture of various kinds of electronic and electrical products.

An analysis of the Group's turnover by geographical location for the year ended 30th April, 2000 is as follows:

	Turnover*
	$'000
Hong Kong	217,637
Mainland China	24,911
Europe	14,558
Others	14,186
	271,292

* Turnover by geographical location is determined on the basis of the location where merchandise is delivered.

No analysis of profit attributable to shareholders by geographical location is presented as they were generally in line with the distribution of turnover as set out above.

Major Customers And Suppliers

During the year ended 30th April, 2000, the five largest suppliers of the Group accounted for less than 37% of the Group's total purchases while the five largest customers of the Group accounted for approximately 24% of the Group's total turnover. The largest supplier of the Group accounted for approximately 13% of the Group's total purchases while the largest customer of the Group accounted for approximately 6% of the Group's total turnover.

None of the directors, their associates, or any shareholders (which to the knowledge of the directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers or five largest suppliers.

Results And Appropriations

Details of the Group's results for the year ended 30th April, 2000 are set out in the consolidated income statement on page 29 of this annual report.

In October 1999, an interim dividend of $1,088,000 was paid by a subsidiary of the Company to its then shareholders prior to the Group's reorganisation and the listing of the Company's shares on the Stock Exchange.

The directors have recommended the payment of a final dividend of 5 cents per share for the year ended 30th April, 2000 to shareholders whose names appear on the Company's register of members on 17th August, 2000 (the "Proposed Final Dividend"). Together with the interim dividend of $1,088,000 already paid, the total dividends for the year ended 30th April, 2000 will be $11,088,000. The Proposed Final Dividend will be paid in cash with an option to receive new fully paid shares in lieu of cash in respect of part or all of such dividend.

Summary Financial Information

A summary of the Group's financial information for the last four financial years is set out on page 4 of this annual report.

Share Capital And Share Options

Movements in share capital and details of the share option scheme of the Company are set out in Notes 20 and 21, respectively, to the accompanying financial statements.

Bonus Issue Of Shares

The directors have recommended a bonus issue of new shares (the "Proposed Bonus Share Issue") to shareholders whose names appear on the register of members of the Company on 17th August, 2000.

The Proposed Bonus Share Issue will be made on the basis of three bonus shares (the "Bonus Shares") for every two existing shares held on 17th August, 2000. The Bonus Shares will be credited as fully paid at par and will rank pari passu with the existing shares in all respects when issued.

The proposal is subject to (i) the approval of the Company's shareholders at the forthcoming annual general meeting; (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Bonus Shares on the Stock Exchange; and (iii) (if required) the Bermuda Monetary Authority granting permission for the issue and transfer of the Bonus Shares.

Reserves And Retained Profit

Movements in reserves of the Group and the Company during the year are set out in Note 22 to the accompanying financial statements. Movements in retained profit of the Group during the year are set out in the consolidated income statement on page 29 of this annual report.

As at 30th April, 2000, the Company's reserves of approximately $137,148,000 (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained profit of approximately $771,000 were available for distribution to its shareholders.

Pension Scheme

Particulars of pension scheme are set out in Note 25 to the accompanying financial statements.

Purchase, Sale Or Redemption Of The Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30th April, 2000.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 12 to the accompanying financial statements.

Property, Plant And Equipment

Movements in property, plant and equipment during the year are set out in Note 11 to the accompanying financial statements.

Borrowings

Particulars of borrowings as at 30th April, 2000 are set out in Notes 16, 17 and 18 to the accompanying financial statements.

Charitable Donations

During the year, the Group made charitable donations of approximately $142,000 (1999 - Nil).

Subsequent Events

Details of significant subsequent events are set out in Note 28 to the accompanying financial statements.

Directors And Directors' Service Contracts

The directors who held office during the year and up to the date of this report were:

Executive directors

Mr. Lam Wai Chun	(Appointed on 29th September, 1999)
Mr. Saito Misao	(Appointed on 29th September, 1999)
Ms. Tang Fung Kwan	(Appointed on 29th September, 1999)
Ms. Hu Yan Huan	(Appointed on 29th September, 1999)
Mr. Iwata Kenji	(Appointed on 29th September, 1999)

Non-executive director

Mr. Tang Tin Sek	(Appointed on 29th September, 1999)

Independent non-executive directors

Mr. Au Son Yiu	(Appointed on 29th September, 1999)
Mr. Lee Wing Kwan, Denis	(Appointed on 29th September, 1999)

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Saito Misao and Ms. Tang Fung Kwan will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors And Directors' Service Contracts *(continued)*

Each of the executive directors has entered into a service agreement with the Company on 27th September, 1999 for an initial period of, in the case of Mr. Lam Wai Chun, three years and in the cases of Mr. Saito Misao, Ms. Tang Fung Kwan, Ms. Hu Yan Huan and Mr. Iwata Kenji, two years, each commencing on 1st October, 1999, the term of which is to continue thereafter unless and until terminated by either party giving not less than six months' notice to the other, which notice may expire at any time on or after the expiry of the initial term.

Pursuant to a service agreement entered into between the Company and Mr. Tang Tin Sek dated 27th September, 1999 as amended by a supplemental agreement to service agreement dated 30th December, 1999, Mr. Tang Tin Sek was appointed as a non-executive director for the period from 1st January, 2000 to 30th September, 2001 unless the same is terminated by either party by giving to the other party not less than three months' prior notice in writing.

Save as disclosed above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests In Securities

As at 30th April, 2000, the directors of the Company had the following interests in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

(a) The Company

	Number of shares of $0.10 each	
	Family interests	**Corporate interests**
Mr. Lam Wai Chun *(Note 1)*	131,550,000	–
Mr. Saito Misao *(Note 2)*	–	18,450,000
Ms. Tang Fung Kwan *(Note 2)*	–	18,450,000
Ms. Hu Yan Huan *(Note 2)*	–	18,450,000

Notes:

1. As at 30th April, 2000, Ka Yan China Development (Holding) Company Limited held 131,550,000 shares in the Company. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately beneficially owned by Mr. Lam Wai Chun's family trust. The beneficiaries under this family trust were Mr. Lam Wai Chun's spouse, Ms. Law Ching Yee and his children who were under the age of 18 years, and accordingly Mr. Lam Wai Chun was deemed under the SDI Ordinance to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited.

2. As at 30th April, 2000, CMPP Investment Holdings Limited ("CMPP") held 18,450,000 shares in the Company. The issued share capital of CMPP was US$471.49 divided into 47,149 shares of US$0.01 each, of which Mr. Saito Misao, Ms. Tang Fung Kwan and Ms. Hu Yan Huan, the directors of the Company, respectively held 700 shares, 3,514 shares and 1,230 shares of US$0.01 each.

Directors' Interests In Securities *(continued)*

(b) Associated corporation

Coils Electronic Co., Limited

	Number of non-voting deferred shares of $1.00 each *(Note 5)*		
	Personal interests	**Family interests**	**Total**
Mr. Lam Wai Chun *(Notes 3 and 4)*	7,500,000	6,500,000	14,000,000

Notes:

3. Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of $1.00 each in Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of $1.00 each in the share capital of Coils Electronic Co., Limited.

4. In respect of the 6,000,000 non-voting deferred shares of $1.00 each held by Ka Yan China Development (Holding) Company Limited and the remaining 500,000 non-voting deferred shares of $1.00 each held by Ms. Law Ching Yee in Coils Electronic Co., Limited, representing approximately 42.86% and approximately 3.57% respectively of the 14,000,000 non-voting deferred shares of $1.00 each in the share capital of Coils Electronic Co., Limited, Mr. Lam Wai Chun was deemed to be interested in all those shares under the SDI Ordinance by virtue of, in the case of Ka Yan China Development (Holding) Company Limited, the reasons set out in Note (a)1 above and, in the case of Ms. Law Ching Yee, the fact that Ms. Law Ching Yee is the spouse of Mr. Lam Wai Chun.

5. Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of Coils Electronic Co., Limited exceeds $100,000,000,000,000, and are not entitled to any distributions upon winding up unless a sum of $100,000,000,000,000 has been distributed to the holders of ordinary shares.

Save as disclosed above, as at 30th April, 2000, none of the directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) had any interests in the securities of the Company or its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

Directors' Rights To Acquire Shares Or Debentures

The Company has a share option scheme, under which it may grant options to any employees or executives of the Company or any subsidiary of the Company, including executive directors (but excluding independent non-executive directors) of the Company or of any subsidiary, to subscribe for shares in the Company. Details of the scheme are set out in Note 21 to the accompanying financial statements.

No options have been granted to the directors of the Company under the share option scheme as at 30th April, 2000.

Save as disclosed above, and other than in connection with the group reorganisation scheme prior to the listing of the Company's shares on the Stock Exchange, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests In Contracts of Significance

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Substantial Shareholders

As at 30th April, 2000, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, other than the directors of the Company, the following persons were interested or taken or deemed to be interested in 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage holding
Ka Yan China Development (Holding) Company Limited *(Notes 1 and 2)*	131,550,000	65.775%
Ka Yan China Investments Limited *(Note 2)*	131,550,000	65.775%
HSBC Holdings plc *(Note 3)*	131,550,000	65.775%
HSBC Finance (Netherlands) *(Note 3)*	131,550,000	65.775%
HSBC Holdings B.V. *(Note 3)*	131,550,000	65.775%
HSBC Investment Bank Holdings B.V. *(Note 3)*	131,550,000	65.775%
HSBC International Trustee Limited *(Note 3)*	131,550,000	65.775%

Notes:

1. The 131,550,000 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 which was ultimately beneficially owned by Ka Yan China Family Trust, the family trust of Mr. Lam Wai Chun, a director of the Company.

2. The interests of Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, the ultimate holding company of the Company, in respect of 131,550,000 shares duplicated with each other.

3. The interests of HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings B.V., HSBC Investment Bank Holdings B.V., HSBC International Trustee Limited in respect of 131,550,000 shares in the Company duplicated with each other.

   The 131,550,000 shares in which HSBC International Trustee Limited was interested were the shares referred to in Note 2 above.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company which was required to be recorded under Section 16(1) of the SDI Ordinance as at 30th April, 2000.

Year 2000 Compliance

The computer system and electronic devices of the Group functioned properly before, during and after Year 2000. The Group has not encountered abnormality or system failure arising from Year 2000 issue up to the date of this report. Nevertheless, the Group will closely monitor the function of its computer system in Year 2000.

Audit Committee

The Company established an Audit Committee on 30th September, 1999 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control of the Group. The Audit Committee presently comprises three non-executive directors, two of them being independent. Meetings of the Audit Committee have been held twice since its establishment.

Code Of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 30th April, 2000, except that the independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

Auditors

The accompanying financial statements were audited by Messrs. Arthur Andersen & Co. A resolution for the re-appointment of Messrs. Arthur Andersen & Co as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board,
Saito Misao
Deputy Chairman

Hong Kong, 13th July, 2000.

Report of the Auditors

ARTHUR ANDERSEN

Arthur Andersen & Co
21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF
CEC INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 29 to 58 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30th April, 2000 and of the profit and cash flows of the group for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO
Certified Public Accountants

Hong Kong, 13th July, 2000.

Consolidated Income Statement

For The Year Ended 30th April, 2000

(Expressed in Hong Kong dollars)

	Note	2000 $'000	1999 $'000 (Note 29)
Turnover	3	**271,292**	193,943
Cost of sales		**(178,359)**	(136,634)
Gross profit		**92,933**	57,309
Other revenue	3	**1,864**	1,517
Distribution and selling expenses		**(9,253)**	(6,368)
General and administrative expenses		**(28,483)**	(16,774)
Profit from operations		**57,061**	35,684
Finance cost		**(10,367)**	(9,708)
Profit before taxation	4	**46,694**	25,976
Taxation	6	**(4,860)**	(2,335)
Profit after taxation but before minority interests		**41,834**	23,641
Minority interests		**76**	–
Profit attributable to shareholders	7	**41,910**	23,641
Retained profit, beginning of year		**83,899**	60,258
Dividends	8	**(11,088)**	–
Retained profit, end of year		**114,721**	83,899
Basic earnings per share	10	**24.12 cents**	15.76 cents

Consolidated Statement Of Recognised Gains And Losses

For The Year Ended 30th April, 2000

(Expressed in Hong Kong dollars)

	2000 $'000	1999 $'000
Surplus on revaluation of properties	234	1,054
Exchange differences arising from translation of the financial statements of foreign entities	(9)	(28)
Net gains not recognised in the consolidated income statement	225	1,026
Profit attributable to shareholders	41,910	23,641
Total recognised gains	42,135	24,667
Elimination of goodwill arising from acquisition of additional interest in a subsidiary	(72)	–
	42,063	24,667

Balance Sheets

As At 30th April, 2000

(Expressed in Hong Kong dollars)

	Note	Consolidated		Company	
		2000	1999	**2000**	1999
		$'000	$'000	**$'000**	$'000
			(Note 29)		
NON-CURRENT ASSETS					
Property, plant and equipment	11	**244,064**	145,058	**–**	–
Investment in subsidiaries	12	**–**	–	**181,541**	–
Total non-current assets		**244,064**	145,058	**181,541**	–
CURRENT ASSETS					
Inventories	13	**42,888**	25,485	**–**	–
Trade receivables	14	**26,201**	21,674	**–**	–
Prepayments, deposits and other current assets		**5,312**	2,761	**85**	–
Due from a related company		**–**	303	**–**	–
Due from a director		**–**	4,070	**–**	–
Dividend receivable from a subsidiary		**–**	–	**11,000**	–
Pledged bank deposits	15	**43,201**	24,001	**–**	–
Cash and other bank deposits		**6,442**	2,939	**33**	–
Total current assets		**124,044**	81,233	**11,118**	–
CURRENT LIABILITIES					
Short-term bank borrowings	16	**(35,446)**	(43,955)	**–**	–
Long-term bank loans, current portion	17	**(3,623)**	(749)	**–**	–
Finance lease obligations, current portion	18	**(20,487)**	(10,451)	**–**	–
Due to intermediate holding company		**–**	(3,299)	**–**	–
Trade payables		**(39,615)**	(15,289)	**–**	–
Bills payable		**–**	(999)	**–**	–
Accruals and other payables		**(14,559)**	(8,246)	**(133)**	–
Proposed final dividend	8	**(10,000)**	–	**(10,000)**	–
Taxation payable		**(552)**	(2,500)	**–**	–
Total current liabilities		**(124,282)**	(85,488)	**(10,133)**	–
Net current (liabilities) assets		**(238)**	(4,255)	**985**	–
Total assets less current liabilities		**243,826**	140,803	**182,526**	–

	Note	Consolidated 2000 $'000	Consolidated 1999 $'000 (Note 29)	Company 2000 $'000	Company 1999 $'000
NON-CURRENT LIABILITIES					
Long-term bank loans	17	**(4,824)**	(2,460)	**–**	–
Finance lease obligations	18	**(32,854)**	(11,653)	**–**	–
Deferred taxation	19	**(9,637)**	(5,567)	**–**	–
Total non-current liabilities		**(47,315)**	(19,680)	**–**	–
Net assets		**196,511**	121,123	**182,526**	–
CAPITAL AND RESERVES					
Share capital	20	**20,000**	78	**20,000**	–
Reserves	22	**61,790**	37,146	**161,755**	–
Retained profit	9	**114,721**	83,899	**771**	–
Shareholders' equity		**196,511**	121,123	**182,526**	–

Approved by the Board on 13th July, 2000:

LAM WAI CHUN
Chairman

TANG FUNG KWAN
Director

Consolidated Statement Of Cash Flows

For The Year Ended 30th April, 2000

(Expressed in Hong Kong dollars)

	Note	2000 $'000	1999 $'000
Operating activities	23.a	**83,556**	52,853
Returns on investments and servicing of finance			
Interest received		**1,864**	1,517
Interest paid		**(10,367)**	(9,708)
Dividend paid		**(1,088)**	–
		(9,591)	(8,191)
Taxation			
Hong Kong profits tax paid		**(2,288)**	(640)
Hong Kong profits tax refunded		**–**	47
Overseas tax paid		**(450)**	–
		(2,738)	(593)
Investing activities			
Additions of property, plant and equipment		**(68,328)**	(23,966)
Proceeds from disposals of property, plant and equipment		**4**	522
Attributable to the Reorganisation (Note 1)		**10**	–
(Increase) Decrease in pledged bank deposits		**(19,200)**	873
Effect of foreign exchange rate changes		**(18)**	(28)
		(87,532)	(22,599)
Net cash (outflow) inflow before financing		**(16,305)**	21,470
Financing	23.b		
Proceeds from issue of shares		**55,000**	6,010
Share issuance expenses		**(10,593)**	–
New long-term bank loans		**10,051**	–
Repayment of long-term bank loans		**(4,813)**	(698)
Repayment of capital element of finance lease obligations		**(22,099)**	(12,283)
Decrease in due to a related company		**–**	(3,625)
Decrease (Increase) in due from a director		**997**	(992)
Decrease in due to intermediate holding company		**(226)**	(521)
		28,317	(12,109)
Increase in cash and cash equivalents		**12,012**	9,361
Cash and cash equivalents, beginning of year		**(41,016)**	(50,377)
Cash and cash equivalents, end of year	23.d	**(29,004)**	(41,016)

Notes To The Financial Statements

30th April, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. Group Reorganisation And Basis Of Presentation Of Financial Statements

CEC International Holdings Limited (the "Company") was incorporated in Bermuda on 10th September, 1999 as an exempted company under the Companies Act 1981 of Bermuda (as amended). The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since 15th November, 1999.

Pursuant to a group reorganisation scheme (the "Reorganisation") on 28th October, 1999, the Company acquired the entire issued share capital of Coils International Holdings Limited, the then holding company of the Group, through a share exchange and consequently became the holding company of the Group. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the current group structure had been in existence throughout the year ended 30th April, 2000, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 30th April, 1999 have been presented on the same basis. As part of the Reorganisation, the investment properties, together with the related property rental business of a subsidiary of the Company, were transferred to a director of the Company. Accordingly, all investment properties of the Group as at 30th April, 1999 and 2000, together with the related results of property rental business for the years ended 30th April, 1999 and 2000 have been excluded in the accompanying financial statements.

2. Principal Accounting Policies

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Principal accounting policies are summarised below:

a. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (together the "Group"). Significant intra-group transactions and balances have been eliminated on consolidation.

b. Goodwill

Goodwill arising on acquisition of a subsidiary, representing the excess of the cost of acquisition over the Group's share of the fair value of the separable net assets of the subsidiary acquired, is eliminated against capital reserve in the period of acquisition. Upon disposal of interests in the subsidiary, the underlying goodwill previously eliminated is reversed and included as investment cost in determining the gain or loss on disposal.

c. Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of its issued voting share capital as long-term investment. In the Company's financial statements, investment in subsidiaries is stated at cost less provision for any impairment in value, while income from subsidiaries is accounted for to the extent of dividends received and receivable.

2. Principal Accounting Policies *(continued)*

d. Turnover and revenue recognition

Turnover represents the net invoiced value of merchandise sold after allowances for discounts and returns.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Sales revenue is recognised when the merchandise is shipped and title has passed. Interest income is recognised on a time proportion basis on the principal outstanding and at the rates applicable.

e. Taxation

Individual companies within the Group provide for profits tax on the basis of their profits for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

f. Property, plant and equipment and depreciation

Property, plant and equipment, other than land and buildings, are stated at cost less accumulated depreciation. Land and buildings are stated at valuation less accumulated depreciation. Major expenditures on modifications and betterments of property, plant and equipment which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost or the revalued amount less estimated residual value of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Land	2% (lease terms)
Buildings	2.5%
Machinery	10%
Furniture and equipment	20%
Motor vehicles	30%

2. Principal Accounting Policies *(continued)*

f. Property, plant and equipment and depreciation *(continued)*

Independent valuations for land and buildings are performed periodically with the last valuation performed on 31st August, 1999. In the intervening years, the Company's directors review the carrying value of land and buildings and adjustment is made where in the directors' opinion there has been a material change in value. Any increase in valuation of land and buildings is credited to the property revaluation reserve; any decrease is first offset against increases from earlier valuations in respect of the same land and buildings and is thereafter charged to the income statement.

Gains or losses on disposals of property, plant and equipment are recognised in the income statement based on the net disposal proceeds less the then carrying amount of the assets, with previously recognised revaluation surpluses transferred from property revaluation reserve to retained profit.

Property, plant and equipment held under finance leases are depreciated on the same basis as described above.

g. Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method of costing and includes costs incurred in bringing the goods to their present location and condition. Net realisable value is based on estimated selling prices in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

h. Leases

Finance leases represent those leases under which substantially all the rewards and risks of ownership of the leased assets are transferred to the Group. Property, plant and equipment held under finance leases are initially recorded at the present value of the minimum payments at the inception of the leases, with equivalent liabilities categorised as appropriate under current or non-current liabilities. Interest expense, which represents the difference between the minimum payments at the inception of the finance leases and the corresponding fair value of the assets acquired, is allocated to accounting periods over the period of the relevant leases to produce a constant rate of charge on the outstanding balances.

Operating leases represent those leases under which substantially all the rewards and risks of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

2. Principal Accounting Policies *(continued)*

i. Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains or losses are dealt with in the income statements of the individual companies.

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, all of the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; all of the income and expense items of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the average applicable exchange rates during the period. Exchange differences arising from such translations are dealt with as movements of cumulative translation adjustments.

j. Staff retirement benefits

The costs of staff retirement benefits are charged to the income statement in the relevant period in which they are incurred.

k. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. Turnover And Revenue

Turnover and revenue comprised:

	2000 $'000	1999 $'000
Turnover	**271,292**	193,943
Interest income	**1,864**	1,517
Total revenue	**273,156**	195,460

4. Profit Before Taxation

Profit before taxation in the consolidated income statement was determined after charging or crediting the following items:

	2000 $'000	1999 $'000
After charging –		
Cost of inventories (excluding provision for slow-moving		
and obsolete inventories)	**178,359**	136,634
Depreciation of property, plant and equipment		
– owned assets	**16,305**	11,247
– assets held under finance leases	**6,537**	5,225
Interest expense on		
– bank overdrafts and loans wholly repayable within five years	**4,271**	4,962
– factoring of trade receivables	**2,727**	2,366
– finance leases	**3,369**	2,380
Provision for/write-off of bad and doubtful debts	**1,151**	1,700
Staff costs (including directors' emoluments)	**68,634**	46,934
Operating lease rentals in respect of rented premises	**1,050**	665
Net loss on disposals of property, plant and equipment	**55**	–
Net exchange loss	**746**	–
Auditors' remuneration	**690**	300
After crediting –		
Interest income from bank deposits	**1,864**	1,517
Write-back of provision for bad and doubtful debts	**1,371**	–
Net gain on disposals of property, plant and equipment	**–**	18
Net exchange gain	**–**	79

5. Directors' And Senior Executives' Emoluments

a. Details of emoluments paid to directors of the Company were:

	2000 **$'000**	1999 $'000
Fees for executive directors	**–**	–
Fees for non-executive director	**–**	–
Fees for independent non-executive directors	**350**	–
Other emoluments for executive directors		
– Basic salaries and allowances	**3,322**	1,188
– Contributions to pension scheme	**162**	122
Other emoluments for non-executive director		
– Basic salaries and allowances	**526**	–
	4,360	1,310

No directors waived any emoluments during the year.

Analysis of directors' emoluments by number of directors and emolument ranges was as follows:

	2000	1999
Executive directors		
– Nil to $1,000,000	**4**	3
– $1,000,001 to $1,500,000	**1**	–
	5	3
Non-executive director/Independent non-executive directors		
– Nil to $1,000,000	**3**	–

5. Directors' And Senior Executives' Emoluments *(continued)*

b. Details of emoluments paid to the five highest-paid individuals (including directors and other employees) were:

	2000 **$'000**	1999 $'000
Basic salaries and allowances	**3,718**	2,545
Contributions to pension scheme	**155**	201
	3,873	2,746

Number of directors	**5**	2
Number of employees	**–**	3
	5	5

During the year, no emoluments were paid to the five highest-paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

Analysis of emoluments paid to the five highest-paid individuals (including directors and other employees) by number of individuals and emolument ranges were as follows:

	2000	1999
Nil to $1,000,000	**4**	5
$1,000,001 to $1,500,000	**1**	–
	5	5

6. Taxation

Taxation comprised:

	2000 **$'000**	1999 $'000
Current taxation		
– Hong Kong profits tax	**405**	953
– Mainland China enterprise income tax	**385**	68
– Special rebate by the Government of the Hong Kong Special Administrative Region	**–**	(47)
Deferred taxation *(Note 19)*	**4,070**	1,361
	4,860	2,335

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax was provided at the rate of 16% (1999 – 16%) on the estimated assessable profit arising in or derived from Hong Kong.

Zhongshan Tonichi Ferrite Products Co., Ltd., a wholly foreign owned enterprise established in Zhongshan, the open coastal area of Mainland China, is subject to Mainland China enterprise income tax at a rate of 24%, while Xiamen Coils Electronic Co., Ltd., a wholly foreign owned enterprise established in Xiamen, a special economic zone in Mainland China, is subject to Mainland China enterprise income tax at a rate of 15%. However, these wholly foreign owned enterprises are exempted from state income tax and local income tax for two years starting from the first year of profitable operations after offsetting accumulated losses carried forward, followed by a 50% reduction in state income tax for the next three years. Zhongshan Tonichi Ferrite Products Co., Ltd. was entitled to tax exemption during the period from 1st January, 1996 to 31st December, 1997, and it was subject to state income tax at the rate of 12% for the four months ended 30th April, 1998, the year ended 30th April, 1999 and the year ended 30th April, 2000. Xiamen Coils Electronic Co., Ltd. was still in a tax loss position as at 30th April, 2000.

No profits tax was provided for the Company's subsidiaries/branches operating outside Hong Kong and Mainland China as these subsidiaries/branches were still in a tax loss position as at 30th April, 2000.

7. Profit Attributable To Shareholders

The consolidated profit attributable to shareholders included a profit of approximately $10,771,000 (1999 – Nil) dealt with in the financial statements of the Company.

8. Dividends

Dividends comprised:

	2000 **$'000**	1999 $'000
Proposed final dividend of 5 cents per share	**10,000**	–
Interim dividend paid	**1,088**	–
	11,088	–

The proposed final dividend is to be paid in cash with a scrip option at the election of individual shareholders whose names appear on the Company's register of members on 17th August, 2000. The interim dividend was paid by a subsidiary of the Company to its then shareholders prior to the Reorganisation and the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (see Note 1).

9. Retained Profit

Retained profit comprised:

	2000 **$'000**	1999 $'000
Company	**771**	–
Subsidiaries	**113,950**	83,899
	114,721	83,899

10. Earnings Per Share

The calculation of basic earnings per share for the year ended 30th April, 2000 was based on the profit attributable to shareholders of approximately $41,910,000 and on the weighted average number of 173,770,492 shares in issue during the year. The calculation of basic earnings per share for the year ended 30th April, 1999 was based on the profit attributable to shareholders of approximately $23,641,000 and on the weighted average number of 150,000,000 shares as if they had been in issue during the entire year ended 30th April, 1999.

Diluted earnings per share was not presented because there was no dilutive potential shares in existence during the year.

11. Property, Plant And Equipment

a. Movements of property, plant and equipment (consolidated) were:

	2000					1999
	Land and buildings $'000	Machinery $'000	Furniture and equipment $'000	Motor vehicles $'000	Total $'000	Total $'000
Cost or Valuation						
Beginning of year	46,091	127,236	25,193	3,251	201,771	166,518
Additions	5,696	106,754	7,922	1,292	121,664	37,774
Disposals	–	(70)	(45)	(356)	(471)	(1,348)
Revaluation deficit	(132)	–	–	–	(132)	(1,173)
Translation adjustment	–	7	2	–	9	–
End of year	51,655	233,927	33,072	4,187	322,841	201,771
Representing -						
At cost	–	233,927	33,072	4,187	271,186	160,832
At valuation	51,655	–	–	–	51,655	40,939
	51,655	233,927	33,072	4,187	322,841	201,771
Accumulated depreciation						
Beginning of year	–	39,702	15,037	1,974	56,713	43,312
Provision for the year	1,211	16,712	4,276	643	22,842	16,472
Write-back on disposals	–	(46)	(10)	(356)	(412)	(844)
Write-back upon revaluation	(366)	–	–	–	(366)	(2,227)
End of year	845	56,368	19,303	2,261	78,777	56,713
Net book value						
End of year	50,810	177,559	13,769	1,926	244,064	145,058
Beginning of year	46,091	87,534	10,156	1,277	145,058	123,206

11. Property, Plant And Equipment *(continued)*

b. Details of land and buildings (consolidated) were:

	2000 $'000	1999 $'000
Hong Kong - medium-term leases	**6,856**	5,910
Mainland China - medium-term leases	**43,551**	39,772
Mainland China - long-term leases	**403**	409
	50,810	46,091

Land and buildings located in Hong Kong were stated at open market value as at 31st August, 1999 (date of last valuation) as determined by LCH (Asia-Pacific) Surveyors Limited, independent qualified valuers. Approximately $39,088,000 (1999 — $39,772,000) of land and buildings located in Mainland China were held under land use rights for 50 years up to 2048 and approximately $403,000 (1999 — $409,000) of land and buildings located in Mainland China were held under land use rights for 70 years up to 2068. Land and buildings located in Mainland China acquired by the Group prior to 31st August, 1999 were stated on a replacement cost basis as at 31st August, 1999 as determined by LCH (Asia-Pacific) Surveyors Limited, independent qualified valuers. The remaining land and buildings, which were acquired by the Group subsequent to 31st August, 1999 and to which the Group did not have formal land use rights, were stated at directors' valuation of approximately $4,463,000 as at 30th April, 2000 (1999 — Nil).

Had all land and buildings been carried at cost less accumulated depreciation, the net book value of the Group's land and buildings as at 30th April, 2000 would have been approximately $34,506,000 (1999 — $29,595,000).

Land and buildings with a net book value of approximately $6,500,000 (1999 — $5,910,000) were mortgaged as collateral for the Group's banking facilities (see Note 26.a).

c. Machinery and motor vehicles held under finance leases:

Certain machinery and motor vehicles included in Note 11.a above were held under finance leases. Details of these assets were as follows:

	2000 $'000	1999 $'000
Cost	**94,752**	58,920
Less: Accumulated depreciation	**(11,281)**	(13,056)
Net book value	**83,471**	45,864

12. Investment In Subsidiaries

In the Company's balance sheet, investment in subsidiaries comprised:

	2000 **$'000**	1999 $'000
Unlisted shares, at cost	**137,348**	–
Due from subsidiaries	**44,193**	–
	181,541	–

The outstanding balances with subsidiaries were unsecured, non-interest bearing and without predetermined repayment terms.

The underlying value of the subsidiaries is, in the opinion of the directors, not less than the carrying value as at 30th April, 2000.

As at 30th April, 2000, the Company had given guarantees of approximately $158,147,000 (1999 – Nil) to secure banking facilities and finance lease obligations of certain subsidiaries (see Note 24.c).

Details of the Company's subsidiaries as at 30th April, 2000 were as follows:

Name	**Place of incorporation/ operation**	**Issued and fully paid share capital**	**Percentage of equity interest attributable to the Group (a)**	**Principal activities**
Coils International Holdings Limited	British Virgin Islands	Ordinary US$10,000	100%	Investment holding
CEC-CAP Limited (Formerly known as Supreme Luck International Limited)	Hong Kong	Ordinary $10,000	100%	Trading of capacitors and other electronic components
CEC-Coils Hong Kong Co., Limited (Formerly known as CEC-E-Commerce Limited and Coils Electronic (Hong Kong) Co., Limited)	Hong Kong	Ordinary $2 Non-voting deferred $1,000,000 (b)	100%	Trading of electronic components

12. Investment In Subsidiaries *(continued)*

Name	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group (a)	Principal activities
CEC-Coils Singapore Pte Ltd.	Singapore	Ordinary S$500,000	100%	Manufacture and sale of coils and other electronic components
CEC-ECAP Limited	Hong Kong	Ordinary $1,000,000	100%	Manufacture and sale of electrolytic capacitors
CEC-Electric Co., Limited (Formerly known as Bonmark Investment Limited)	Hong Kong	Ordinary $2	100%	Trading of electronic components
Coils Electronic Co., Limited	Hong Kong	Ordinary $2 Non-voting deferred $14,000,000 (b)	100%	Investment holding; manufacture and sale of coils and other electronic components
Coils Investment (BVI) Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Jin Yuan Moulds Limited	Hong Kong	Ordinary $100	60%	Manufacture and sale of moulds for electronic components

12. Investment In Subsidiaries *(continued)*

Name	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group (a)	Principal activities
Xiamen Coils Electronic Co., Ltd. (c)	Mainland China	Registered capital $1,700,000	100%	Manufacture and sale of coils, transformers and other electronic components
Zhongshan Tonichi Ferrite Products Co., Ltd. (c)	Mainland China	Registered capital $51,600,000	100%	Manufacture and sale of coils and other electronic components

Notes:

a. The shares of Coils International Holdings Limited were held by the Company directly. The shares of other subsidiaries were held indirectly.

b. The non-voting deferred shares of CEC-Coils Hong Kong Co., Limited were owned by Coils Electronic Co., Limited, whereas the non-voting deferred shares of Coils Electronic Co., Limited were owned by Mr. Lam Wai Chun, Ms. Law Ching Yee and Ka Yan China Development (Holding) Company Limited, the intermediate holding company of the Company. Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of CEC-Coils Hong Kong Co., Limited and Coils Electronic Co., Limited exceeds $100,000,000,000,000 respectively, and are not entitled to any distributions upon winding up unless a sum of $100,000,000,000,000 has been distributed to the holders of the ordinary shares.

c. Xiamen Coils Electronic Co., Ltd and Zhongshan Tonichi Ferrite Products Co., Ltd are wholly foreign owned enterprises established in Mainland China to be operated for 15 years up to December 2012 and September 2008, respectively.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30th April, 2000.

13. Inventories

Inventories (consolidated) comprised:

	2000 $'000	1999 $'000
Raw materials	**25,690**	19,676
Work-in-progress	**10,179**	3,927
Finished goods	**8,941**	3,804
	44,810	27,407
Less: Provision for slow-moving and obsolete inventories	**(1,922)**	(1,922)
	42,888	25,485

The Group's inventories with a net book value of approximately $31,911,000 (1999 – $26,726,000) were held under trust receipts bank loan arrangements (see Note 26.c).

14. Trade Receivables

Trade receivables (consolidated) comprised:

	2000 $'000	1999 $'000
Trade receivables	**28,107**	22,573
Less: Provision for bad and doubtful debts	**(1,906)**	(899)
	26,201	21,674

15. Pledged Bank Deposits

Bank deposits of approximately $43,201,000 (1999 – $24,001,000) were pledged as collateral for the Group's banking facilities (see Note 26.b).

16. Short-Term Bank Borrowings

Short-term bank borrowings (consolidated) comprised:

	2000 $'000	1999 $'000
Bank overdrafts	**6,030**	6,228
Short-term bank loans	**–**	1,342
Trust receipts bank loans	**29,416**	36,385
	35,446	43,955

Refer to Note 26 for details of the Group's banking facilities.

17. Long-Term Bank Loans

Details of long-term bank loans (consolidated), which were secured, were:

	2000 $'000	1999 $'000
Amounts repayable within a period		
– not exceeding one year	**3,623**	749
– more than one year but not exceeding two years	**3,394**	776
– more than two years but not exceeding five years	**1,430**	1,351
– more than five years	**–**	333
	8,447	3,209
Less: Amounts repayable within one year included under current liabilities	**(3,623)**	(749)
	4,824	2,460

Refer to Note 26 for details of the Group's banking facilities.

18. Finance Lease Obligations

Obligations under finance leases, net of future finance charges (consolidated), comprised:

	2000 $'000	1999 $'000
Amounts repayable within a period		
– not exceeding one year	**20,487**	10,451
– more than one year but not exceeding two years	**17,726**	6,788
– more than two years but not exceeding five years	**15,128**	4,865
	53,341	22,104
Less: Amounts repayable within one year included under current liabilities	**(20,487)**	(10,451)
	32,854	11,653

19. Deferred Taxation

Movements of deferred taxation (consolidated) were:

	2000 $'000	1999 $'000
Beginning of year	**5,567**	4,206
Provision for net timing differences	**4,070**	1,361
End of year	**9,637**	5,567

Deferred taxation represented the taxation effect of accelerated depreciation of property, plant and equipment for taxation purposes. As at 30th April, 2000, the Group had an unprovided deferred tax liability of approximately $3,850,000 (1999 – $3,561,000), representing the tax effect on the surpluses arising on the revaluation of the Group's land and buildings in Mainland China, which would be recorded as a reduction of surplus on revaluation of properties. The deferred tax liability has not been provided for as the directors are of the opinion that the related land and buildings will not be disposed of in the foreseeable future and, accordingly, such deferred tax liability will not crystallise in the foreseeable future. There was no other significant unprovided deferred taxation as at 30th April, 2000.

20. Share Capital

	Number of shares '000	Nominal value $'000
Authorised shares of $0.10 each –		
Upon incorporation (a)	1,000	100
Addition (b)	999,000	99,900
End of year	1,000,000	100,000
Issued and fully paid shares of $0.10 each –		
Issued upon incorporation (a)	1,000	100
Issue of shares arising from the Reorganisation (c)	1,000	100
Issue of shares through public offering and private placement (d)	50,000	5,000
Capitalisation of share premium (e)	148,000	14,800
End of year	200,000	20,000

a. On 10th September, 1999, the date the Company was incorporated, the Company had an authorised share capital of $100,000 divided into 1,000,000 shares of $0.10 each. On 29th September, 1999, all such shares were allotted and issued nil paid and were subsequently paid up in the manner described in Note c. below.

b. Pursuant to the written resolution of the sole shareholder of the Company passed on 26th October, 1999, the authorised share capital of the Company was increased from $100,000 to $100,000,000 by the creation of an additional 999,000,000 shares of $0.10 each, ranking pari passu with the then existing shares in all respects.

c. On 28th October, 1999, 1,000,000 shares were issued and credited as fully paid and the aforementioned 1,000,000 shares issued nil paid were credited as fully paid as consideration for the acquisition of the entire issued share capital of Coils International Holdings Limited, the then holding company of the Group as at the date of the Reorganisation described in Note 1.

d. On 9th November, 1999, 13,000,000 shares and 37,000,000 shares of $0.10 each were issued at $1.10 per share through public offering and private placement, respectively (the "New Issue"), resulting in total proceeds of $55,000,000. The proceeds of the New Issue were used for financing the Group's expansion plans and for providing the Group with additional working capital.

e. Immediately after the New Issue, share premium of $14,800,000 was capitalised for the issuance of 148,000,000 shares of $0.10 each on a pro-rata basis to the Company's then shareholders before the New Issue.

The comparative figure of the Company's share capital as at 30th April, 1999 represented the nominal value of the share capital of Coils International Holdings Limited, the then holding company of the Group, as at that date.

21. Share Options

Under the terms of the Company's share option scheme approved by the shareholders on 26th October, 1999, the Board of Directors of the Company may grant options to any employees or executives of the Company or any subsidiary of the Company, including executive directors (but excluding independent non-executive directors) of the Company or of any subsidiary to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options granted pursuant to the share option scheme. The subscription price will be determined by the Board of Directors, and will not be less than (i) 80% of the average closing price of the shares of the Company quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the options or (ii) the nominal value of the shares, whichever is the higher.

As at 30th April, 2000, no option has been granted under the share option scheme.

22. Reserves

Movements of reserves were:

	2000						1999
	Share premium $'000	Capital reserve $'000	Contributed surplus $'000	Property revaluation reserve $'000	Cumulative translation adjustments $'000	Total $'000	Total $'000
Consolidated							
Beginning of year	**5,932**	**14,000**	**–**	**17,242**	**(28)**	**37,146**	16,188
Attributable to the Reorganisation *(Note 1)*	**(5,932)**	**6**	**5,810**	**–**	**–**	**(116)**	14,000
Premium arising from issue of shares	**50,000**	**–**	**–**	**–**	**–**	**50,000**	5,932
Share issuance expenses	**(10,593)**	**–**	**–**	**–**	**–**	**(10,593)**	–
Capitalisation of share premium	**(14,800)**	**–**	**–**	**–**	**–**	**(14,800)**	–
Elimination of goodwill arising from acquisition of additional interest in a subsidiary	**–**	**(72)**	**–**	**–**	**–**	**(72)**	–
Surplus on revaluation of properties	**–**	**–**	**–**	**234**	**-**	**234**	1,054
Translation adjustments	**–**	**–**	**–**	**–**	**(9)**	**(9)**	(28)
End of year	**24,607**	**13,934**	**5,810**	**17,476**	**(37)**	**61,790**	37,146
Company							
Beginning of year	**–**	**–**	**–**	**–**	**–**	**–**	–
Contributed surplus arising from the Reorganisation *(Note 1)*	**–**	**–**	**137,148**	**–**	**–**	**137,148**	–
Premium arising from issue of shares	**50,000**	**–**	**–**	**–**	**–**	**50,000**	–
Share issuance expenses	**(10,593)**	**–**	**–**	**–**	**–**	**(10,593)**	–
Capitalisation of share premium	**(14,800)**	**–**	**–**	**–**	**–**	**(14,800)**	–
End of year	**24,607**	**–**	**137,148**	**–**	**–**	**161,755**	–

22. Reserves *(continued)*

The contributed surplus of the Company represented the difference between the nominal value of the Company's shares issued and the aggregate net asset value of the subsidiaries acquired through an exchange of shares pursuant to the Reorganisation (see Note 1). The contributed surplus of the Group represented the excess value of the share capital and share premium of Coils International Holdings Limited, the then holding company of the Group before the Reorganisation, over the nominal value of the Company's shares issued in exchange of shares pursuant to the Reorganisation. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 30th April, 2000, the Company's reserves (excluding retained profit) available for distribution to shareholders are represented by the contributed surplus of approximately $137,148,000.

23. Notes To The Consolidated Statement Of Cash Flows

a. Reconciliation of profit before taxation to net cash inflow from operating activities:

	2000 **$'000**	1999 $'000
Profit before taxation	**46,694**	25,976
Interest income	**(1,864)**	(1,517)
Interest expense	**10,367**	9,708
Depreciation of property, plant and equipment	**22,842**	16,472
Net loss (gain) on disposals of property, plant and equipment	**55**	(18)
(Increase) Decrease in inventories	**(17,403)**	6,823
(Increase) Decrease in trade receivables	**(4,527)**	1,950
(Increase) Decrease in prepayments, deposits and other current assets	**(2,551)**	586
Decrease (Increase) in due from a related company	**303**	(303)
Increase (Decrease) in trade payables	**24,326**	(6,106)
Decrease in bills payable	**(999)**	(1,569)
Increase in accruals and other payables	**6,313**	851
Net cash inflow from operating activities	**83,556**	52,853

23. Notes To The Consolidated Statement Of Cash Flows *(continued)*

b. Analysis of changes in financing during the year was as follows:

	Share capital and share premium $'000	Long-term bank loans $'000	Finance lease obligations $'000	Due to intermediate holding company $'000	Due from a director $'000	Total $'000
Balance as at 1st May, 1998	–	3,907	20,579	–	(5,853)	18,633
Issue of shares	6,010	–	–	–	–	6,010
Repayment of long-term bank loans	–	(698)	–	–	–	(698)
Inception of finance leases	–	–	13,808	–	–	13,808
Repayment of capital element of finance lease obligations	–	–	(12,283)	–	–	(12,283)
Transfer from dividend payable	–	–	–	3,820	2,775	6,595
Increase in due from a director	–	–	–	–	(992)	(992)
Decrease in due to intermediate holding company	–	–	–	(521)	–	(521)
Balance as at 30th April, 1999	6,010	3,209	22,104	3,299	(4,070)	30,552
Effect of the Reorganisation	(6,010)	–	–	–	–	(6,010)
Issue of shares as part of the Reorganisation *(Note 1)*	200	–	–	–	–	200
Issue of new shares for cash	55,000	–	–	–	–	55,000
Share issuance expenses	(10,593)	–	–	–	–	(10,593)
New long-term bank loans	–	10,051	–	–	–	10,051
Repayment of long-term bank loans	–	(4,813)	–	–	–	(4,813)
Inception of finance leases	–	–	53,336	–	–	53,336
Repayment of capital element of finance lease obligations	–	–	(22,099)	–	–	(22,099)
Decrease in due from a director	–	–	–	–	997	997
Decrease in due to intermediate holding company	–	–	–	(226)	–	(226)
Offset against due from a director *(Note 23.c)*	–	–	–	(3,073)	3,073	–
Balance as at 30th April, 2000	44,607	8,447	53,341	–	–	106,395

23. Notes To The Consolidated Statement Of Cash Flows *(continued)*

c. Major non-cash transactions:

(i) During the year, the Group entered into finance lease arrangements of approximately $53,336,000 (1999 – $13,808,000) in respect of new machinery and motor vehicles acquired.

(ii) During the year, a director and the intermediate holding company agreed to offset the Company's receivable from the director of approximately $3,073,000 against the Company's payable to the intermediate holding company of the same amount.

d. Analysis of cash and cash equivalents:

	2000 $'000	1999 $'000
Cash and other bank deposits	**6,442**	2,939
Bank overdrafts	**(6,030)**	(6,228)
Short-term bank loans	**–**	(1,342)
Trust receipts bank loans	**(29,416)**	(36,385)
	(29,004)	(41,016)

24. Commitments And Contingent Liabilities

a. Capital commitments

As at 30th April, 2000, the Group had authorised and contracted capital commitments (consolidated) of approximately $17,591,000 (1999 – $3,273,000) for acquisition of plant and equipment.

24. Commitments And Contingent Liabilities *(continued)*

b. Operating lease commitments

As at 30th April, 2000, the Group had operating lease commitments in respect of rented premises under various non-cancellable operating lease agreements extending to February 2003 amounting to approximately $1,423,000 (1999 – $407,000). The amounts of commitments payable within the next twelve months were analysed as follows:

	Consolidated		Company	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Leases expiring within a period				
– not exceeding one year	**186**	115	**–**	–
– more than one year but not exceeding five years	**511**	174	**–**	–
	697	289	**–**	–

c. Contingent liabilities

Contingent liabilities not provided for in the financial statements were:

	Consolidated		Company	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Factoring of trade receivables with recourse	**31,803**	18,929	**–**	–
Shipping guarantees	**315**	1,559	**–**	–
Corporate guarantees given by the Company in respect of banking facilities and finance lease obligations of its subsidiaries	**–**	–	**158,147**	–
	32,118	20,488	**158,147**	–

25. Pension Scheme

As stipulated by the rules and regulations in Mainland China, the Group contributes to a state-sponsored retirement plan for its employees in Mainland China. The Group contributes to the retirement plan approximately 15% of the average basic salary of its employees, and has no further obligations for the actual pension payments or post-retirement benefits. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

The Group has arranged for its employees in Hong Kong and certain selected employees in Mainland China defined contribution provident funds under a pension scheme which is managed by independent trustees. The Group and its employees in Hong Kong and certain selected employees in Mainland China make monthly contributions to the scheme of 5% to 10% and 5%, respectively, of the employees' basic salaries. The employees are entitled to receive their entire contribution and the accrued interest thereon, and 100% of the Group's (employer) contribution and the accrued interest thereon upon retirement or leaving the Group after completing ten years of service, or at a reduced scale of 30% to 90% after completing three to nine years of service. The forfeited contributions made by the Group and related accrued interest are used to reduce the Group's employer contribution. The employees of the Company's subsidiary in Singapore are members of the Central Provident Funds (the "Funds") operated by the government of Singapore. The subsidiary is required to contribute a percentage in the range of 12% to 20% of their covered payroll to the Funds to fund the benefit. The only obligation for the Group with respect to the Funds is the required contributions to the Funds and there will be no forfeiture of contributions under the scheme.

For the year ended 30th April, 2000, the aggregate amount of the Group's (employer) contribution was approximately $1,557,000 (1999 – $954,000), after deduction of forfeited contributions of approximately $38,000 (1999 – $115,000).

26. Banking Facilities And Pledge Of Assets

As at 30th April, 2000, the Group had aggregate banking facilities of approximately $199,896,000 (1999 – $111,396,000) for overdrafts, loans, factoring of trade receivables, leasing of equipment and trade financing. Unused facilities as at the same date amounted to approximately $95,090,000 (1999 – $32,927,000). These facilities were secured by:

a. mortgages over certain of the Group's land and buildings with a net book value of approximately $6,500,000 (1999 – $5,910,000) (see Note 11);

b. pledges of the Group's bank deposits of approximately $43,201,000 (1999 – $24,001,000) (see Note 15);

c. the Group's inventories with a net book value of approximately $31,911,000 (1999 – $26,726,000) held under trust receipts bank loan arrangements (see Note 13); and

d. guarantees provided by the Company.

27. Ultimate Holding Company

The directors consider Ka Yan China Investments Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

28. Subsequent Events

The following transactions took place subsequent to 30th April, 2000 and up to the date of this report:

a. On 3rd July, 2000, the Company issued 400,000,000 units of warrants at $0.0625 per unit of warrant through a private placement, resulting in net proceeds of approximately $22,900,000, after deduction of related issuance expenses of approximately $2,100,000. Such warrants carry the subscription rights entitling the holders thereof to subscribe in cash for new shares up to a maximum aggregate amount of $59,000,000 at an initial subscription price of $1.475 per new share (subject to adjustment) for every 10 units of warrants during the period from 3rd July, 2000 to 30th September, 2003, both dates inclusive.

b. On 13th July, 2000, the directors recommended a bonus issue of new shares of $0.10 each in the capital of the Company to shareholders whose names appear on the Company's register of members on 17th August, 2000 (the "Proposed Bonus Share Issue"). The Proposed Bonus Share Issue will be made on the basis of three bonus shares (the "Bonus Shares") for every two existing shares held on 17th August, 2000. The Bonus Shares will be credited as fully paid at par and will rank pari passu with the existing shares in all respects when issued.

29. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation. In particular, the comparative figures have been adjusted or expanded to take into account Statement 2.101 of Statement of Standard Accounting Practice "Presentation of Financial Statements" issued by the Hong Kong Society of Accountants which became effective during the year.