Corporate Profile

公司簡介

CEC is a dynamically growing producer of quality electronic components that specialises in the design and manufacture of a wide range of coils, ferrite materials, inductors, transformers, line filters and capacitors. Founded in 1979, it has been evolving to become one of the major international suppliers to a multiple of industry segments, including telecommunication and information technology equipment, data networking and power conversion applications, office automation equipment, audio and visual products, home electrical and electronic appliances.

Backed by the strong manufacturing facilities based in Mainland China and Singapore, CEC is an experienced and competitive player in the electronics arena, with established research and development, sales and marketing, customer services and regional offices, and technical support centers in Hong Kong, Mainland China, Taiwan, Japan, Singapore and India.

Listed on The Stock Exchange of Hong Kong Limited since November 1999, CEC's goal is the maximisation of shareholders' value through working closely and actively with its customers, in an efficient and effective manner, to supply the products that suit their needs most. CEC's principal financial objective is to generate maximum long-term return on shareholders' investment by investing in markets that offer superior growth prospects.

Without such electronic components as coils, inductors and capacitors, etc, there would be no high-tech advances such as mobile phones and the Internet, and no intelligent safety and comfort applications for electronic and electrical appliances. With the continual technological revolution, CEC's wide range of products will continue to play its part to shape the future of the electronic world.

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

AUDIT COMMITTEE

Mr. Au Son Yiu

Mr. Lee Wing Kwan, Denis

Mr. Tang Tin Sek

COMPANY SECRETARY

Ms. Li Lai Sheung *ACIS*

AUDITORS

Arthur Andersen & Co
Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co

Richards Butler

Appleby Spurling & Kempe

PRINCIPAL BANKERS

BNP Paribas

Dah Sing Bank Limited

Dao Heng 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

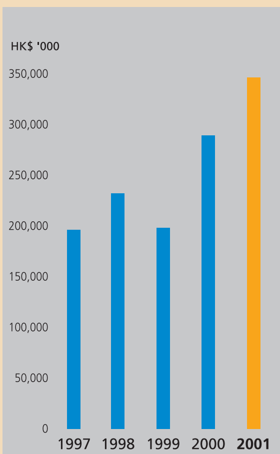
Listed on The Stock Exchange of Hong Kong Limited

Stock Code: 0759 (shares)
0337 (warrants)

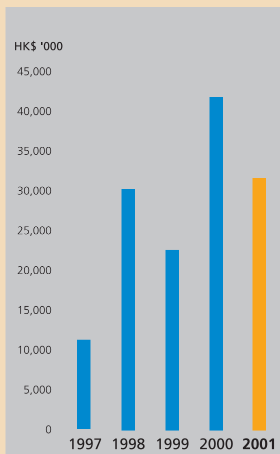
Financial Highlights

	As at 30th April, / Year ended 30th April,		
	2001 HK$'000	2000 HK$'000	% Change
Turnover	**347,004**	271,292	+27.9
Profit from operations	**51,745**	55,197	-6.3
Profit attributable to shareholders	**30,863**	41,910	-26.4
Total assets	**588,822**	368,108	+60.0
Shareholders' equity	**266,227**	196,511	+35.5
Per Share Data			
Basic earnings per share (HK cents)	**6.02**	9.65	-37.6
Diluted earnings per share (HK cents)	**5.67**	N/A	N/A
Financial Ratios			
Gross profit margin (%)	**31.6**	34.3	-2.7
Net profit margin (%)	**8.9**	15.4	-6.5
Current ratio	**0.62**	1.00	-38.0
Interest cover	**3.03**	6.49	-53.3
Net gearing ratio (%)	**79.0**	27.5	+51.5

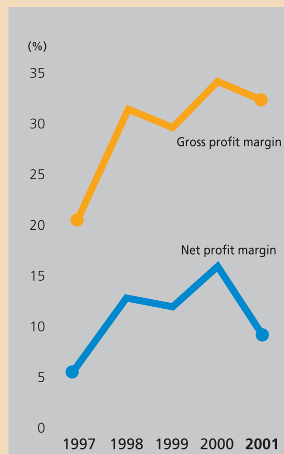
Turnover



Profit attributable to shareholders



Gross profit margin and net profit margin



Definitions

Basic earnings per share = $\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares}}$

Diluted earnings per share = $\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares (adjusted to reflect the effects of all dilutive potential shares in issue during the year)}}$

Gross profit margin (%) = $\frac{\text{Gross profit X 100\%}}{\text{Turnover}}$

Net profit margin (%) = $\frac{\text{Profit attributable to shareholders X 100\%}}{\text{Turnover}}$

Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}}$

Interest cover = $\frac{\text{Profit from operations}}{\text{(Interest expense – interest income)}}$

Net gearing ratio (%) = $\frac{\text{(Total borrowings less pledged bank deposits) X 100\%}}{\text{Net tangible assets}}$

Five-Year Financial Summary

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

RESULTS

	Year ended 30th April,				
	2001	2000	1999	1998	1997
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**347,004**	271,292	193,943	233,310	196,248
Cost of sales	**(237,448)**	(178,359)	(136,634)	(160,317)	(154,683)
Gross profit	**109,556**	92,933	57,309	72,993	41,565
Distribution and selling expenses	**(10,073)**	(9,253)	(6,368)	(7,721)	(5,382)
General and administrative expenses	**(47,738)**	(28,483)	(16,774)	(22,716)	(16,595)
Profit from operations	**51,745**	55,197	34,167	42,556	19,588
Interest income	**2,422**	1,864	1,517	1,749	1,058
Interest expense	**(19,499)**	(10,367)	(9,708)	(11,058)	(8,840)
Profit before taxation	**34,668**	46,694	25,976	33,247	11,806
Taxation	**(3,805)**	(4,860)	(2,335)	(2,979)	(877)
Profit after taxation but before minority interests	**30,863**	41,834	23,641	30,268	10,929
Minority interests	**–**	76	–	–	–
Profit attributable to shareholders	**30,863**	41,910	23,641	30,268	10,929

ASSETS AND LIABILITIES

	As at 30th April,				
	2001	2000	1999	1998	1997
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**588,822**	368,108	226,291	214,834	192,221
Total liabilities	**(322,595)**	(171,597)	(105,168)	(124,387)	(121,122)
Net assets	**266,227**	196,511	121,123	90,447	71,099

Note: The published results of the Group for the years ended 30th April, 1997, 1998, and 1999 and the assets and liabilities of the Group as at 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 (the "Directors") of CEC International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present the second annual report of the Group since the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 15th November, 1999.

RESULTS

The financial year ended 30th April, 2001 was a year filled with both challenges and opportunities. Despite a somewhat more difficult operating environment beginning late in the third quarter of 2000, the Group still managed to achieve a record high turnover with double-digit annual growth rate, and a moderate increase in earnings before interest, taxes, depreciation and amortisation for the year.

The following summarises the results of the Group for the year ended 30th April, 2001:

- Turnover climbed 27.9% from HK$271,292,000 to HK$347,004,000;
- Earnings before interest, taxes, depreciation and amortisation ("EBITDA", defined as profit from operations plus depreciation and amortisation) grew by 10.8% from HK$78,039,000 to HK$86,457,000;
- Profit attributable to shareholders was HK$30,863,000, down 26.4% from the previous financial year;
- Basic earnings per share was 6.02 HK cents, decreased by 37.6%; and
- Dividend per share was 1 HK cent.

DIVIDENDS AND DISTRIBUTIONS

No interim dividend was declared during the year ended 30th April, 2001 (2000: HK$1,088,000 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 of Hong Kong Limited).

The Directors have recommended the payment of a final dividend of 1 HK cent per share (the "Proposed Final Dividend") for the year ended 30th April, 2001 (2000: 2 HK cents per share after adjusting for the bonus issue of shares on the basis of three bonus shares for every two shares held by shareholders on 17th August, 2000 (the "2000 Bonus Share Issue")) to shareholders whose names appear on the Company's register of members on 14th September, 2001 (the "Record Date"). 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").

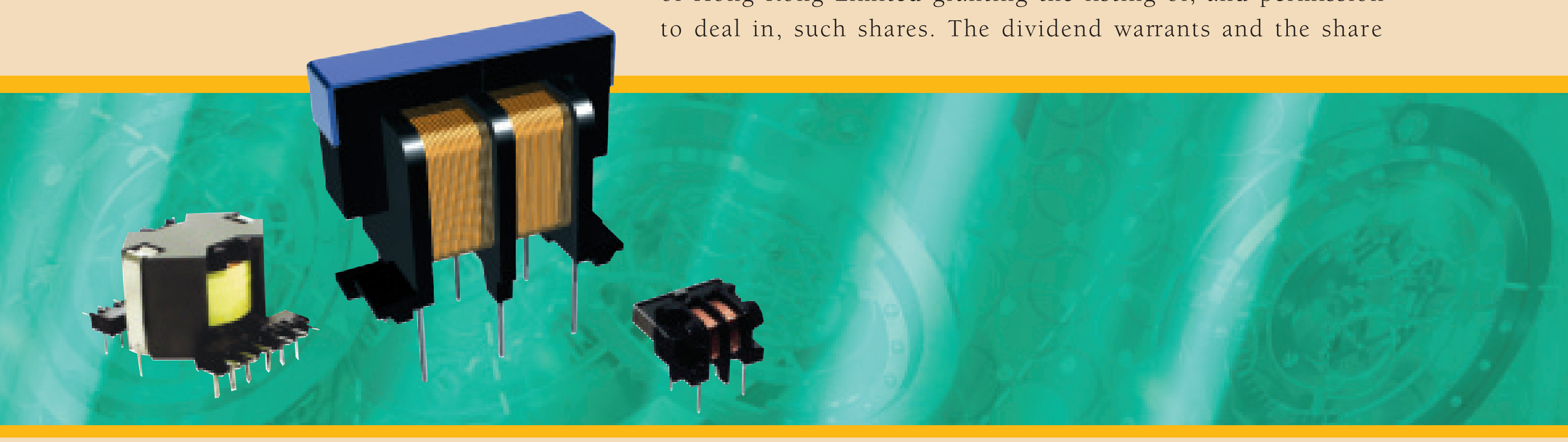
The Directors have also recommended a bonus issue of new shares of HK$0.10 each in the share capital of the Company (the "Bonus Shares") to shareholders whose names appear on the Company's register of members on the Record Date (the "Proposed Bonus Share Issue"). The Proposed Bonus Share Issue will be made on the basis of one Bonus Share for every five 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, save in respect of the entitlement to the Proposed Final Dividend.

The Company will not allot any fractions of Bonus Shares pursuant to the Proposed Bonus Share Issue. Bonus Shares representing fractional entitlement will be aggregated and issued

Chairman's Statement

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 set out in the next paragraph being satisfied, certificates for the Bonus Shares are expected to be despatched to the shareholders by ordinary post at their own risk on or before 18th September, 2001. Dealings in the Bonus Shares are expected to commence on 21st September, 2001.

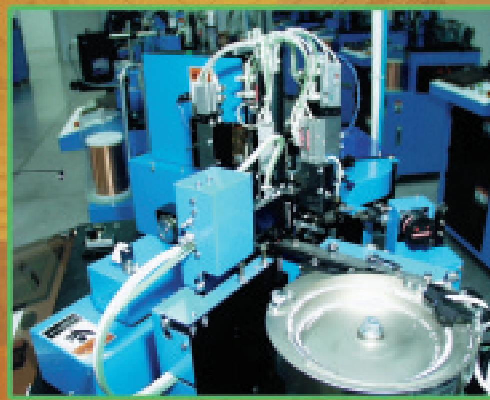
A circular containing details of, inter alia, the Scrip Dividend Scheme and the Proposed Bonus Share Issue, together with a form of election, will be sent to shareholders of the Company in due course. The issue of new shares under the Scrip Dividend Scheme and the Proposed Bonus Share Issue is subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, such shares. The dividend warrants and the share certificates in respect of the Scrip Dividend Scheme will be sent to shareholders on or before 15th October, 2001.

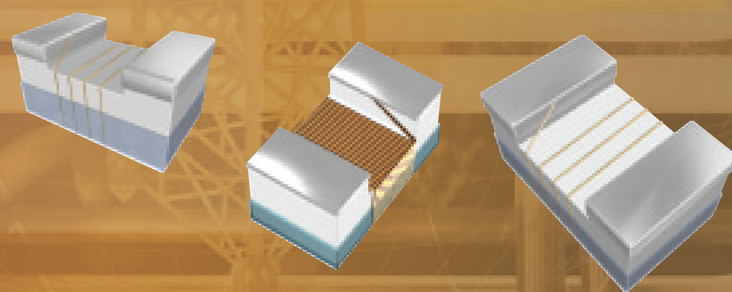


The adjustment to the subscription price of the outstanding Warrants (as defined below) of the Company as a result of the Proposed Bonus Share Issue will be announced in a separate announcement upon the Company obtaining the relevant confirmation from the auditors of the Company or an approved merchant 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 7th September, 2001. The register of members of the Company will be closed from 10th September, 2001 to 14th September, 2001, 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 (as defined below).





BUSINESS REVIEW

The financial year ended 30th April, 2001 was a year of varying market conditions. Strong worldwide economic growth was recorded in the first half of the year, followed by the precipitous downturn that began in late 2000. We delivered first half-yearly results in line with expectations. Even with the economic downturn that began late in the third quarter of 2000, the Group has executed very well to record outstanding turnover growth in a time of remarkable near-term market uncertainties. Turnover for the full year climbed 27.9% from HK$271,292,000 to a record high of HK$347,004,000 in the current financial year.

The growth was a reflection of the Group's success in preserving and strengthening its market position in the electronics industry, notwithstanding the noticeable downturn in the market. To a large extent, the growth was attributable to solid execution across the board - the Group's relentless efforts in expanding and upgrading its production capacity and sharp focus on building a stronger market presence.

Profit attributable to shareholders for the year was HK$30,863,000, a notable achievement given the news from leading global electronics manufacturers were generally not positive. This was down 26.4% from HK$41,910,000 in the previous year. It is, however, noteworthy that given the very tough conditions we faced in our overall operating environment, where virtually all industries alike have been dampened, our core business in the markets for coils continued to report robust achievement and present attractive growth prospects. The gross profit margin for the coils business segment was maintained at approximately 34.1% for the current year, compared with approximately 34.6% in the previous year. Under these circumstances, the Group has been steering for the correct direction during the year by investing actively, meanwhile cautiously, in our core business segment, the manufacture of coils, with a view to serving our prestigious customers in the segment better and winning their votes of confidence in the Group.

Several factors had an impact on the Group's profit attributable to shareholders for the year, as revealed in the following review of operations.

Chairman's Statement

Investment for Our Future

Although the second half of the financial year ended 30th April, 2001 was a time of worldwide economic slowdown, which was especially apparent in North America, Europe and Japan, the Group has been pushing very hard to speed up the pace of reinforcing its core business foundation in preparation for the expected market rebound. The Group remained focused on the substantial investment in a bid to boost its production facilities in Zhongshan, Guangdong Province, which comprised several new factory blocks fitted with sophisticated and advanced machinery for the manufacture of such components as chip inductors, fixed inductors and ceramic capacitors, etc. Installation of state-of-the-art automated production facilities for manganese-zinc series ferrite cores, line filters and electromagnetic interference ("EMI") filters was also underway as at 30th April, 2001.

Earnings before interest, taxes, depreciation and amortisation ("EBITDA", defined as profit from operations plus depreciation and amortisation) was HK$86,457,000, up 10.8% from HK$78,039,000 last year.

For the whole financial year ended 30th April, 2001, the Group has devoted more than HK$223,000,000 in the aggregate to the addition of property, plant and equipment. Of this amount, approximately HK$190,000,000 and HK$19,000,000, respectively, were spent on acquiring new machinery and building new factory premises. The Group's dedicated

investment in enhancing the production infrastructure in the year under review has led to a 50.4% jump in depreciation of property, plant and equipment from HK$22,842,000 to HK$34,356,000 in the current year.

The expansion projects were mainly financed with new long-term bank loans and finance lease arrangements of HK$88,325,000 and HK$56,794,000, respectively, during the year. This has pushed up our interest expense by 88.1% from HK$10,367,000 in the previous year to HK$19,499,000 for the current financial year, which substantially outpaced the 27.9% growth in turnover. On a before-interest basis, profit from operations has just decreased year-over-year by 6.3% from HK$55,197,000 to HK$51,745,000.

As to our investment on human resources, in order to reinforce all levels of management and staff to match with our expansion strategies and prepare for the kick-off of the newly installed production lines for manganese-zinc series ferrite cores and coils products, the Group has continued to devote a lot to the investment on our human assets. In particular, the Group's research and development arms were significantly strengthened during the year under review, with a view to enhancing our competitive edge in product innovation and refinement of production methodology. For the year ended 30th April, 2001, aggregate staff costs have risen by 27.1% from the previous year and reached HK$87,210,000.

Although each of the above factors individually had a relatively modest impact on our margins, taken together the effects were clearly significant on this year's overall operating and financial performance. The net profit margin was correspondingly down from 15.4% last year to 8.9% for the current year.

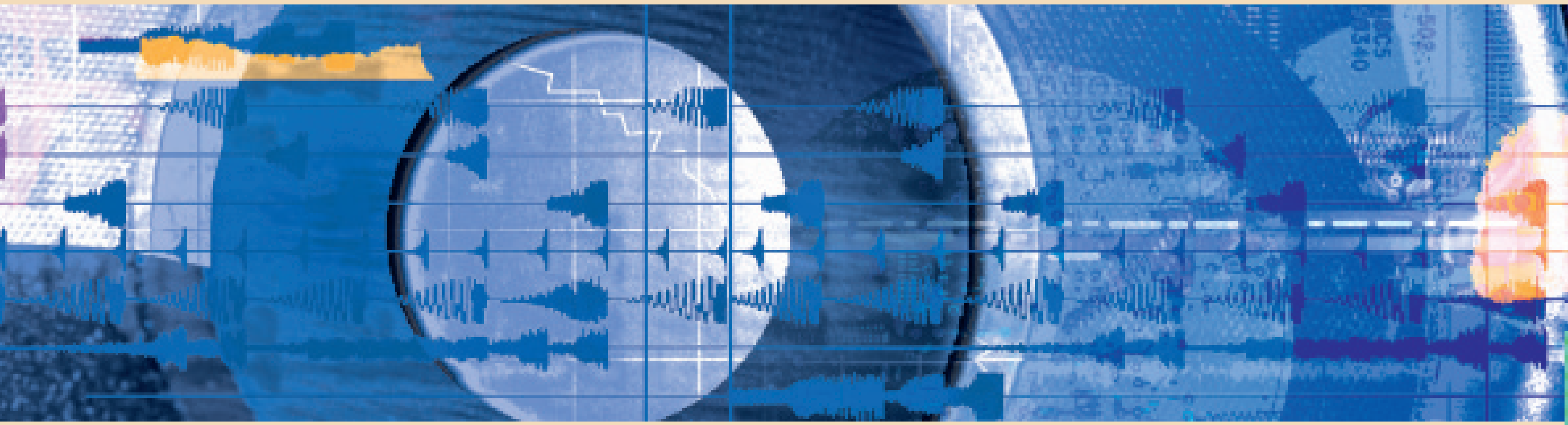
While the above large-scale capital investment in our core business segment did have an immediate and adverse impact on short-term profitability, the Group strongly believed that all such initiatives were essential and vital to building an even more promising future for the Group. Thanks to the information technology era as the world entered into the new millennium, it remains clear that the dynamic growth in global demand for high-quality and miniaturised electronic components will be sustained well into the future. With a vast amount of network deployment and upgrading throughout the world still ahead, the Group cannot afford to miss the business opportunities due to arise. The Group has therefore come up with the conclusion that no delay in the implementation of expansion

Chairman's Statement

strategies to take full advantage of the strong demand cycle in the data networking, telecommunications and power conversion markets is acceptable. The investment was simply a reflection of the Group's commitment to, as well as ability in, capturing the emerging business opportunities. With this upgraded production environment, the Group will soon be fully prepared to advance to a remarkably higher level of business pursuits.

Production Cost Management

During the past financial year, the Group continued to share the industry-wide problem resulting from the significant rise in petroleum price on a worldwide basis, leading to an adverse impact on our production cost. The Group experienced a mild drop in gross profit margin from 34.3% to 31.6% during the current financial year as a result of the increase in power generation cost for its manufacturing plant in Zhongshan.



The Group believes that continuous attention to production cost management is central to consistently strong earnings performance. This strategy continued to be the Group's game plan in the current year. While the unfavourable development in petroleum market has accounted for part of the drop in gross profit margin, the Group has, on the other hand, taken prompt actions to mitigate the impact on power generation cost by the installation of a new power conversion station for its factory in Zhongshan. Further, the commencement of self-production of tubular ceramic capacitors, which are one of the key parts of our products, near the end of the third quarter of the financial year has also begun saving the cost of parts and helped improve our gross profit margin since then.

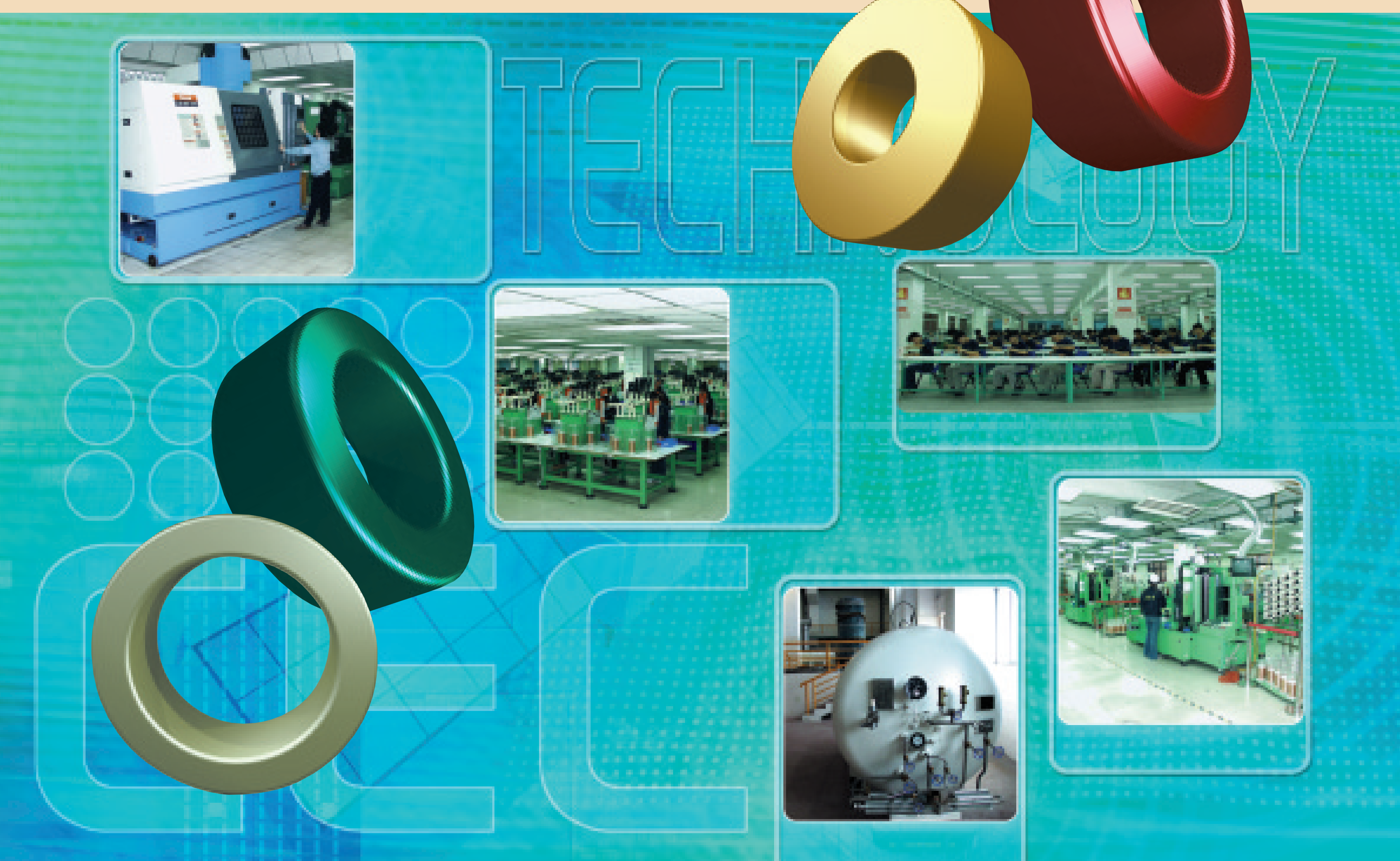
Sales Network Reinforcement

During the financial year, the Group equipped itself with an experienced sales and marketing arm for the trading of a wide range of electronic components. Capitalising on the strengthened marketing capabilities, the Group diversified the categories of non-mainstream products offered, built up stronger customer relationships and successfully gained the distribution right for various types of Samsung passive components such as chip capacitors, chip resistors, electrolytic capacitors and ceramic capacitors. The diversification initiative is expected to play an appreciable role in contributing to the Group's turnover growth.

On the other hand, in view of the generally weak business environment that began in late 2000, the Group has adopted a more cautious approach in conducting business. In particular, the Group applied a more stringent and prudent credit management policy. Despite a resultant downward pressure on turnover growth, the Group considered this to be necessary in order to minimise the risk of uncollectible credit sales. As such, the Group was able to maintain a low bad debt to turnover ratio of lower than 0.9% for the current year.

Enhancement in Capital Structure

On 3rd July, 2000, the Company issued 400,000,000 units of warrants at HK$0.0625 per unit of warrant through a private placement (the "Warrants"), resulting in net proceeds of approximately HK$22,891,000, after deduction of related issuance expenses of approximately HK$2,109,000. The Warrants carry the subscription rights of HK$1.475 for every 10 units of Warrants entitling the holders thereof to subscribe in cash for new shares in the Company up to a maximum aggregate amount of HK$59,000,000 at a subscription price of HK$0.59 per new share (subject to adjustment). The subscription price has been adjusted from HK$1.475 per new share to HK$0.59 per new share with effect from 18th August, 2000 as a result of the 2000 Bonus Share Issue. The Warrants are exercisable at any time from 3rd July, 2000 to 30th September, 2003, both dates inclusive. During the year under review, 23,750,000 new shares were allotted and issued as a result of the exercise of 95,000,000 units of subscription rights of the Warrants totalling HK$14,012,500, representing approximately 23.8% of the maximum number of new shares that would have been issued had all Warrants been exercised.



The net proceeds from the private placement of Warrants in July 2000 have been applied up to 30th April, 2001 as follows:

– Approximately HK$10,000,000 was used for repayment of bank loans.

– Approximately HK$2,000,000 was used for the development of e-commerce functionality for the Group's on-line sales systems and product specification simulation system.

– The balance of approximately HK$10,891,000 was applied as general working capital of the Group.

On 13th July, 2000, the Company announced a scrip dividend scheme, under which shareholders of the Company may elect to receive new fully paid shares in lieu of cash in respect of part or all of the final dividend of HK$0.05 per share (before adjusting for the 2000 Bonus Share Issue) for the year ended 30th April, 2000 (the "2000 Final Dividend"). Pursuant to the elections of the shareholders, a total of 4,277,108 new shares were issued at HK$1.778 per new share in lieu of cash in respect of the 2000 Final Dividend of approximately HK$7,605,000, representing approximately 76.1% of the total 2000 Final Dividend. The Directors considered the popularity of the scrip dividend scheme to be an indication of strong shareholders' confidence in the Group's future prospects.

Changes in Financial Resources and Gearing

As at 30th April, 2001, total borrowings amounted to approximately HK$255,558,000 (2000: HK$97,234,000), of which approximately HK$60,397,000 (2000: HK$37,678,000) was non-current and will be repayable within a period more than one year but not exceeding five years. Interest expense was levied on Hong Kong dollar prime or HIBOR basis with competitive margin. With the recent decreasing trend in interest rates, the Group is well positioned to capture future opportunities to save interest cost. Contingent liabilities were approximately HK$31,817,000 (2000: HK$32,118,000), represented mainly by factoring of trade receivables with recourse of approximately HK$30,415,000 (2000: HK$31,803,000).

Net gearing ratio, defined as total borrowings less pledged bank deposits over net tangible assets, was approximately 79.0% (2000: 27.5%). The substantial rise in net gearing ratio was largely attributable to the new long-term bank loans and new finance lease obligations of approximately HK$88,325,000 and HK$56,794,000, respectively, for the purpose of financing the capital expenditure of approximately HK$223,000,000 during the year under review in order to boost the Group's production infrastructure in Mainland China and Singapore.

Despite the increase in net gearing ratio, the Directors considered the Group's overall financial position to be healthy. Total cash and bank deposits increased to approximately HK$55,714,000 (2000: HK$49,643,000). As at 30th April, 2001, the Group's aggregate banking facilities increased to approximately HK$302,624,000 (2000: HK$199,896,000), of which approximately

HK$65,727,000 (2000: HK$95,090,000) was not yet utilised. The banking facilities were secured by mortgages over certain of the Group's land and buildings, pledges of bank deposits, inventories and machinery, as well as guarantees provided by the Company.

For the year under review, the Group has generated approximately HK$1,934,000 of net exchange gain, mainly arising from the depreciation of Japanese yen, in which part of the Group's purchases and capital expenditure were denominated. As the Group's sales and purchases were principally denominated in Hong Kong dollars, United States dollars and Renminbi, the Group considered its exchange rate risk to be minimal and adequately managed in this respect.

FUTURE PLANS AND PROSPECTS

Players in the electronics arena recognise that valleys follow peaks. Driven by the downturn in worldwide economy, the Group has been operating temporarily in a valley over the past half-year. However, it is also worth noting that neither valley nor peak lasts forever, though the duration of neither is predictable. The upside is that there is a growing sense of optimism that the bottom is near or was just past.

While the business environment in which we operated during the second half of the financial year was substantially more competitive and no longer as favourable as it was a year ago, we strongly believe that the Group's primary markets will continue to present attractive long-term growth opportunities well into the future. The Group's fundamental outlook, therefore, remains bright and promising in the coming financial year and beyond. This is mainly attributable to the Group's long-established adherence to persistent improvement, which positions the Group well on its way to generate more rewarding

Chairman's Statement

results to the shareholders in the future. This is evidenced when we take an even closer look at the Group's prospects.

Preparation for Challenges and Opportunities

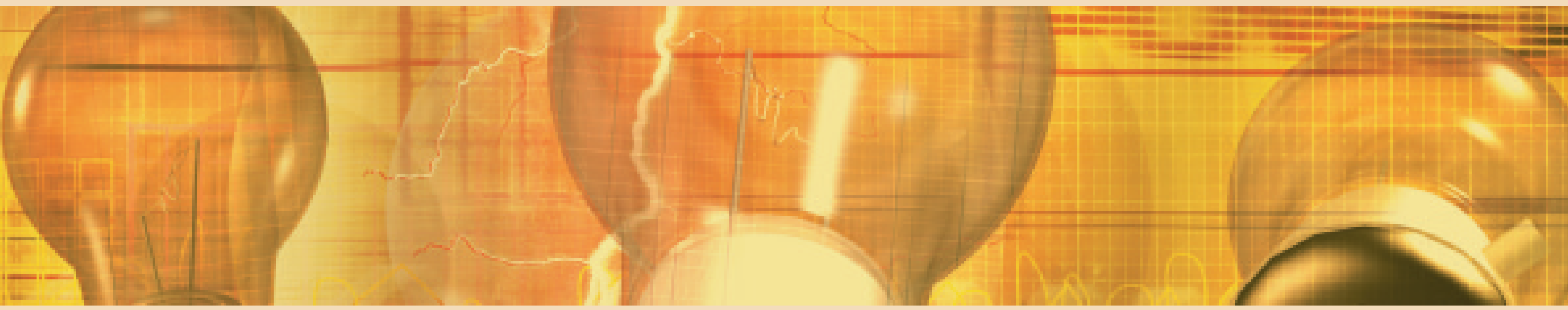
With the impending accession of China to the World Trade Organisation ("WTO"), economic globalisation will be an irresistible trend in the future. The development of a knowledge-based global economy as well as information and communication infrastructure to support the demand for international business applications will be gathering momentum and impetus again. In the market for electronic components, it is generally believed that the information and communication revolution and steadily increasing number of electronic features found in electrical and electronic appliances will continue to be a key growth-driver to the demand for electronic components.

The continual reduction in interest rates over the past few months is a very positive sign for the whole manufacturing industry and the electronics market in particular. The trend should induce the electronic and electrical appliance sectors to be re-positioned back on the right track to recovery and build ahead of anticipated demand. We also believe that the information technology and telecommunication market will resume to be a growth proposition, as the need to expand and upgrade information technology infrastructure remains an issue.

The Group is not going to be insulated from both the opportunities and challenges rapidly emerging in the electronics market arising from the above trend and development, because virtually all types of businesses realise that they simply cannot compete without up-to-the-minute information technology. We will insist on a proactive approach to operations that allows the Group to leverage the capabilities to achieve an even stronger market presence as a growing provider of quality electronic components.

Under the foreseen tougher and more demanding business environment on the international dimension, the best our existing and potential customers can do is to continue to reduce costs, while keeping their product quality intact or even improving continuously. With this rising trend of cost consciousness and quality awareness in global electronics producers, we believe that there appear to be fresh signs of opportunities for the Group. Thanks to the Group's efficient and carefully planned production methodology throughout its history, our bright spot continues to be cost competitiveness in our quality end products. Additional cost-saving initiatives are currently under review. The fruit, hopefully, will be accompanying market penetration and market presence for the Group, which will be translated into substantially enriched customer base for the long-term. We continue to stay close to customers and their technologies so that when markets recover, we will be in the best position to grow and progress.

Once capital spending and consumption on networks and information technology equipment, consumer electronics and appliances recover, we believe the Group will resume promising annual growth rate, as appreciable business volume for such miniaturised components as chip inductors, toroidal transformers, line filters and EMI filters, etc., is expected to result. Our dedication to building a more powerful production environment in Zhongshan for the manufacture of those components will eventually pay dividend in the near future to come.



On the strategic cooperation front, we are also in a superb position to capitalise on the attractive opportunities to leverage the value-added services we provide to our customers as we validate the proposition that customer out-sourcing of additional production activities to us is a win-win situation.

Expansion of Product Line

Looking forward to the expected rebound in the electronics market in the coming financial year, the Group will push ahead to enrich its product line and better serve the electronics market by launching the production of miniature multi-layer chip inductors. This family of inductive components, being complementary to the existing series of wire-wound chip inductors by catering for the different self-resonant frequencies required in such electronic products as MP3 players, mobile phones, cable modems, broadband network equipment and computers, etc., is expected to further add on our competitive edge well into the future.

Sharp Focus on Research and Development

With the continual high-tech advances in electronic applications throughout the world,

the evolution of ferrite materials, being the core components of such electronic devices as inductors, line filters and EMI filters, etc., continues to play an indispensable role in sustaining those advances. The requirements for permeability and operating frequency of ferrite materials are becoming more and more demanding. The Group owed its dynamic growth in the past to its dedication in the research and development of ferrite powders and ferrite cores. Our capabilities and experience in refining the production technology of ferrite materials have enabled us to slash production cost successfully and enhance profitability throughout the Group's history.

In order to ensure that our technological and market strengths are maintained for the longer term, the Group will continue to intensify its efforts in the research and development of ferrite materials and make investments in people and technology in the coming year to accommodate the initiative. With the advancement in the Group's research and development facilities, the Group will be even more capable in breaking into new markets and will keep pursuing its strategy of constant innovation and strategic supply chain management, which will remain our twin pillars of success in the future.

Transparent Financial Reporting

The Group is a proponent of transparency and regular disclosure of reliable and comprehensive financial information to the general public. Our voluntary, timely and detailed quarterly reports and announcements will keep shareholders and the public informed of the latest progress of the Group's business performance faithfully and candidly in the future, in order to justify the continual and invaluable trust and support from our shareholders and the public.

APPRECIATION

In closing, the Group's dedicated employees deserve our thanks for effectively executing on our strategies. On behalf of the Board of Directors, I would like to take this opportunity to sincerely appreciate the extra effort on the part of the Group's employees to help us manage through the challenging market conditions and position us well to capture the promising market opportunities we see in the future. I would also like to express appreciation to our customers, suppliers and business associates for their continual support throughout the year.

By Order of the Board

Lam Wai Chun

Chairman

Hong Kong, 31st July, 2001

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. LAM Wai Chun, aged 42, was appointed as the Chairman and Managing Director of the Company with effect from 4th October, 1999 and 27th October, 1999 respectively. Mr. Lam is the founder of the Group and has over 30 years of experience in the coils manufacturing industry. He is responsible for the formulation of the Group's overall business plans and corporate strategies. Mr. Lam is also a director of Ka Yan China Development (Holding) Company Limited, which has an interest in the share capital of the Company as disclosed pursuant to the provisions of Part II of the Securities (Disclosure of Interests) Ordinance.

Mr. SAITO Misao, aged 65, was appointed as the Deputy Chairman of the Company with effect from 4th October, 1999. He is responsible for the Group's sales and marketing as well as product development. Mr. Saito holds a Bachelor of Engineering degree in Electric Communication from the Tokyo Denki University, Japan, in 1958 and has over 37 years of experience in the industry of manufacturing of coils and other electronic components. He has extensive experience in the international markets for coils including Hong Kong and Japan. Mr. Saito joined the Group as an adviser in 1994.

Ms. TANG Fung Kwan, aged 31, 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, corporate development, sales and marketing as well as formulation of corporate policies. Ms. Tang holds a Bachelor of Social Sciences degree in Economics from The University of Hong Kong and an International Master of Business Administration degree from the University of South Australia, Australia. She joined the Group in 1993.

Ms. HU Yan Huan, aged 52, was appointed as an executive director of the Company with effect from 29th September, 1999. She is responsible for the overall production planning and management of the Group's production facilities in Zhongshan, Guangdong Province. Ms. Hu has over 19 years of experience in the coils manufacturing industry. She joined the Group in 1982.

Mr. IWATA Kenji, aged 62, was appointed as an executive director of the Company with effect from 29th September, 1999. He is responsible for the Group's sales and marketing as well as business and product development. Mr. Iwata holds a Bachelor of Engineering degree in Electrical Engineering from the Tokai University, Japan, and has over 35 years of experience in the design, development, manufacture and sale of coils and other electronic components. He joined the Group in August 1999.

NON-EXECUTIVE DIRECTOR

Mr. TANG Tin Sek, aged 42, has been appointed as a non-executive director of the Company since 1st January, 2000. He is a Certified Public Accountant and has over 20 years' experience in corporate finance, business advisory, auditing and financial management. Mr. Tang is a graduate of The University of Hong Kong with a Bachelor of Science degree and holds a Master of Business Administration degree 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 of several companies listed on The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. AU Son Yiu, aged 55, 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 of several public companies listed on The Stock Exchange of Hong Kong Limited. In addition, he was the Ex-Deputy Chairman of Hongkong Clearing (1992-1994) and Ex-Council member of The Stock Exchange of Hong Kong Limited (1988-1994).

Mr. LEE Wing Kwan, Denis, aged 56, was appointed as an independent non-executive director of the Company with effect from 29th September, 1999. Mr. Lee is the immediate past chairman of Small and Medium Enterprises Committee of the HKSAR Government (1996-2000). He is now a member of Trade and Industry Advisory Board, Business Advisory Group and Employment Task Force of the HKSAR. He is also a Council and General Committee member of The Hong

Directors and Senior Management Profile

Kong General Chamber of Commerce, Executive Committee member of Hong Kong Coalition of Service Industries, committee member of Hong Kong/Japan Business Co-operation Committee. Mr. Lee is also the principal consultant of Dynamic Linkage Management Consultants and an adviser to the OMAC Group of Companies.

SENIOR MANAGEMENT

Mr. HO Kwok Keung, aged 43, is the head of the engineering department. He is responsible for the overall management and coordination of the Group's research and development functions. Mr. Ho has over 25 years of experience in the electronics and electrical industry. He joined the Group in 1996.

Mr. ZHANG Suo, aged 30, is the senior manager of the quality assurance department. He is responsible for the overall quality assurance functions of the Group's operations in Zhongshan, Guangdong Province. Mr. Zhang holds a Bachelor of Engineering degree in Forestry Mechanics from the Beijing Forestry University, Mainland China. He joined the Group in 1994.

Mr. LAW Hoo Shan, aged 41, is the general manager of the sales and marketing department. He has over 16 years of experience in the sales and marketing of coils in Hong Kong and Mainland China. Mr. Law joined the Group in 1985.

Mr. CHIN Chi Nam, aged 44, is the manager of Coils Electronic Co., Limited, Taiwan Branch. He is responsible for the overall management of the Group's operation in Taiwan. Mr. Chin joined the Group in 1988.

Ms. LI Hong, aged 32, is the general manager of Xiamen Coils Electronic Co., Ltd. She is responsible for the overall management of the Group's operation in Xiamen, Fujian Province. Ms. Li holds a Bachelor of Arts degree in English from the Changchun Teachers College, Mainland China. She joined the Group in 1994.

Ms. ZENG Ping Xin, aged 38, is the senior manager of the production department. She is responsible for the overall production management of the Group's production facilities in Zhongshan, Guangdong Province. Ms. Zeng has over 19 years of experience in the coils manufacturing industry. She joined the Group in 1982.

Mr. CHEUNG Man Ho, aged 28, is the senior finance manager of the Group. He is responsible for the accounting and corporate finance functions of the Group. Prior to joining the Group in January 1999, he had over 3 years of audit experience in one of the big five international accounting firms. Mr. Cheung holds a Bachelor of Arts with Honours degree in Accountancy from the City University of Hong Kong. He is also an associate member of both the Hong Kong Society of Accountants and The Association of Chartered Certified Accountants.

Ms. MAI Shao Ling, aged 37, is the senior manager of the Group. She is responsible for the general administration of the Group's production facilities in Zhongshan, Guangdong Province. Ms. Mai has over 18 years of experience in administration. She joined the Group in 1983.

Mr. WANG Min, aged 37, is the senior manager of the engineering department. He is responsible for the design and development of moulds. Mr. Wang graduated from Xinjiang Institute of Industry, Mainland China, and is a mechanical engineer. He joined the Group in 1994.

Mr. LI Jian, aged 29, is the senior manager of the general administration department. He is responsible for the general administration of the quality assurance system of the Group. Mr. Li holds a Bachelor degree in History from the Renmin University of China, Mainland China. He joined the Group in 1995.

Mr. IIDA Kazuo, aged 53, is the chief engineer of the Group's research and development center in Japan. He graduated from the Ikuie Technical College, Japan, and has over 30 years of experience in the design and development of coils. Mr. Iida joined the Group in October 1999.

Mr. CHAN Yuk Lun, aged 33, is the accounting manager of the Group. He is responsible for the Group's accounting function. Mr. Chan holds a Bachelor of Business Administration with Honours degree from the Bolton Institute, the United Kingdom. He joined the Group in 1992.

Ms. WANG Chun Hong, aged 30, is the general manager of CEC-Coils Singapore Pte Ltd. She is responsible for the overall management of the Group's operation in Singapore. Ms. Wang holds a Bachelor of Arts degree in English Education from the Ningxia University, Mainland China. She joined the Group in 1994.

Ms. ZENG Jian Ling, aged 33, is the senior manager of the customer service department. She is responsible for the Group's sales support and customer service functions. Ms. Zeng has over 17 years of experience in the manufacture and marketing of coils. She joined the Group in 1983.

Ms. LI Lai Sheung, aged 37, is the company secretary of the Company. She is an associate member of The Institute of Chartered Secretaries and Administrators. Ms. Li joined the Group in October 1999.

Mr. THATTI Suresh, aged 41, is the sales and marketing manager in India. He is responsible for the Group's marketing development activities in India. Mr. Thatti holds a Bachelor of Science degree and a Bachelor of Engineering degree from the Bangalore University, India. He joined the Group in January 1999.

Mr. MA Yu Chung, aged 27, is the project manager of the Group. He is responsible for the management of the application and development of information technology projects for the Group. Mr. Ma holds a Bachelor of Science with Honours degree from The Chinese University of Hong Kong. He joined the Group in August 2000.

Mr. LAM Wing Kin, Sunny, aged 36, is the senior subsidiary coordination manager of the Group. He is responsible for the general management, coordination and supervision of the Group's subsidiaries. Mr. Lam holds a Baccalaureate in Social Sciences degree in Economics and in Public Policy and Public Management from the University of Ottawa, Canada. He joined the Group in December 2000.

Mr. LEE Shih Min, aged 40, is the assistant general manager of CEC-ECAP Limited. He is responsible for the overall production management of the Group's production facilities in Dongguan, Guangdong Province. Mr. Lee has over 19 years of experience in the electronics manufacturing industry. He joined the Group in March 2000.

Mr. ZHONG Xin, aged 35, is the senior manager of the engineering department. He is responsible for the research and development function of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Zhong holds a Master degree in Solid State Physics from the Zhongshan University, Mainland China. He joined the Group in January 2001.

Mr. LELLA Prasad, aged 35, is the manager of the engineering department. He is responsible for the research and development function of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Lella holds a Diploma in Telecommunication Engineering in India. He joined the Group in October 2000.

Ms. WEI Yin Jie, aged 33, is the manager of the production department. She is responsible for the overall production management of the Group's production facilities in Zhongshan, Guangdong Province. Ms. Wei has over 9 years of experience in the coils manufacturing industry. She joined the Group in 1992.

Mr. LIU Jian Hui, aged 31, is the manager of the engineering department. He is responsible for the research and development function of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Liu holds a Bachelor of Engineering degree in Magnetic Physics from the University of Electronic Science and Technology, Mainland China. He joined the Group in 1994.

Mr. CHEUNG Ming Yat, aged 25, is the assistant general manager of Coils Electronic Co., Limited. He is responsible for the general management of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Cheung holds a Bachelor of Finance degree from The University of Hong Kong. He joined the Group in November 1998.

Mr. CHAN King Man, aged 43, is a director of CEC-Smart Good Enterprises Limited. He is responsible for the sales and marketing functions in the distribution business of Samsung passive components. Mr. Chan has over 20 years of experience in the sales and marketing of electronic components. He joined the Group in November 2000.

Mr. LIU Chun Shan, aged 30, is a director of CEC-Unitech Electronics Limited. He is responsible for the sales and marketing of semiconductors and other electronic components. Mr. Liu has over 10 years of experience in the sales and marketing of electronic components. He joined the Group in February 2001.

Report of the Directors

(Amounts expressed in Hong Kong dollars unless otherwise stated)

The Directors have the pleasure of presenting their 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, 2001.

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, capacitors and other electronic components. 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 product category and geographical location, together with their respective contributions to profit (loss) from operations for the year ended 30th April, 2001 is as follows:

	Turnover	Profit (loss) from operations
	$'000	$'000
a. By product category		
Sales of merchandise		
– Coils	309,886	51,908
– Capacitors	21,899	332
– Other electronic components	15,219	(495)
	347,004	51,745

	Turnover*
	$'000
b. By geographical location	
Hong Kong	271,532
Mainland China	23,210
Taiwan	16,409
Europe	15,849
Singapore	15,320
Others	4,684
	347,004

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

No analysis of profit (loss) from operations by geographical location is presented as it is generally in line with the distribution of turnover as set out above.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 30th April, 2001, the five largest suppliers of the Group accounted for approximately 32% of the Group's total purchases with the largest supplier accounted for approximately 10% of the Group's total purchases and the five largest customers of the Group accounted for less than 30% 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 suppliers.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 30th April, 2001 are set out in the consolidated income statement on page 34 of this annual report.

No interim dividend was declared during the year. The Directors have recommended the payment of a final dividend of 1 cent per share for the year ended 30th April, 2001 to shareholders whose names appear on the Company's register of members on 14th September, 2001 (the "Proposed Final Dividend"). 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 their dividend entitlement for the year ended 30th April, 2001.

Report of the Directors

(Amounts expressed in Hong Kong dollars unless otherwise stated)

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Movements in share capital and details of the share option scheme and warrants of the Company are set out in Notes 23, 24 and 25, respectively, to the accompanying financial statements.

BONUS ISSUE OF SHARES

On 31st July, 2001, the Directors recommended a bonus issue of new shares of $0.10 each in the share capital of the Company (the "Bonus Shares") to shareholders whose names appear on the Company's register of members on 14th September, 2001 (the "Proposed Bonus Share Issue").

The Proposed Bonus Share Issue will be made on the basis of one Bonus Share for every five existing shares held on 14th September, 2001. 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, save in respect of the entitlement to the Proposed Final Dividend.

The Proposed Bonus Share Issue 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 of Hong Kong Limited granting the listing of, and permission to deal in, the Bonus Shares on The Stock Exchange of Hong Kong Limited; 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 26 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 34 of this annual report.

As at 30th April, 2001, the Company's reserves of approximately $131,338,000 (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained profit of approximately $4,576,000 were available for distribution to the Company's shareholders.

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, 2001.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 13 to the accompanying financial statements.

BORROWINGS

Particulars of borrowings as at 30th April, 2001 are set out in Notes 18, 19 and 20 to the accompanying financial statements.

COMMITMENTS AND CONTINGENT LIABILITIES

Details of commitments and contingent liabilities as at 30th April, 2001 are set out in Note 28 to the accompanying financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations of approximately $78,000 (2000 – $142,000).

SUBSEQUENT EVENT

Details of significant subsequent event are set out in Note 32 to the accompanying financial statements.

PENSION SCHEMES

Particulars of the Group's pension schemes are set out in Note 29 to the accompanying financial statements.

Report of the Directors

(Amounts expressed in Hong Kong dollars unless otherwise stated)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

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

In accordance with Bye-law 87 of the Company's Bye-laws, Ms. Hu Yan Huan and Mr. Iwata Kenji will retire by rotation at the forthcoming annual general meeting of the Company. Ms. Hu Yan Huan will, being eligible, offer herself for re-election and Mr. Iwata Kenji does not offer himself for re-election.

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 two supplemental agreements to service agreement dated 30th December, 1999 and 10th October, 2000, respectively, 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).

(Amounts expressed in Hong Kong dollars unless otherwise stated)

DIRECTORS' INTERESTS IN SECURITIES

As at 30th April, 2001, the Directors of the Company had the following beneficial interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) and in the warrants of the Company as recorded in the register required to be kept by the Company pursuant to Section 29 of the SDI Ordinance or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

a. The Company

	Number of shares of $0.10 each			Number of warrants
	Family interests	**Personal interests**	**Corporate interests**	**Personal interests**
Mr. Lam Wai Chun *(Note 1)*	332,574,381	2,000,000	–	–
Mr. Saito Misao *(Note 2)*	–	–	42,125,000	–
Ms. Tang Fung Kwan *(Note 2)*	–	–	42,125,000	–
Ms. Hu Yan Huan *(Note 2)*	–	–	42,125,000	–
Mr. Au Son Yiu	–	–	–	1,000,000

Notes:

1. As at 30th April, 2001, Ka Yan China Development (Holding) Company Limited held 332,574,381 shares in the Company. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately beneficially owned by Ka Yan China Family Trust, the family trust of Mr. Lam Wai Chun. 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, 2001, CMPP Investment Holdings Limited ("CMPP") held 42,125,000 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.

Report of the Directors

(Amounts expressed in Hong Kong dollars unless otherwise stated)

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, 2001, 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 of Hong Kong Limited (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 of Hong Kong Limited 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.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company has adopted a share option scheme, under which it may grant options to any full-time employees or executives of the Company or any of its subsidiaries, including executive directors (but excluding independent non-executive directors of the Company) of the Company or any of its subsidiaries, to subscribe for shares in the Company. Details of the scheme are set out in Note 24 to the accompanying financial statements.

As at 30th April, 2001, the Directors had the following personal interests in share options to subscribe for shares in the Company granted under the share option scheme, as recorded in the register required to be kept under Section 29 of the SDI Ordinance:

Name	Date of grant	Exercisable period	Subscription price per share	Number of shares under options outstanding
Mr. Lam Wai Chun	21st September, 2000	22nd September, 2002 to 21st January, 2005	$1.22	2,948,966
Mr. Saito Misao	21st September, 2000	22nd September, 2002 to 21st January, 2005	$1.22	2,948,966
Ms. Tang Fung Kwan	21st September, 2000	22nd September, 2002 to 21st January, 2005	$1.22	2,948,966
Ms. Hu Yan Huan	21st September, 2000	22nd September, 2002 to 21st January, 2005	$1.22	2,948,966

Save as disclosed above, at no time during the year was the Company or any of its associated corporations (within the meaning of the SDI Ordinance) a party to any arrangement to enable the Directors of the Company or any of their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any other body corporate.

Report of the Directors

(Amounts expressed in Hong Kong dollars unless otherwise stated)

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, 2001, 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)*	332,574,381	62.984%
Ka Yan China Investments Limited *(Note 2)*	332,574,381	62.984%
HSBC Holdings plc *(Note 3)*	332,574,381	62.984%
HSBC Finance (Netherlands) *(Note 3)*	332,574,381	62.984%
HSBC Holdings B.V. *(Note 3)*	332,574,381	62.984%
HSBC Investment Bank Holdings B.V. *(Note 3)*	332,574,381	62.984%
HSBC International Trustee Limited *(Note 3)*	332,574,381	62.984%

Notes:

1. The 332,574,381 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 332,574,381 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. and HSBC International Trustee Limited in respect of 332,574,381 shares in the Company duplicated with each other. The 332,574,381 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, 2001.

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, 2001, 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.

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.

SUMMARY FINANCIAL INFORMATION

A summary of the Group's financial information for the last five financial years is set out on page 5 of this annual report.

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,

LAM WAI CHUN

Chairman

Hong Kong, 31st July, 2001.

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 34 to 75 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 judgements 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.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the group's ongoing financing arrangements. The financial statements have been prepared on a going concern basis, the validity of which depends upon the continued support of the group's banks and on the success of future operations. The financial statements do not include any adjustments that would result from the failure to maintain the existing banking facilities of the group on similar terms and conditions or should the group's future operations not be successful. Details of the circumstances relating to this fundamental uncertainty are described in Note 2.a to the financial statements. We consider that appropriate disclosures have been made in the financial statements and our opinion is not qualified in this respect.

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, 2001, 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, 31st July, 2001.

Consolidated Income Statement

For the year ended 30th April, 2001
(Expressed in Hong Kong dollars)

	Note	2001 $'000	2000 $'000
Turnover	3	**347,004**	271,292
Cost of sales		**(237,448)**	(178,359)
Gross profit		**109,556**	92,933
Distribution and selling expenses		**(10,073)**	(9,253)
General and administrative expenses		**(47,738)**	(28,483)
Profit from operations	3	**51,745**	55,197
Interest income		**2,422**	1,864
Interest expense		**(19,499)**	(10,367)
Profit before taxation	4	**34,668**	46,694
Taxation	6	**(3,805)**	(4,860)
Profit after taxation but before minority interests		**30,863**	41,834
Minority interests		**–**	76
Profit attributable to shareholders	7	**30,863**	41,910
Retained profit, beginning of year		**114,721**	83,899
Dividends	8	**(5,280)**	(11,088)
Retained profit, end of year	9	**140,304**	114,721
Earnings per share	10		
– Basic		**6.02 cents**	9.65 cents
– Diluted		**5.67 cents**	N/A

Consolidated Statement of Recognised Gains and Losses

For the year ended 30th April, 2001
(Expressed in Hong Kong dollars)

	Note	2001 $'000	2000 $'000
Surplus on revaluation of properties		–	234
Translation adjustments	26	(197)	(9)
Net (losses) gains not recognised in the consolidated income statement		(197)	225
Profit attributable to shareholders		30,863	41,910
Total recognised gains		30,666	42,135
Elimination of goodwill arising from acquisition of additional interest in a subsidiary		–	(72)
		30,666	42,063

Balance Sheets

As at 30th April, 2001
(Expressed in Hong Kong dollars)

		Consolidated		Company	
	Note	**2001 $'000**	2000 $'000	**2001 $'000**	2000 $'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	**432,417**	244,064	**–**	–
Intangible asset	12	**2,844**	–	**–**	–
Investment in subsidiaries	13	**–**	–	**225,956**	181,541
Investment in jointly controlled entities	14	**234**	–	**–**	–
Total non-current assets		**435,495**	244,064	**225,956**	181,541
CURRENT ASSETS					
Inventories	15	**58,762**	42,888	**–**	–
Trade receivables	16	**30,780**	26,201	**–**	–
Prepayments, deposits and other current assets		**8,071**	5,312	**–**	85
Dividend receivable from a subsidiary		**–**	–	**10,000**	11,000
Pledged bank deposits	17	**47,387**	43,201	**–**	–
Cash and other bank deposits		**8,327**	6,442	**16**	33
Total current assets		**153,327**	124,044	**10,016**	11,118
CURRENT LIABILITIES					
Short-term bank borrowings	18	**(88,803)**	(35,446)	**–**	–
Long-term bank loans, current portion	19	**(73,266)**	(3,623)	**–**	–
Finance lease obligations, current portion	20	**(33,092)**	(20,487)	**–**	–
Trade payables	21	**(23,427)**	(39,615)	**–**	–
Bills payable		**(11,971)**	–	**–**	–
Accruals and other payables		**(13,033)**	(14,559)	**(31)**	(133)
Proposed final dividend		**(5,280)**	(10,000)	**(5,280)**	(10,000)
Taxation payable		**(59)**	(552)	**–**	–
Total current liabilities		**(248,931)**	(124,282)	**(5,311)**	(10,133)
Net current (liabilities) assets		**(95,604)**	(238)	**4,705**	985
Total assets less current liabilities		**339,891**	243,826	**230,661**	182,526

As at 30th April, 2001
(Expressed in Hong Kong dollars)

	Note	Consolidated 2001 $'000	Consolidated 2000 $'000	Company 2001 $'000	Company 2000 $'000
NON-CURRENT LIABILITIES					
Long-term bank loans, non-current portion	19	(11,252)	(4,824)	–	–
Finance lease obligations, non-current portion	20	(49,145)	(32,854)	–	–
Deferred taxation	22	(13,262)	(9,637)	–	–
Total non-current liabilities		(73,659)	(47,315)	–	–
MINORITY INTERESTS		(5)	–	–	–
Net assets		266,227	196,511	230,661	182,526
CAPITAL AND RESERVES					
Share capital	23	52,803	20,000	52,803	20,000
Reserves	26	73,120	61,790	173,282	161,755
Retained profit		140,304	114,721	4,576	771
Shareholders' equity		266,227	196,511	230,661	182,526

Approved by the Board of Directors on 31st July, 2001:

LAM WAI CHUN
Chairman

TANG FUNG KWAN
Director

Consolidated Cash Flow Statement

For the year ended 30th April, 2001
(Expressed in Hong Kong dollars)

	Note	2001 $'000	2000 $'000
OPERATING ACTIVITIES	27.a	54,310	83,556
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2,422	1,864
Interest paid		(19,499)	(10,367)
Dividends paid		(2,395)	(1,088)
		(19,472)	(9,591)
TAXATION			
Hong Kong profits tax paid		(450)	(2,288)
Mainland China enterprise income tax paid		(231)	(450)
		(681)	(2,738)
INVESTING ACTIVITIES			
Additions of property, plant and equipment		(166,503)	(68,328)
Proceeds from disposal of property, plant and equipment		–	4
Increase in investment in jointly controlled entities		(103)	–
Increase in amount due from a jointly controlled entity		(136)	–
Increase in amount due to a jointly controlled entity		5	–
Attributable to the reorganisation		–	10
Increase in pledged bank deposits		(4,186)	(19,200)
Effect of foreign exchange rate changes		113	(18)
		(170,810)	(87,532)
NET CASH OUTFLOW BEFORE FINANCING		(136,653)	(16,305)
FINANCING	27.b		
Proceeds from issue of shares		14,012	55,000
Share issuance expenses		(178)	(10,593)
Proceeds from issue of warrants		25,000	–
Warrant issuance expenses		(2,109)	–
Proceeds from issuance of new shares in a subsidiary to minority interests		5	–
New long-term bank loans		88,325	10,051
Repayment of long-term bank loans		(12,254)	(4,813)
Repayment of capital element of finance lease obligations		(27,620)	(22,099)
Decrease in amount due to intermediate holding company		–	(226)
Decrease in amount due from a director		–	997
		85,181	28,317
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(51,472)	12,012
CASH AND CASH EQUIVALENTS, beginning of year		(29,004)	(41,016)
CASH AND CASH EQUIVALENTS, end of year	27.d	(80,476)	(29,004)

1. ORGANISATION AND OPERATIONS

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.

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, capacitors and other electronic components. The subsidiaries' products are generally used in the manufacture of various kinds of electronic and electrical products.

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 presentation

As at 30th April, 2001, the Group was not in compliance with one of the covenants in relation to certain banking facilities, which require that the net gearing ratio should not exceed 0.6:1. Accordingly, the Group's long-term bank loans under such banking facilities have been reclassified as a current liability as at 30th April, 2001. However, the Group has made the bank aware of the breach of covenant and is in the process of negotiating with the relevant bank to maintain the loans on similar terms and conditions.

Management believes, based on its discussions with the bank, that it will be able to successfully negotiate the loans to be maintained on similar terms and conditions and is confident that the Group will be able to meet the required net gearing ratio in the near future. However, should it be unable to do so, or should the bank demand repayments of the loans, alternative sources of financing would be required to repay the bank and to finance the Group's ongoing operations. The financial statements have been prepared on the going concern basis which assumes that the relevant bank will not demand immediate repayment from the Group, the Group will be able to maintain the loans on similar terms and conditions and the covenant can be met in the near future.

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

b. Basis of measurement

The financial statements have been prepared on the historical cost basis as modified by the revaluation of land and buildings.

c. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (together the "Group"), together with the Group's share of post-acquisition results of subsidiaries and reserves of its jointly controlled entities under the equity method of accounting. The results of subsidiaries and jointly controlled entities acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. Significant intra-group transactions and balances have been eliminated on consolidation.

d. Goodwill

Goodwill represents the difference between the fair value of the consideration given and the Group's share of the aggregate fair values of the identifiable net assets acquired. Positive goodwill arises where the consideration given exceeds the Group's share of the aggregate fair values of the identifiable net assets acquired and is eliminated immediately against available reserves. Negative goodwill arises where the Group's share of the aggregate fair values of the identifiable net assets acquired exceeds the consideration given and is credited directly to reserves.

e. Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of its issued voting share capital as a 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 recorded to the extent of dividends received and receivable.

f. Jointly controlled entities

Jointly controlled entities are joint ventures where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. In the consolidated financial statements, the Group's interests in jointly controlled entities are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement under the equity method of accounting.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

g. 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 delivered and title has passed to customers. Interest income is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

h. Taxation

Individual companies within the Group provide for profits tax on the basis of their profit 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, at the current tax rate, 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.

i. Advertising and promotion costs

The costs of advertising and promotion are charged to the income statement as incurred.

j. Research and development costs

Research expenditures are written off as incurred. Development expenditures are charged against income in the period incurred except for those incurred for specific projects where recoverability can be foreseen with reasonable assurance and which comply with the following criteria: (i) the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; (ii) the technical feasibility of the product or process can be demonstrated; (iii) the enterprise intends to produce and market, or use, the product or process; (iv) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness, can be demonstrated; and (v) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process. Capitalised development expenditures are amortised on a straight-line basis over the period in which the related products are expected to be sold, starting from the commencement of sales.

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

k. Employee retirement benefits

The costs of employee retirement benefits are charged to the income statement as incurred.

l. 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.

m. 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 or cost 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 as 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%

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

m. Property, plant and equipment and depreciation (Continued)

The carrying value of property, plant and equipment is assessed periodically or when factors indicating an impairment are present. Individual items of property, plant and equipment carried at cost less accumulated depreciation are reduced to their recoverable amount if this is lower than net book value, with the difference charged to the income statement. In determining the recoverable amount of individual items of property, plant and equipment, expected future cash flows are not discounted to their present value.

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

Buildings under construction are stated at cost, which include the original cost of land, construction expenditures incurred and other direct costs attributable to the buildings under construction. No depreciation is provided.

n. Intangible asset

Intangible asset, representing acquisition costs for a non-exclusive distribution right, is stated at cost and is amortised on a straight-line basis over the expected future economic life of three years. Where appropriate, provision is made for any impairment in value.

o. 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 of purchase, costs of conversion and other 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.

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

p. 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, 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.

q. 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 and income and expense items are translated into Hong Kong dollars at the average applicable exchange rates during the year. Exchange differences arising from such translation are dealt with as movements of cumulative translation adjustments.

3. TURNOVER AND SEGMENTAL INFORMATION

Turnover by product category is as follows:

	2001 Turnover $'000	2001 Profit (loss) from operations $'000	2000 Turnover $'000	2000 Profit (loss) from operations $'000
Sales of merchandise				
– Coils	**309,886**	**51,908**	265,468	55,235
– Capacitors	**21,899**	**332**	3,292	908
– Other electronic components	**15,219**	**(495)**	2,532	(946)
	347,004	**51,745**	271,292	55,197

Analysis of turnover by geographical location as determined on the basis of the location where merchandise is delivered is as follows:

	2001 $'000	2000 $'000
Hong Kong	**271,532**	217,637
Mainland China	**23,210**	24,911
Taiwan	**16,409**	6,392
Europe	**15,849**	14,558
Singapore	**15,320**	5,535
Others	**4,684**	2,259
Total turnover	**347,004**	271,292

No analysis of profit (loss) from operations by geographical location is presented as it is generally in line with the distribution of turnover as set out above.

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

4. PROFIT BEFORE TAXATION

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

	2001 $'000	2000 $'000
After charging –		
Staff costs (including directors' emoluments)	87,210	68,634
Advertising and promotion costs	2,125	1,795
Research and development costs	8,670	63
Operating lease rental of premises	2,697	1,050
Depreciation of property, plant and equipment		
– owned assets	22,381	16,305
– assets held under finance leases	11,975	6,537
Amortisation of intangible asset	356	–
Interest expense on		
– bank overdrafts and loans wholly repayable within five years	8,831	4,271
– factoring of trade receivables	3,755	2,727
– finance leases	6,913	3,369
Provision for/write-off of bad and doubtful debts	3,019	1,151
Net exchange loss	–	746
Auditors' remuneration	778	690
After crediting –		
Interest income from bank deposits	2,422	1,864
Write-back of provision for bad and doubtful debts	10	1,371
Net exchange gain	1,934	–

5. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. **Details of directors' emoluments are:**

	2001 $'000	2000 $'000
Fees for executive directors	–	–
Fees for non-executive director	–	–
Fees for independent non-executive directors	600	350
Other emoluments for executive directors		
– Basic salaries and allowances	4,216	3,322
– Contributions to pension schemes	253	162
Other emoluments for non-executive director		
– Basic salaries and allowances	495	526
	5,564	4,360

No directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year.

Analysis of directors' emoluments by number of directors and emolument range is as follows:

	2001	2000
Executive directors		
– Nil to $1,000,000	3	4
– $1,000,001 to $1,500,000	1	1
– $1,500,001 to $2,000,000	1	–
	5	5
Non-executive director/Independent non-executive directors		
– Nil to $1,000,000	3	3

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

5. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

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

	2001	2000
	$'000	$'000
Basic salaries and allowances	**4,544**	3,718
Contributions to pension schemes	**244**	155
	4,788	3,873

All (2000 – all) of the five highest paid individuals were directors of the Company, whose emoluments have been included in Note 5.a above.

During the year, no emoluments were paid to the five highest paid individuals 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 by number of individuals and emolument range is as follows:

	2001	2000
Nil to $1,000,000	**3**	4
$1,000,001 to $1,500,000	**1**	1
$1,500,001 to $2,000,000	**1**	–
	5	5

6. TAXATION

Taxation comprises:

	2001	2000
	$'000	$'000
Current taxation –		
Hong Kong profits tax		
– current year	**–**	405
– over-provision in prior years	**(51)**	–
Mainland China enterprise income tax		
– current year	**231**	385
Deferred taxation (Note 22) –		
Hong Kong profits tax	**3,625**	4,070
	3,805	4,860

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16% (2000 – 16%) on the estimated assessable profit arising in or derived from Hong Kong.

Zhongshan Tonichi Ferrite Products Co., Ltd., Zhongshan Coils Metalwork Co., Ltd. and Zhongshan Coils Electronic Co., Ltd., wholly foreign owned enterprises established in Zhongshan, the open coastal area of Mainland China, are 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, Zhongshan Tonichi Ferrite Products Co., Ltd. and Xiamen Coils Electronic Co., Ltd. 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, to be followed by a 50% reduction in state income tax for the next three years. Zhongshan Coils Metalwork Co., Ltd. and Zhongshan Coils Electronic Co., Ltd. are still in the process of applying for the exemption from state income tax and local income tax from tax bureau as at 30th April, 2001. 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 three years ended 31st December, 2000. Xiamen Coils Electronic Co., Ltd., Zhongshan Coils Metalwork Co., Ltd. and Zhongshan Coils Electronic Co., Ltd. were still in tax loss position as at 30th April, 2001.

For all other companies within the Group, profits tax was provided at tax rates in the respective jurisdictions in which they operate.

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of approximately $9,085,000 (2000 – $10,771,000) dealt with in the financial statements of the Company.

8. DIVIDENDS

Dividends comprise:

	2001 $'000	2000 $'000
Proposed final dividend of 1 cent (2000 – 2 cents*) per share based on 528,027,108 (2000 – 500,000,000*) shares	5,280	10,000
Interim dividend paid	–	1,088
	5,280	11,088

* The comparative figures have been adjusted to reflect the bonus issue of shares on the basis of three bonus shares for every two shares held by shareholders on 17th August, 2000 (see Note 23.a).

The proposed final dividend of 1 cent per share for the year ended 30th April, 2001 is to be paid in cash with a scrip option at the election of shareholders whose names appear on the Company's register of member on 14th September, 2001.

9. RETAINED PROFIT

Retained profit comprises:

	2001 $'000	2000 $'000
Company	4,576	771
Subsidiaries	135,728	113,950
	140,304	114,721

(Amounts expressed in Hong Kong dollars unless otherwise stated)

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30th April, 2001 is based on the profit attributable to shareholders of approximately $30,863,000 (2000 – $41,910,000) and on the weighted average number of 513,023,946 (2000 – 434,426,230) shares in issue during the year.

The comparative weighted average number of shares in issue and basic earnings per share for the year ended 30th April, 2000 have been adjusted to reflect the bonus issue of shares on the basis of three bonus shares for every two shares held by shareholders on 17th August, 2000 (see Note 23.a).

The calculation of diluted earnings per share for the year ended 30th April, 2001 is based on the profit attributable to shareholders of approximately $30,863,000 and on the weighted average number of 544,597,234 shares, adjusted to reflect the effect of all dilutive potential shares in issue during the year.

A reconciliation of the weighted average number of shares used in the calculation of basic earnings per share for the year ended 30th April, 2001 to that used in the calculation of diluted earnings per share is as follows:

Weighted average number of shares used in the calculation of basic earnings per share	513,023,946
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the year (Note 25)	31,573,288
Weighted average number of shares used in the calculation of diluted earnings per share	544,597,234

The outstanding share options during the year ended 30th April, 2001 were anti-dilutive. No diluted earnings per share for the year ended 30th April, 2000 is presented because there were no dilutive potential shares in existence during that year.

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

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

	2001						2000
	Land and buildings	Machinery	Furniture and equipment	Motor vehicles	Buildings under construction	Total	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation							
Beginning of year	51,655	233,927	33,072	4,187	–	322,841	201,771
Additions	4,021	189,657	10,322	682	18,615	223,297	121,664
Disposals	–	–	–	–	–	–	(471)
Transfer	–	643	(643)	–	–	–	–
Revaluation deficit	–	–	–	–	–	–	(132)
Translation adjustments	–	(764)	(202)	(46)	–	(1,012)	9
End of year	55,676	423,463	42,549	4,823	18,615	545,126	322,841
Representing							
At cost	8,875	423,463	42,549	4,823	18,615	498,325	276,040
At professional valuation	46,801	–	–	–	–	46,801	46,801
	55,676	423,463	42,549	4,823	18,615	545,126	322,841
Accumulated depreciation							
Beginning of year	845	56,368	19,303	2,261	–	78,777	56,713
Provision for the year	1,367	26,968	5,635	386	–	34,356	22,842
Disposals	–	–	–	–	–	–	(412)
Write-back upon revaluation	–	–	–	–	–	–	(366)
Translation adjustments	–	(218)	(198)	(8)	–	(424)	–
End of year	2,212	83,118	24,740	2,639	–	112,709	78,777
Net book value							
End of year	53,464	340,345	17,809	2,184	18,615	432,417	244,064
Beginning of year	50,810	177,559	13,769	1,926	–	244,064	145,058

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

b. **Details of land and buildings (consolidated) are:**

	2001 $'000	2000 $'000
Hong Kong – medium-term leases	8,204	6,856
Mainland China – medium-term leases	44,865	43,551
Mainland China – long-term leases	395	403
	53,464	50,810

Approximately $44,095,000 (2000 – $39,088,000) of land and buildings located in Mainland China are held under land use rights for 50 years up to 2048 and approximately $395,000 (2000 – $403,000) under land use rights for 70 years up to 2068. As at 30th April, 2001, the Group is still in the process of applying for land use rights for certain land and buildings located in Mainland China with a net book value of approximately $770,000 (2000 – $4,463,000).

Approximately $6,668,000 (2000 – $6,856,000) of 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 $38,456,000 (2000 – $39,491,000) of land and buildings located in Mainland China were stated on a replacement cost basis as at 31st August, 1999 as determined by the same firm.

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, 2001 would have been approximately $37,587,000 (2000 – $34,506,000).

Land and buildings with a net book value of approximately $6,319,000 (2000 – $6,500,000) were mortgaged as collateral for the Group's banking facilities (see Note 30.a).

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

c. **Machinery and motor vehicles:**

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

	2001 $'000	2000 $'000
Cost	149,291	94,752
Less: Accumulated depreciation	(16,770)	(11,281)
Net book value	132,521	83,471

Machinery with a net book value of approximately $35,778,000 (2000 – Nil) was pledged as collateral for the Group's banking facilities (see Note 30.c).

12. INTANGIBLE ASSET

Movement of intangible asset (consolidated) is as follows:

	2001 $'000	2000 $'000
Cost		
Addition and end of year	3,200	–
Accumulated amortisation		
Amortisation and end of year	(356)	–
Net book value	2,844	–

13. INVESTMENT IN SUBSIDIARIES

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

	2001 $'000	2000 $'000
Unlisted shares, at cost	**137,348**	137,348
Due from subsidiaries	**88,608**	44,193
	225,956	181,541

The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so.

The underlying value of the investment in subsidiaries is, in the opinion of the Company's Directors, not less than the carrying value as at 30th April, 2001.

As at 30th April, 2001, the Company has given guarantees to banks of approximately $296,622,000 (2000 – $158,147,000) to secure banking and finance lease facilities of certain subsidiaries (see Note 28.c).

Details of the Company's subsidiaries as at 30th April, 2001 are 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-Coils Hong Kong Co., Limited	Hong Kong	Ordinary $2 Non-voting deferred $1,000,000 (b)	100%	Dormant
CEC-Coils Singapore Pte Ltd.	Singapore	Ordinary S$1,500,000	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	Hong Kong	Ordinary $2	100%	Trading of electronic components

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

13. 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-Smart Good Enterprises Limited (Formerly known as Billion Dragons Limited)	Hong Kong	Ordinary $10,000	100%	Trading of electronic components
CEC-Technology Limited (Formerly known as CEC-CAP Limited)	Hong Kong	Ordinary $10,000	100%	Provision of information technology management services
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
CEC-Unitech Electronics Limited (Formerly known as CEC-Ceramic Cap Limited)	Hong Kong	Ordinary $10,000	51%	Trading of electronic components
Jin Yuan Moulds Limited	Hong Kong	Ordinary $100	100%	Dormant
Xiamen Coils Electronic Co., Ltd. (c)	Mainland China	Registered capital $2,900,000	100%	Manufacture and sale of coils and other electronic components
Zhongshan Tonichi Ferrite Products Co., Ltd. (c)	Mainland China	Registered capital $81,600,000	100%	Manufacture and sale of coils and other electronic components
Zhongshan Coils Metalwork Co., Ltd. (c)	Mainland China	– (d)	100%	Manufacture of coils
Zhongshan Coils Electronic Co., Ltd. (c)	Mainland China	– (d)	100%	Dormant

13. INVESTMENT IN SUBSIDIARIES (Continued)

Notes:

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

b. The non-voting deferred shares of CEC-Coils Hong Kong Co., Limited are owned by Coils Electronic Co., Limited, whereas the non-voting deferred shares of Coils Electronic Co., Limited are 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 each 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 the ordinary shares.

c. Xiamen Coils Electronic Co., Ltd., Zhongshan Tonichi Ferrite Products Co., Ltd., Zhongshan Coils Metalwork Co., Ltd. and Zhongshan Coils Electronic Co., Ltd. are wholly foreign owned enterprises established in Mainland China to be operated for 15 years up to December 2012, September 2008, February 2016 and April 2016, respectively.

d. Zhongshan Coils Metalwork Co., Ltd. and Zhongshan Coils Electronic Co., Ltd. were established with registered capital of US$3,000,000 and US$8,000,000, respectively. As at 30th April, 2001, the Group has not yet contributed any capital to these two subsidiaries.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30th April, 2001.

14. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

Investment in jointly controlled entities (consolidated) comprises:

	2001 $'000	2000 $'000
Unlisted shares, at cost	103	–
Due from a jointly controlled entity	136	–
Due to a jointly controlled entity	(5)	–
	234	–

The outstanding balances with jointly controlled entities are unsecured, non-interest bearing and without predetermined repayment terms.

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

14. INVESTMENT IN JOINTLY CONTROLLED ENTITIES (Continued)

The underlying value of the investment in jointly controlled entities is, in the opinion of the Directors, not less than the carrying value as at 30th April, 2001.

Details of the jointly controlled entities as at 30th April, 2001 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest and profit sharing attributable to the Group	Principal activities
CEC-East Tower Co., Limited	Hong Kong	Ordinary $10,000	50%	Dormant
CEC-Chung Cheuk Electronics Limited (Formerly known as Wisdom Connection Limited)	Hong Kong	Ordinary $200,000	50%	Trading of electronic components

The shares of the jointly controlled entities are held indirectly by the Company.

15. INVENTORIES

Inventories (consolidated) comprise:

	2001 $'000	2000 $'000
Raw materials	**39,593**	25,690
Work-in-progress	**9,513**	10,179
Finished goods	**11,578**	8,941
	60,684	44,810
Less: Provision for slow-moving and obsolete inventories	**(1,922)**	(1,922)
	58,762	42,888

The Group's inventories with a carrying amount of approximately $56,562,000 (2000 – $31,911,000) were held under trust receipts bank loan arrangements (see Note 30.c). No inventories were stated at net realisable value as at 30th April, 2001.

16. TRADE RECEIVABLES

The aging analysis of trade receivables (consolidated) as at 30th April, 2001 is as follows:

	2001 $'000	2000 $'000
Current	**20,707**	12,937
Overdue by 0 – 1 month	**6,559**	10,797
Overdue by 1 – 2 months	**4,250**	2,238
Overdue by 2 – 3 months	**1,010**	278
Overdue by more than 3 months	**2,869**	1,857
	35,395	28,107
Less: Provision for bad and doubtful debts	**(4,615)**	(1,906)
	30,780	26,201

Management of the Group performs ongoing credit and collectibility evaluations of each customer. Provisions for potential credit losses are maintained and such losses in aggregate have not exceeded management's estimates. The Group offers an average credit period ranging from one month to three months to its trade customers who have good payment records and well-established relationships with the Group.

17. PLEDGED BANK DEPOSITS

As at 30th April, 2001, the Group's bank deposits of approximately $47,387,000 (2000 – $43,201,000) were pledged as collateral for the Group's banking facilities (see Note 30.b).

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

18. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings (consolidated) comprise:

	2001	2000
	$'000	$'000
Bank overdrafts	**12,075**	6,030
Short-term bank loans	**5,575**	–
Trust receipts bank loans	**71,153**	29,416
	88,803	35,446

Refer to Note 30 for details of the Group's banking facilities.

19. LONG-TERM BANK LOANS

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

	2001	2000
	$'000	$'000
Amounts repayable within a period		
– not exceeding one year	**73,266**	3,623
– more than one year but not exceeding two years	**6,174**	3,394
– more than two years but not exceeding five years	**5,078**	1,430
	84,518	8,447
Less: Amounts repayable within one year included under current liabilities	**(73,266)**	(3,623)
	11,252	4,824

Refer to Note 30 for details of the Group's banking facilities.

20. FINANCE LEASE OBLIGATIONS

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

	2001 $'000	2000 $'000
Amounts repayable within a period		
– not exceeding one year	33,092	20,487
– more than one year but not exceeding two years	27,510	17,726
– more than two years but not exceeding five years	21,635	15,128
	82,237	53,341
Less: Amounts repayable within one year included under current liabilities	(33,092)	(20,487)
	49,145	32,854

21. TRADE PAYABLES

The aging analysis of trade payables (consolidated) as at 30th April, 2001 is as follows:

	2001 $'000	2000 $'000
Current	12,212	23,863
Overdue by 0 – 1 month	4,432	11,206
Overdue by 1 – 2 months	1,665	474
Overdue by 2 – 3 months	257	1,951
Overdue by more than 3 months	4,861	2,121
	23,427	39,615

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

22. DEFERRED TAXATION

Movements of deferred taxation (consolidated) are:

	2001 $'000	2000 $'000
Beginning of year	**9,637**	5,567
Provision for net timing differences (Note 6)	**3,625**	4,070
End of year	**13,262**	9,637

Deferred taxation represents the taxation effect of the following timing differences:

	2001 $'000	2000 $'000
Accelerated depreciation allowance of property, plant and equipment	**20,397**	10,882
Cumulative tax losses carried forward of certain subsidiaries	**(6,922)**	(1,005)
General provisions	**(213)**	(240)
End of year	**13,262**	9,637

As at 30th April, 2001, the Group had an unprovided deferred tax liability of approximately $3,889,000 (2000 – $3,850,000), 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 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, 2001.

23. SHARE CAPITAL

Movements in share capital are:

	2001		2000	
	Number of shares	**Nominal value $'000**	Number of shares	Nominal value $'000
Authorised shares of $0.10 each				
Beginning of year	1,000,000,000	100,000	–	–
Upon incorporation	–	–	1,000,000	100
Addition	–	–	999,000,000	99,900
End of year	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid shares of $0.10 each				
Beginning of year	200,000,000	20,000	–	–
Issued upon incorporation	–	–	1,000,000	100
Issue of shares arising from the reorganisation (Note 33)	–	–	1,000,000	100
Issue of shares through public offering and private placement	–	–	50,000,000	5,000
Capitalisation of share premium	–	–	148,000,000	14,800
Bonus issue (a)	300,000,000	30,000	–	–
Issue of shares pursuant to the scrip dividend scheme (b)	4,277,108	428	–	–
Issue of shares upon exercise of warrants (Note 25)	23,750,000	2,375	–	–
End of year	528,027,108	52,803	200,000,000	20,000

Notes:

a. On 13th July, 2000, the Directors recommended a bonus issue of new shares of $0.10 each in the share capital of the Company to shareholders whose names appeared on the Company's register of members on 17th August, 2000 (the "2000 Bonus Share Issue"). The 2000 Bonus Share Issue was made on the basis of three bonus shares for every two shares held on 17th August, 2000. On 8th September, 2000, the bonus shares were issued and credited as fully paid at par by way of capitalisation of the share premium and contributed surplus, ranking pari passu with the then existing shares in all respects when issued.

b. On 8th September, 2000, 4,277,108 new shares were issued and credited as fully paid at $1.778 per new share pursuant to the scrip dividend scheme under which certain shareholders whose names appeared on the Company's register of members on 17th August, 2000 elected to receive new fully paid shares in lieu of cash in respect of part or all of the final dividend for the year ended 30th April, 2000.

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

24. SHARE OPTIONS

On 26th October, 1999, the shareholders of the Company approved a share option scheme under which its Board of Directors may grant options to any full-time employees or executives of the Company or any of its subsidiaries, including executive directors (but excluding independent non-executive directors of the Company) of the Company or any of its subsidiaries, 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 upon 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.

Movements in share options during the year are as follows:

		Number of shares under options				
Date of grant	Subscription price per share	Beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	End of year
21st September, 2000	$1.22*	–	11,795,864	–	–	11,795,864
1st November, 2000	$0.90**	–	37,650,000	–	(2,250,000)	35,400,000
		–	49,445,864	–	(2,250,000)	47,195,864

* Such share options are exercisable from 22nd September, 2002 to 21st January, 2005, both dates inclusive.

** Such share options are exercisable from 1st November, 2002 to 28th February, 2005, both dates inclusive.

25. WARRANTS

On 3rd July, 2000, the Company issued 400,000,000 units of warrants at an issue price of $0.0625 per unit of warrant through a private placement, resulting in net proceeds of approximately $22,891,000 (after deduction of related issuance expenses of approximately $2,109,000). Such warrants carry the subscription rights of $1.475 for every 10 units of warrants entitling the holders thereof to subscribe in cash for new shares in the Company up to a maximum aggregate amount of $59,000,000 at a subscription price of $0.59 per new share (subject to adjustment). The subscription price has been adjusted from $1.475 per new share to $0.59 per new share with effect from 18th August, 2000 as a result of the 2000 Bonus Share Issue. The warrants are exercisable at any time from 3rd July, 2000 to 30th September, 2003, both dates inclusive. During the year ended 30th April, 2001, 23,750,000 new shares were allotted and issued as a result of the exercise of 95,000,000 units of subscription rights of the warrants totalling $14,012,500. The proceeds were used as working capital of the Company. As at 30th April, 2001, the outstanding warrants entitled the holders thereof to subscribe for new shares in the Company up to a maximum aggregate amount of $44,987,500.

26. RESERVES

Movements of reserves are:

	2001							2000
	Share premium $'000	Capital reserve $'000	Contributed surplus (a) $'000	Subscription right reserve $'000	Property revaluation reserve $'000	Cumulative translation adjustments $'000	Total $'000	Total $'000
Consolidated								
Beginning of year	24,607	13,934	5,810	–	17,476	(37)	61,790	37,146
Proceeds from issue of warrants (Note 25)	–	–	–	25,000	–	–	25,000	–
Warrant issuance expenses (Note 25)	–	–	–	(2,109)	–	–	(2,109)	–
Bonus issue (Note 23.a)	(24,190)	–	(5,810)	–	–	–	(30,000)	–
Premium arising from issue of shares pursuant to the scrip dividend scheme (Note 23.b)	7,177	–	–	–	–	–	7,177	–
Proceeds from exercise of warrants (Note 25)	11,637	–	–	–	–	–	11,637	–
Premium arising from issuance of shares on exercise of warrants	5,437	–	–	(5,437)	–	–	–	–
Share issuance expenses	(178)	–	–	–	–	–	(178)	(10,593)
Capitalisation of share premium	–	–	–	–	–	–	–	(14,800)
Elimination of goodwill arising from acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(72)
Surplus on revaluation of properties	–	–	–	–	–	–	–	234
Attributable to the reorganisation (Note 33)	–	–	–	–	–	–	–	(116)
Premium arising from new issue of shares	–	–	–	–	–	–	–	50,000
Translation adjustments	–	–	–	–	–	(197)	(197)	(9)
End of year	24,490	13,934	–	17,454	17,476	(234)	73,120	61,790

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

26. RESERVES (Continued)

	2001							2000
	Share premium $'000	Capital reserve $'000	Contributed surplus (a) $'000	Subscription right reserve $'000	Property revaluation reserve $'000	Cumulative translation adjustments $'000	Total $'000	Total $'000
Company								
Beginning of year	24,607	–	137,148	–	–	–	161,755	–
Proceeds from issue of warrants (Note 25)	–	–	–	25,000	–	–	25,000	–
Warrant issuance expenses (Note 25)	–	–	–	(2,109)	–	–	(2,109)	–
Bonus issue (Note 23.a)	(24,190)	–	(5,810)	–	–	–	(30,000)	–
Contributed surplus arising from the reorganisation (Note 33)	–	–	–	–	–	–	–	137,148
Premium arising from new issue of shares	–	–	–	–	–	–	–	50,000
Premium arising from issue of shares pursuant to the scrip dividend scheme (Note 23.b)	7,177	–	–	–	–	–	7,177	–
Proceeds from exercise of warrants (Note 25)	11,637	–	–	–	–	–	11,637	–
Premium arising from issuance of shares on exercise of warrants	5,437	–	–	(5,437)	–	–	–	–
Share issuance expenses	(178)	–	–	–	–	–	(178)	(10,593)
Capitalisation of share premium	–	–	–	–	–	–	–	(14,800)
End of year	24,490	–	131,338	17,454	–	–	173,282	161,755

Note:

a. Contributed surplus of the Company represents 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 in 1999 (see Note 33). Contributed surplus of the Group represents the excess 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, on the condition that subsequent to the payment of dividend or any distribution, (i) the Company will be able to pay its liabilities as they become due, and (ii) the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 30th April, 2001, the Company's reserves (excluding retained profit) available for distribution to shareholders are represented by the contributed surplus of approximately $131,338,000 (2000 – $137,148,000).

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 $'000	2000 $'000
Profit before taxation	**34,668**	46,694
Interest income	**(2,422)**	(1,864)
Interest expense	**19,499**	10,367
Depreciation of property, plant and equipment	**34,356**	22,842
Amortisation of intangible asset	**356**	–
Net loss on disposal of property, plant and equipment	**–**	55
Increase in inventories	**(15,874)**	(17,403)
Increase in trade receivables	**(7,779)**	(4,527)
Increase in prepayments, deposits and other current assets	**(2,751)**	(2,551)
Decrease in amount due from a related company	**–**	303
(Decrease) Increase in trade payables	**(16,188)**	24,326
Increase (Decrease) in bills payable	**11,971**	(999)
(Decrease) Increase in accruals and other payables	**(1,526)**	6,313
Net cash inflow from operating activities	**54,310**	83,556

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

	Share capital and share premium $'000	Subscription right reserve $'000	Long-term bank loans $'000	Finance lease obligations $'000	Due to intermediate holding company $'000	Due from a director $'000	Minority interests $'000	Total $'000
Balance as at 1st May, 1999	6,010	–	3,209	22,104	3,299	(4,070)	–	30,552
Effect of the reorganisation (Note 33)	(6,010)	–	–	–	–	–	–	(6,010)
Issue of shares as part of the reorganisation (Note 33)	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 amount due from a director	–	–	–	–	–	997	–	997
Decrease in amount due to intermediate holding company	–	–	–	–	(226)	–	–	(226)
Offset against amount due from a director	–	–	–	–	(3,073)	3,073	–	–

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

b. Analysis of changes in financing during the year is as follows: (Continued)

	Share capital and share premium $'000	Subscription right reserve $'000	Long-term bank loans $'000	Finance lease obligations $'000	Due to intermediate holding company $'000	Due from a director $'000	Minority interests $'000	Total $'000
Balance as at 30th April, 2000	44,607	–	8,447	53,341	–	–	–	106,395
Issue of warrants for cash (Note 25)	–	25,000	–	–	–	–	–	25,000
Warrant issuance expenses (Note 25)	–	(2,109)	–	–	–	–	–	(2,109)
Bonus issue (Note 23.a)	5,810	–	–	–	–	–	–	5,810
Issue of shares pursuant to the scrip dividend scheme (Note 23.b)	7,605	–	–	–	–	–	–	7,605
Share issuance expenses	(178)	–	–	–	–	–	–	(178)
Issue of new shares in a subsidiary to minority interests	–	–	–	–	–	–	5	5
New long-term bank loans	–	–	88,325	–	–	–	–	88,325
Repayment of long-term bank loans	–	–	(12,254)	–	–	–	–	(12,254)
Inception of finance leases	–	–	–	56,794	–	–	–	56,794
Repayment of capital element of finance lease obligations	–	–	–	(27,620)	–	–	–	(27,620)
Translation adjustments	–	–	–	(278)	–	–	–	(278)
Exercise of warrants for cash (Note 25)	14,012	–	–	–	–	–	–	14,012
Premium arising from issuance of shares on exercise of warrants	5,437	(5,437)	–	–	–	–	–	–
Balance as at 30th April, 2001	77,293	17,454	84,518	82,237	–	–	5	261,507

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

c. **Major non-cash transactions:**

(i) During the year, the Group entered into finance lease arrangements for approximately $56,794,000 (2000 – $53,336,000) in respect of new machinery and motor vehicles.

(ii) During the year, the Group acquired an intangible asset at a consideration of $3,200,000 from a customer by offsetting the trade receivable due from the customer of the same amount.

(iii) During the year, 4,277,108 new shares were issued and credited as fully paid at $1.778 per new share pursuant to the scrip dividend scheme in respect of the final dividend for the year ended 30th April, 2000 under which certain shareholders elected to receive new shares in lieu of cash dividend (see Note 23.b).

d. **Analysis of cash and cash equivalents:**

	2001	2000
	$'000	$'000
Cash and other bank deposits	**8,327**	6,442
Bank overdrafts	**(12,075)**	(6,030)
Short-term bank loans	**(5,575)**	–
Trust receipts bank loans	**(71,153)**	(29,416)
	(80,476)	(29,004)

28. COMMITMENTS AND CONTINGENT LIABILITIES

a. Capital commitments

As at 30th April, 2001, the Group had authorised and contracted capital commitments (consolidated) of approximately $28,038,000 (2000 – $17,591,000) for acquisition of plant and equipment.

b. Operating lease commitments

As at 30th April, 2001, the Group had operating lease commitments in respect of rented premises under various non-cancellable operating lease agreements extending to May 2005. The total commitments payable under the agreements are as follows:

	Consolidated		Company	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Amounts payable				
– within one year	**2,359**	697	**–**	–
– within two to five years	**4,244**	726	**–**	–
	6,603	1,423	**–**	–

The commitments payable within the next twelve months are as follows:

	Consolidated		Company	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Leases expiring				
– within one year	**150**	186	**–**	–
– within two to five years	**2,209**	511	**–**	–
	2,359	697	**–**	–

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

28. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

c. Contingent liabilities

Contingent liabilities not provided for in the financial statements are:

	Consolidated		Company	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Discounted bills with recourse	**1,402**	–	–	–
Factoring of trade receivables with recourse	**30,415**	31,803	–	–
Shipping guarantees	**–**	315	–	–
Guarantees given to banks in respect of banking and finance lease facilities of its subsidiaries	**–**	–	**296,622**	158,147
	31,817	32,118	**296,622**	158,147

29. PENSION SCHEMES

The Group has arranged for certain of its employees (including executive directors) in Hong Kong and certain selected employees in Mainland China a defined contribution provident fund under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme"), which was managed by an independent trustee. Each of the Group and its employees made monthly contributions to the scheme at 5% to 10% and 5%, respectively, of the employees' basic salaries. The employees were entitled to receive their entire contributions and the accrued interest thereon, and 100% of the Group's employer contributions and the accrued interest thereon upon retirement or leaving the Group after completing one year of service. The forfeited contributions made by the Group and related accrued interest were used to reduce the Group's employer contribution. This scheme is not available to new employees effective from 1st December, 2000.

From 1st December, 2000, companies within the Group in Hong Kong have participated in the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Members of the ORSO Scheme were given a one-time option to choose to transfer to the MPF Scheme or remain in the ORSO Scheme. Under the MPF Scheme, each of the Group and its employees made monthly mandatory contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance with the maximum mandatory contributions by each of the Group and its employees limited to $1,000 per month and thereafter contributions are voluntary. The mandatory contributions were fully and immediately vested in the employees as accrued benefits. The employees were entitled to receive their entire voluntary contributions and 100% of the Group's employer voluntary contributions upon retirement or leaving the Group after completing one year of service. The forfeited voluntary contributions made by the Group were used to reduce the Group's employer voluntary contributions.

As stipulated by the rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group contributes to the retirement plans approximately 10% to 15% of the basic salaries of its employees, and has no further obligation for the actual payment of pensions or post-retirement benefits beyond the annual contributions.

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 contributes to the Funds approximately 12% to 20% of the salaries of its employees, and has no further obligation for the actual payment of pensions or post-retirement benefits beyond the contributions.

During the year ended 30th April, 2001, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately $2,344,000 (2000 – $1,557,000), after deduction of forfeited contributions of approximately $190,000 (2000 – $38,000). As at 30th April, 2001, there were no material forfeitures available to offset the Group's future contributions.

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

30. BANKING FACILITIES AND PLEDGE OF ASSETS

As at 30th April, 2001, the Group had aggregate banking facilities of approximately $302,624,000 (2000 – $199,896,000) for overdrafts, loans, factoring of trade receivables and trade financing. Unused facilities as at the same date amounted to approximately $65,727,000 (2000 – $95,090,000). These facilities were secured by:

a. mortgages over certain of the Group's land and buildings with a net book value of approximately $6,319,000 (2000 – $6,500,000) (see Note 11.b);

b. pledges of the Group's bank deposits of approximately $47,387,000 (2000 – $43,201,000) (see Note 17);

c. the Group's inventories with a carrying amount of approximately $56,562,000 (2000 – $31,911,000) (see Note 15) and the Group's machinery with a net book value of approximately $35,778,000 (2000 – Nil) (see Note 11.c) held under trust receipts bank loan arrangements; and

d. guarantees provided by the Company.

In addition, the Group is required to comply with certain restrictive financial covenants imposed by certain banks. The financial covenants include, among other things, the maintenance of specific financial ratios including:

(a) the consolidated tangible net worth be maintained at a level above $220,000,000; and

(b) the consolidated net gearing ratio, as defined by the relevant banks, shall not exceed 0.6:1.

As at 30th April, 2001, the Group did not meet one of the above financial covenants (see Note 2.a).

31. ULTIMATE HOLDING COMPANY

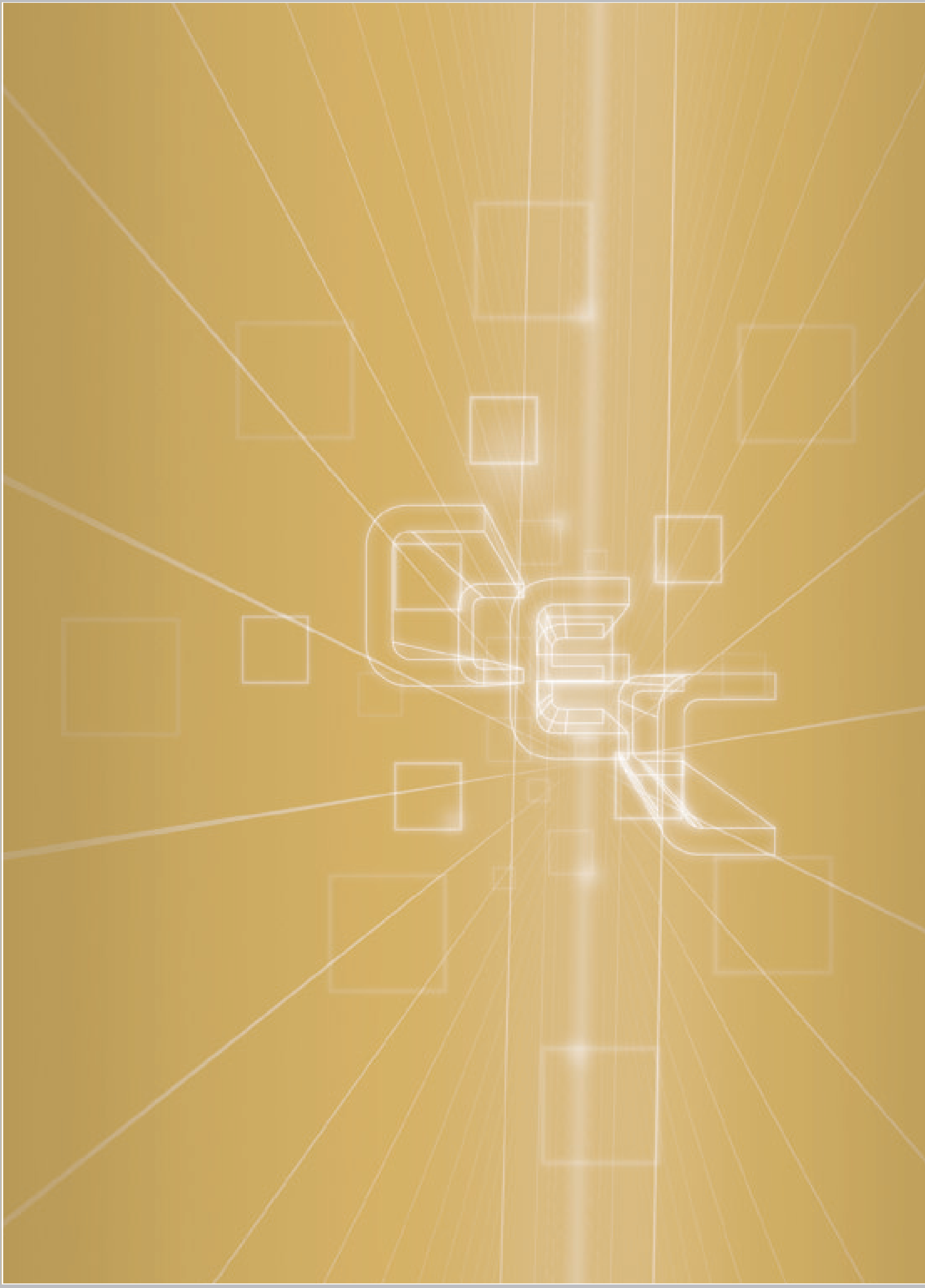
The Directors consider Ka Yan China Investments Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

32. SUBSEQUENT EVENT

On 31st July, 2001, the Directors recommended a bonus issue of new shares of $0.10 each in the share capital of the Company (the "Bonus Shares") to shareholders whose names appear on the Company's register of members on 14th September, 2001 (the "Proposed Bonus Share Issue"). The Proposed Bonus Share Issue will be made on the basis of one Bonus Share for every five existing shares held on 14th September, 2001. 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, save in respect of the entitlement to the proposed final dividend of 1 cent per share for the year ended 30th April, 2001.

33. COMPARATIVE FIGURES

Pursuant to a group reorganisation (the "Reorganisation") in preparation for listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 28th October, 1999. 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, 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.



Summary of Credit Facilities Utilisation
融資信貸動用摘要

As at 30th April, 2001
於二零零一年四月三十日