

# Corporate Profile

## 公司簡介

CEC為一家增長迅速之優質電子元件生產商，以設計及生產各類線圈、鐵氧體材料、電感、變壓器、電源濾波器及電容器等為主。本集團始創於一九七九年，經過多年來不斷發展蛻變，至今已成為一大型國際供應商，客戶來自不同行業，包括電訊及資訊科技設備、數據網絡及電壓轉換技術、辦公室自動化設備、影音產品，以及家居電器及電子產品等。

CEC於電子業經驗豐富且競爭力強，不但在中國內地及新加坡設有龐大之生產設施作後盾，其研究與開發部門、銷售與推廣隊伍、客戶服務與地區辦事處，以及技術支援中心更遍佈香港、中國內地、台灣、日本、新加坡及印度。

CEC於一九九九年十一月在香港聯合交易所有限公司上市，其宗旨為透過與客戶作緊密及積極之接觸，以快捷有效之方式提供最能滿足其需求之產品，從而提高股東之投資價值。CEC之主要財務目標為將財政資源投資於增長前景極佳之市場，為股東帶來最高之長期投資回報。

線圈、電感器及電容器等電子元件是生產高科技先進產品時不可或缺之元件，倘若沒有上述產品，人類將無法享受手提電話、互聯網、電子產品及電器之智能安全及舒適裝置等帶來之方便。CEC所生產之各項產品將繼續為未來電子世界之發展作出貢獻。

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.





**DIRECTORS****Executive Directors**

Mr. Lam Wai Chun

*(Chairman and Managing Director)*

Mr. Saito Misao *(Deputy Chairman)*

Ms. Tang Fung Kwan

Mr. Lam Wing Kin, Sunny

**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**

PricewaterhouseCoopers

Certified Public Accountants

**LEGAL ADVISERS**

F. Zimmern & Co

Richards Butler

Appleby Spurling & Kempe

**PRINCIPAL BANKERS**

China Construction Bank

CITIC Ka Wah Bank Limited

Dah Sing Bank Limited

Dao Heng Bank Limited

Hang Seng 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**

Units 3507-09, Level 35

Tower I, Millennium City 1

388 Kwun Tong Road

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**

Computershare Hong Kong Investor  
Services Limited

Rooms 1901-5, 19th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

Web: <http://www.ceccoils.com>

<http://www.0759.com>

[http://www.irasia.com/  
listco/hk/cecint](http://www.irasia.com/listco/hk/cecint)

E-mail: [info@ceccoils.com](mailto:info@ceccoils.com)

Listed on The Stock Exchange

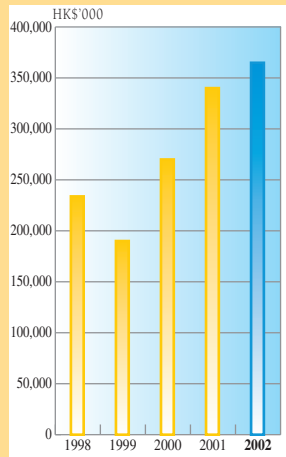
of Hong Kong Limited

Stock Code: 0759 (shares)

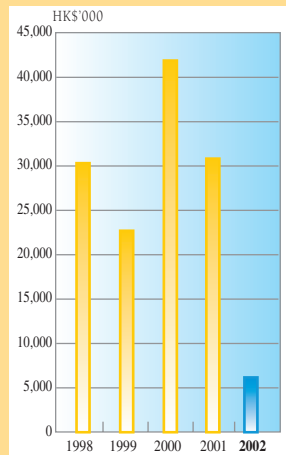
0337 (warrants)

# Financial Highlights

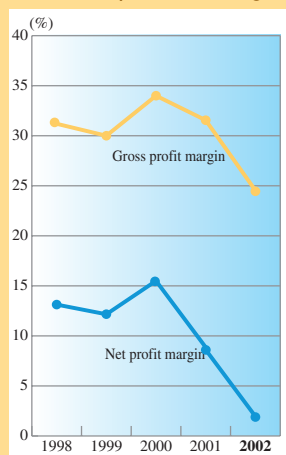
## Turnover



## Profit attributable to shareholders



## Gross profit margin and net profit margin



As at 30th April /  
Year ended 30th April

	2002 HK\$'000	2001 HK\$'000	% Change
Turnover	363,896	347,004	+4.9
Profit attributable to shareholders	5,973	30,863	-80.6
Total assets	667,014	588,822	+13.3
Net tangible assets	292,228	268,663	+8.8
<b>Per Share Data</b>			
Basic earnings per share (HK cent(s))	0.92	5.01	-81.6
Diluted earnings per share (HK cent(s))	0.92	4.72	-80.5
<b>Financial Ratios</b>			
Gross profit margin (%)	24.5	31.6	-7.1
Net profit margin (%)	1.6	8.9	-7.3
Current ratio	0.85	0.63	+34.9
Interest cover	3.85	5.06	-23.9
Net gearing ratio	0.85	0.76	+11.8

## 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 (%)	$\frac{\text{Gross profit} \times 100\%}{\text{Turnover}}$
Net profit margin (%)	$\frac{\text{Profit attributable to shareholders} \times 100\%}{\text{Turnover}}$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Interest cover	$\frac{\text{Profit from operations plus depreciation and amortisation}}{\text{Interest expense less interest income}}$
Net gearing ratio	$\frac{\text{Total borrowings less total cash and bank deposits and investment}}{\text{Net tangible assets less proposed final dividends}}$

## 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				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Turnover	363,896	347,004	271,292	193,943	233,310
Cost of sales	(274,778)	(237,448)	(178,359)	(136,634)	(160,317)
Gross profit	89,118	109,556	92,933	57,309	72,993
Distribution and selling expenses	(10,833)	(10,073)	(9,253)	(6,368)	(7,721)
General and administrative expenses	(48,448)	(47,736)	(28,483)	(16,774)	(22,716)
Profit from operations	29,837	51,747	55,197	34,167	42,556
Interest income	1,031	2,422	1,864	1,517	1,749
Interest expense	(22,295)	(19,499)	(10,367)	(9,708)	(11,058)
Share of profits less losses of jointly controlled entities	(138)	(2)	–	–	–
Profit before taxation	8,435	34,668	46,694	25,976	33,247
Taxation	(2,361)	(3,805)	(4,860)	(2,335)	(2,979)
Profit after taxation but before minority interests	6,074	30,863	41,834	23,641	30,268
Minority interests	(101)	–	76	–	–
Profit attributable to shareholders	5,973	30,863	41,910	23,641	30,268

## ASSETS AND LIABILITIES

	As at 30th April				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Total assets	667,014	588,822	368,108	226,291	214,834
Total liabilities	(373,008)	(317,310)	(161,597)	(105,168)	(117,766)
Minority interests	–	(5)	–	–	–
Net assets	294,006	271,507	206,511	121,123	97,068

Note:

The published results of the Group for the years ended 30th April 1998 and 1999 and the assets and liabilities of the Group as at 30th April 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 third 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 2002 was a year full of challenges. Despite the harsh operating environment throughout the year, the Group still managed to achieve a fair growth rate in turnover for the year.

The following summarises the results of the Group for the year ended 30th April 2002:

- Turnover climbed 4.9% from HK\$347,004,000 to HK\$363,896,000;
- Profit attributable to shareholders was HK\$5,973,000, down 80.6% from the previous financial year; and
- Basic earnings per share was 0.92 HK cent, decreased by 81.6% from last year.

## DIVIDENDS

No interim dividend was declared in respect of the year ended 30th April 2002 (2001: Nil).

The Directors do not recommend the payment of a final dividend in respect of the year ended 30th April 2002 (2001: 1 HK cent per share (before adjusting for the bonus issue of shares on the

basis of one bonus share for every five shares held by shareholders on 14th September 2001 (the "2001 Bonus Share Issue"))).

## CLOSURE OF REGISTER OF MEMBERS

In order to qualify to vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates and, in the case of warrant holders, 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, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 19th September 2002. The register of members of the Company will be closed from 20th



## Chairman's Statement

September 2002 to 26th September 2002, both dates inclusive, during which period no transfer of shares will be effected and no shares will be allotted and issued on the exercise of the subscription rights attaching to the outstanding warrants.

## BUSINESS REVIEW

During the year 2001/2002, the global economy remained fragile, reflecting the impact of the US economy's brief encounter with recession during the year and subsequently the terrorist attacks on 11th September 2001. The demand for electronic products reduced, adversely affecting the electronics industry. To maintain sales and competitiveness, many industry players chose to reduce product prices, and often to unreasonable levels. For the Group, however, with our investment in expanding our plant and acquisition of manufacturing facilities last year, our production capacity has been significantly increased, allowing us to increase our turnover at competitive prices even under such a tough economic situation. Our turnover recorded an increase of 4.9% at HK\$363,896,000, reflecting our judicious investment decisions.

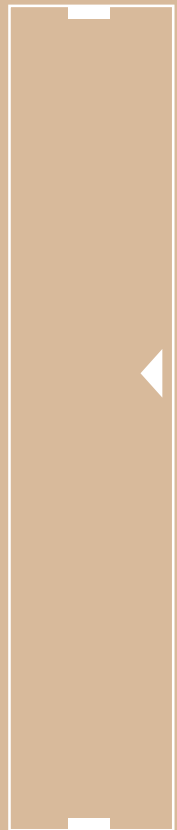
Despite the Group's active pursuit to enhance its capability to cope with the poor economy, it still felt the blow of the stringent economic conditions. The Group's profit attributable to shareholders saw an inevitable decrease from HK\$30,863,000 to HK\$5,973,000. Product prices have dropped tremendously, leading to a substantial decline in gross profit margin from last year's 31.6% to current year's 24.5%. The situation was further worsened by the increase in net interest expense by HK\$4,187,000 over the previous year, owing to the rise in total borrowings during the year.

The Group's performance in the financial year has been affected by the poor market situation. The market, however, began to show signs of reviving near the end of the fourth quarter and the Group's performance is expected to pick up accordingly. The market ruffle has resulted in some smaller-scale electronics manufacturers being expelled, and those who can withstand are the established manufacturers. Leveraging its reputation in the industry and its highly competitive quality products, and exercising active cost control measures, the Group continued to develop quality electronic components and successfully sustained its market position.

The following is an analysis of the performance of the Group's various business streams during the year:

### Coils Manufacturing Segment

During the year under review, coils manufacturing remained as the Group's core business, accounting for 80.6% (2001: 89.3%) of the Group's turnover. The turnover for the coils manufacturing segment was HK\$293,122,000, down slightly by 5.4% from the previous year. The drop in turnover was mainly due to the substantial price cuts by 10% to 20% for our products starting from the third quarter. Market prices in general declined to a very unreasonable level. Discounting for the impact of price cuts, the coils manufacturing segment actually has achieved a growth in terms of production output and sales volume, thanks to the Group's persistent effort in expanding the segment.





# Chairman's Statement



During the year under review, the plant expansion in Zhongshan has been completed as scheduled, with an expanded gross floor area of 53,797 sq. m. Installed with additional advanced and precise facilities, the expanded plant significantly increased the Group's production capacity for coils. For the year ended 30th April 2002, the Group has devoted HK\$101,807,000 (2001: HK\$216,247,000) to the addition of property, plant and equipment for the coils manufacturing segment. As such, there has been a 48.5% jump in depreciation of property, plant and equipment from last year's HK\$33,739,000 to HK\$50,088,000 in the current year. Owing to the price cuts and increase in depreciation, the segment's gross profit margin fell from previous year's 34.1% to current year's 27.6%. Profit from operations also suffered a drop of 40.3% from HK\$51,908,000 last year to HK\$30,983,000 this year.

On the other hand, the persistent efforts of the Group's research and development team bore fruit with the commencement of operations of the new production line for manganese-zinc series ferrite core products in the second quarter of the financial year, effectively improving the Group's product competitiveness. Equipped with the sophisticated and automated production facilities, the Group is now able to produce the best quality electronic components, with the manganese-zinc series ferrite core products and line filters enjoying strong support from electronics manufacturers, whose quality consciousness is more and more stringent nowadays. As the electronics industry undergoes drastic technological revolution, the long-term demand for quality electronic components will keep growing continuously. The Group believes the demand for its manganese-zinc series ferrite core products will rise correspondingly and bring in reasonable returns in future.

As new technologies are introduced every day, information technology is advancing at rocketing speed and the market competition for innovative products gets keener and keener. The requirement for electronic components from electronics manufacturers has also seen significant changes as they strive to adjust to the drastic technological changes. By the end of the fourth quarter of the financial year, the market has shown fresh signs of recovery. With all this in mind and the determination to meet the market's needs, the Group has taken a proactive approach throughout the year to facing the challenges ahead by actively expanding and strengthening its investment in property, plant and equipment. The Group is fully confident of its prevalence in the competitive electronics industry.

## Capacitors Manufacturing Segment

CEC-ECAP Limited ("CEC-ECAP"), formed in March 2000, has been dedicating to the design, development, manufacture and sale of a wide range of high-quality aluminum electrolytic capacitors with high temperature endurance. Its factory premise is located in Dongguan, Guangdong Province.



For the year under review, the capacitors manufacturing segment attained a turnover of HK\$33,240,000, with a 51.8% growth from last year's HK\$21,899,000, accounting for 9.1% (2001: 6.3%) of the Group's turnover. The gross profit margin was 8.2% (2001: 6.6%). However, owing to the climbing distribution and selling expenses as well as general and administrative expenses arising from the expansion, CEC-ECAP incurred a loss from operations of HK\$368,000 (2001: profit from operations of HK\$332,000) for the year under review. To cater for the growth in turnover, CEC-ECAP has invested HK\$1,094,000 (2001: HK\$5,331,000) during the year in the acquisition of machinery and equipment, resulting in a 119.3% jump in depreciation of property, plant and equipment from the previous year.

## Chairman's Statement

Despite the harsh market environment, as a manufacturer of electronic components, CEC-ECAP has been adhering to its operating principles of exercising careful cost control while maintaining high product quality. CEC-ECAP has started to effectively put in check its human resources and material costs. It will also keep up its efforts in product research and development in future to meet the market demand and strive for more satisfactory operating results and growth prospects for the Group.

#### Power Supply Devices Manufacturing Segment

Starting from the second quarter of the year under review, CEC-Electric Co., Limited ("CEC-Electric") successfully transformed from a trader of electronic components to a manufacturer of power supply devices. Turnover was recorded at HK\$3,380,000, accounting for 0.9% of the Group's turnover, with a gross profit margin of 35.7%. It achieved a profit from operations of HK\$202,000.

CEC-Electric's factory premise is located in Dongguan, Guangdong Province. For the year ended 30th April 2002, it has invested HK\$1,018,000 in machinery and equipment. CEC-Electric's product series include AC/DC power converters, battery chargers, power transformers, linear adaptors and switching power supply, etc. All such products are, in fact, indispensable components in many categories of electronic products. Therefore, CEC-Electric's products are widely applied in telecommunication and information technology equipment, office automation equipment, home electrical appliances, toys, audio and visual products, etc. Its major markets include Hong Kong, Mainland China, Southeast Asia, Europe, North America, Australia and New Zealand, etc. With the introduction of new business development initiatives, CEC-Electric's customer base is rising steadily. It has also commenced business negotiations with large-scale potential customers. The efforts of CEC-Electric to gather market and product intelligence are also expected to bring substantial contribution to its own and the Group's future development.



## Chairman's Statement



### Electronic Components Trading Segment

CEC-Smart Good Enterprises Limited ("CEC-Smart Good") and CEC-Unitech Electronics Limited ("CEC-Unitech") are respectively engaged in the distribution of various types of Samsung passive components, and the distribution of semiconductors, kit set of consumer electronic products and other electronic components. Both have contributed revenue for the Group's trading business. However, as a result of the precipitous downturn in worldwide economy, the electronics industry in general experienced a substantial drop in turnover. Many enterprises have to cut production in the wake of inventories accumulation. On the other hand, delays and cancellations of new product launch were not uncommon among market players. This has in turn led to deterioration in operating results of many companies.

Both CEC-Smart Good and CEC-Unitech have been adopting a prudent operating philosophy, with emphasis on understanding their customers' positions and needs, and in turn forging closer relationships with them. Coping with the generally weak business environment in the past year, CEC-Smart Good and CEC-Unitech implemented a more cautious credit management policy. To minimise their credit risks, both of them have reshuffled their customer mix towards those who have good credit history.

CEC-Smart Good's and CEC-Unitech's external turnover for the financial year 2001/2002 was HK\$21,311,000 and HK\$12,843,000, respectively. Together, the segment accounted for 9.4% (2001: 4.4%) of the Group's turnover. On the whole, the electronic components trading segment suffered a fall in gross profit margin from last year's 15.8% to 12.6% in the current year. The segment also incurred an enlarged loss from operations of HK\$980,000, up 98.8% as compared

to a loss from operations of HK\$493,000 in the previous year.

With the electronic components trading business facing increasingly keen competition, resulting in continuous reduction in gross profit margin, deterioration in loss from operations and constant difficulty in achieving cost efficiency targets, the Group has decided to reallocate its resources in its future development. It will concentrate more on developing its core business, expanding its coils manufacturing segment and gradually shrinking its electronic components trading segment.

### Proactive Approach to Strategic Alliances

Since the Company's listing, the Group has been committed to looking for opportunities to establish and reinforce strategic alliances. Currently, the Group has two close strategic partners, both of which are well-known and well-established listed companies in Japan.



Nittoku Engineering Co., Ltd. ("Nittoku") supplies state-of-the-art technology and advanced equipment for the Group's coils manufacturing segment. On the other hand, Toko Inc. ("Toko"), a leading international coils manufacturer, acts as a secure distribution network for the Group. Adding value to the Group's overall operating cycle, the strategic alliances effectively strengthened the Group's technological, financial, as well as sales and marketing arms, which laid a firm foundation for the Group's future development.

The Group sees great value in the relationship it has built up with the strategic partners. Their confidence in the Group's business and also the electronics industry has been translated into unremittingly strong support for the Group. On 11th September 2001, the Company entered into an agreement with Nittoku for the subscription of 20,588,235 new shares in the Company at a subscription price of HK\$0.68 per new share. Nittoku's beneficial interest in the Company's issued share capital was therefore raised from 4.8% to 7.7%. The subscription was completed on 9th October 2001, bringing in net proceeds of HK\$13,808,000, which has been applied as general working capital of the Group. Apart from the benefit of additional finance provided by Nittoku, the Group strongly believes that Nittoku's subscription of new shares not only strengthened the partnership, but also evidenced Nittoku's confidence and support in the Group's business and future prospects.

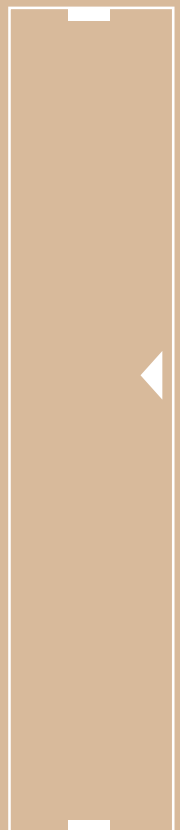
#### Enhancement in Capital Structure

On 31st July 2001, 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\$0.01 per share (before adjusting for the 2001 Bonus Share Issue) for the year ended 30th April 2001 (the "2001 Final Dividend"). Pursuant to the shareholders' election, a total of 5,548,047 new shares were issued at HK\$0.676 per new share in lieu of cash in respect of the 2001 Final Dividend of approximately HK\$3,751,000, representing 70.9% of the total 2001 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.

During the year ended 30th April 2002, 1,050,000 new shares were allotted and issued as a result of the exercise of 4,200,000 units of subscription rights of warrants totalling HK\$619,500. The proceeds from the exercise of warrants have been applied as general working capital of the Group. Since the issue of warrants on 3rd July 2000 and up to 30th April 2002, an aggregate of 99,200,000 units of warrants have been exercised, representing 24.8% of the 400,000,000 units of warrants originally issued.

#### Changes in Financial Resources and Gearing

The Group is committed to strengthening its financial position, for it believes that a healthy financial position is constructive to its future growth. The continuing financial support the Group has been enjoying from its principal banks speaks volume of the Group's prospects. On 31st January 2002, the Company successfully entered into a 3-year transferable term loan and revolving credit facility agreement for an aggregate amount of HK\$100,000,000 with a group of banks. The facility consists of a term loan for an aggregate amount of HK\$60,000,000 to repay then existing bank loans and other indebtedness of the Group, and a revolving credit facility for an aggregate amount of HK\$40,000,000 used as general working capital of the Group. The facility was subsequently fully drawn down in February 2002. This agreement benefited the Group with an improved debt profile and enriched operating capital, which will contribute to a healthier financial position for its future development.



## Chairman's Statement



The Group's proactive approach to expansion of plant and production facilities in the previous year has pushed up the net gearing ratio (total borrowings less total cash and bank deposits and investment over net tangible assets less proposed final dividends). Nevertheless, the Group already agreed with its major bank in the second quarter of the year to relax the net gearing ratio limit from 0.60:1 to 0.85:1. As at 30th April 2002, the Group's total borrowings, which were mainly denominated in Hong Kong dollars and partly in United States dollars and Japanese yen, amounted to HK\$300,089,000 (2001: HK\$255,558,000), of which HK\$151,709,000 (2001: HK\$60,397,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. Interest expense was levied on Hong Kong dollar prime or Hong Kong Interbank Offered Rate ("HIBOR") basis with competitive margins. Owing to the decreasing trend in interest rates over the financial year, the Group encountered a 57.4% fall in interest income, which amounted to HK\$1,031,000 in current year. On the other hand, due to the increase in total borrowings, the Group's interest expense rose by 14.3% to HK\$22,295,000 in the year under review. Total cash and bank deposits and investment, denominated mainly in Hong Kong dollars, United States dollars, Renminbi and New Taiwan dollars, were HK\$52,804,000 (2001: HK\$55,714,000). The net gearing ratio was 0.85:1 (2001: 0.76:1), complying with the financial covenants as agreed between the Group and the major bank. Besides, the net gearing ratio calculated in accordance with the 3-year transferable term loan and revolving credit facility agreement entered into between the Company and a group of banks on 31st January 2002 was 0.99:1, which also complied with the relevant financial covenants.

As at 30th April 2002, the current ratio was 0.85:1 (2001: 0.63:1). Contingent liabilities were HK\$36,823,000 (2001: HK\$31,817,000), represented mainly by factoring of trade receivables with recourse of HK\$36,618,000 (2001: HK\$30,415,000) and discounted bills with recourse of HK\$205,000 (2001: HK\$1,402,000). The Group's authorised and contracted capital commitments for acquisition of machinery and equipment were HK\$270,000 (2001: HK\$28,038,000).

As at 30th April 2002, the Group's aggregate banking facilities expanded to HK\$391,747,000 (2001: HK\$302,624,000), of which HK\$68,786,000 (2001: HK\$65,727,000) remained unutilised. The banking facilities were secured by mortgages over certain of the Group's land and buildings, pledges of bank deposits, investment, inventories and machinery, as well as corporate guarantees provided by the Company and certain of its subsidiaries. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the banks. The financial covenants include, among other things, the maintenance of the following specific financial ratios: (1) the net gearing ratio, defined by the relevant bank as total borrowings plus contingent liabilities less total cash and bank deposits and investment over net tangible assets less proposed final dividends, shall not exceed 0.85:1; and (2) the amount of capital expenditures, as defined by the relevant banks, for the year ended 30th April 2002 shall not exceed HK\$70,000,000. The Group did not fulfill these two financial covenants as at 30th April 2002, but obtained waivers from the relevant banks in respect of such non-compliance subsequent to 30th April 2002.

### Exchange Rate Exposure

For the year under review, the Group has incurred a net exchange loss of HK\$1,134,000 (2001: net exchange gain of HK\$1,934,000), mainly arising from the fluctuation in the Japanese yen, in which part of the Group's purchases and capital expenditures were

## Chairman's Statement

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.

### Employees and Remuneration Policy

As at 30th April 2002, the Group employed an aggregate of 5,537 (2001: 5,576) full-time employees, located in the various production facilities and offices in Hong Kong, Mainland China, Taiwan, Japan, Singapore and India. Remuneration packages included salary, wages and defined contribution provident funds, etc. Aggregate employment costs (including directors' emoluments) for the year amounted to HK\$91,264,000 (2001: HK\$87,210,000).



### FUTURE PLANS AND PROSPECTS

Looking to the future, the Group believes that the market is on its way to a rebound. The severe economic downturn has already eliminated some smaller-scale electronics manufacturers. With its strong business foundations, the Group is optimistic that its business will bounce back and head towards a better future. Grasping every arising opportunity, the Group will keep actively expanding and seeking to penetrate both existing markets and markets with promising potential.

#### Actively Exploring the Market in Mainland China

Currently, the market in Mainland China contributes only a humble 6.0% (2001: 6.7%) of the Group's turnover. However, it is widely believed that, with China's accession to the World Trade Organisation ("WTO") in December of last year, numerous business opportunities will open up in the country for different industries. To live up to the requirements of its WTO membership, Mainland China will have to relax the restrictions previously imposed on foreign investors. One can expect to see positive development in the country's legal framework and infrastructure, making the investment environment more favourable for foreign investors and in turn making the country's economy ready for a rapid take-off. Mainland China's economic development rides on hard inputs in areas such as infrastructure and technology, complemented by strong market demands. The Group believes that this climate will create huge rooms for its further development.

With that in mind, the Group has started implementing strategic plans to tap the business opportunities arising in Mainland China. In November 2001, the Group established a new



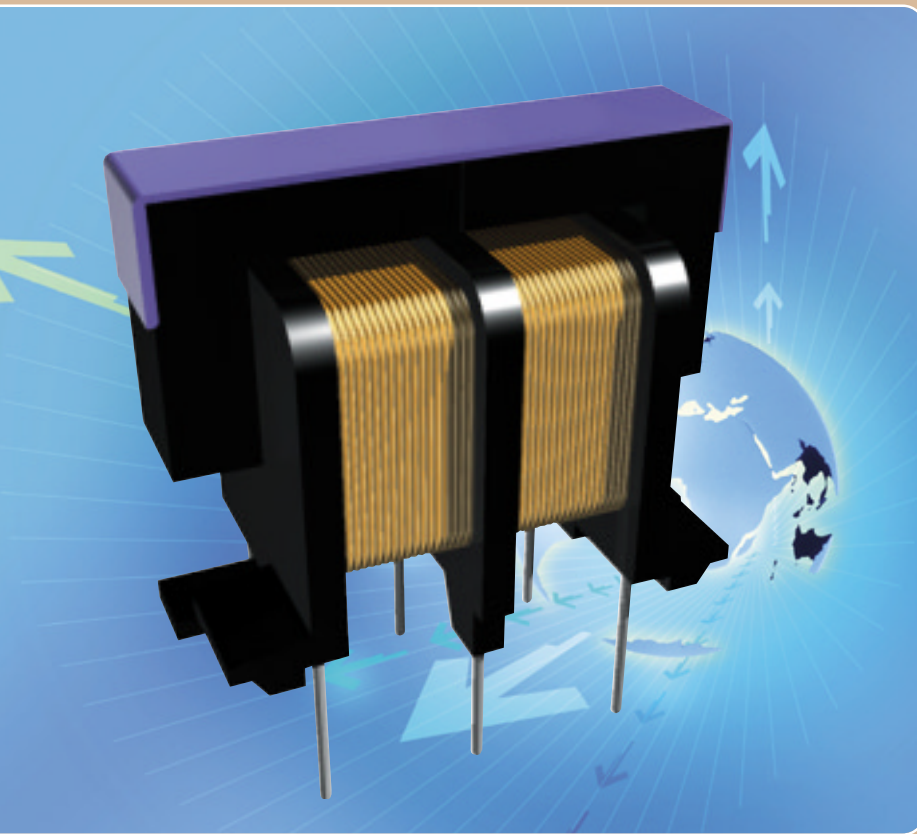
## Chairman's Statement



representative office in Chongqing, marking the laying of the cornerstone for its sales liaison service. The Group also frequently participated in electronics trade exhibitions held in Mainland China during the year. To further develop our sales services in Mainland China, we will consider setting up new production facilities and/or representative offices in major cities along the country's coastline such as Shanghai, Zhuhai and Qingdao, etc. The initiatives will allow the Group to benefit from the economical but quality human resources pool in Mainland China and also shorten significantly the lead-time for delivery on top of being there for local customers. Being right there in the market, the Group will also be able to more effectively gather information about potential customers, learn more about their needs, and hence, allowing the Group to better cater for their requirements and in turn boost the Group's sales and marketing.

### Expanding the Market Share in Europe

Despite the weak global economy throughout the past year, the Group still achieved a 6.5% growth in turnover to the European market, which accounted for 4.6% (2001: 4.6%) of the Group's turnover. Looking ahead, the demand for electronic components in Europe is expected to rise following a rapid economic recovery and the appreciation of European euro. European manufacturers are particularly demanding in terms of quality and functionality in electronic components. The Group's products, such as toroidal transformers, line filters and anti-electromagnetic interference filters are well equipped with electromagnetic compatibility ("EMC"), which can effectively reduce interference in the transmission of signals in AV products and telecommunication products. With such enhancement as miniaturisation in design, the Group's quality products are highly competitive



in the European market, where the needs of different electronics manufacturers in respect of designs and functions will be well catered for. This will effectively help the Group to further escalate its share and presence in the European market.

### Broadening the Source of Revenue

To effect improvement in internal management efficiency and lower administration cost, the Group positioned CEC-Technology Limited ("CEC-Technology") as the Group's information technology and communication management center in 2000. The center's main responsibility is to manage the Group's website "www.0759.com", e-mail system, and to develop the internet version of the enterprise resource planning system. Recently, many enterprises in Mainland China have started to automate their internal management systems. The Group



## Chairman's Statement

believes that CEC-Technology's software development can also be beneficial to those rapidly developing enterprises in Mainland China, by helping them to streamline their financial and general operations management efficiency.

Recognising the development of CEC-Technology, on 14th May 2002, the Company entered into a conditional agreement with an independent third party for the acquisition of the entire issued share capital of, and the benefit of a loan advanced to, Good Signal Holdings Limited ("Good Signal") by the Company or through its nominated wholly-owned subsidiary for an aggregate consideration of HK\$8,320,000. The consideration for the acquisition, which was completed on 4th June 2002, was satisfied by the issue of 32,000,000 new shares in the Company. Upon completion of the acquisition, the Group indirectly holds 12.5% of the registered capital of Shanghai Signking Science & Technology Co., Ltd. ("Shanghai Signking"). Shanghai Signking is principally engaged in software development, sale of software products and system integration. The customers of Shanghai Signking mainly include local government entities and local private enterprises. The Group believes that the acquisition will be conducive to CEC-Technology's further development in the computer software business by taking advantage of the synergy between CEC-Technology and Shanghai Signking, and the possible commercialisation of the software products developed by CEC-Technology.

### Conclusion

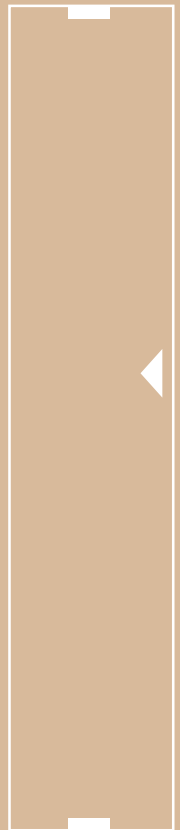
On the whole, with the market showing signs of an economic rebound as it stepped into the second half of 2002, the Group believes that the market prices of electronic components will resume to a comparatively tolerable level. With its expanded production facilities and rich experience, the Group will be able to grasp market opportunities, broaden its market share and keep up its advancement.

### APPRECIATION

Finally, the Group relishes the contribution made by all staff to the smooth implementation of the Group's business strategies. On behalf of the Board of Directors, I would like to take this opportunity to express my deepest gratitude to all employees for their precious contributions, which enabled the Group to overcome market difficulties and grasp potential opportunities. I would also like to express appreciations to our customers, suppliers and business partners for their continued supports for the Group during the year under review.

By Order of the Board  
**Lam Wai Chun**  
 Chairman

Hong Kong, 15th August 2002





## Directors and Senior Management Profile

### Executive Directors

**Mr. LAM Wai Chun**, aged 43, was appointed as an executive director of the Company with effect from 29th September 1999, and 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 31 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 66, was appointed as an executive director of the Company with effect from 29th September 1999, and 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 has been admitted to the degree of Bachelor of Engineering in Electric Communication in the Tokyo Denki University, Japan, in 1958 and has over 38 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 32, 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 has been admitted to the degree of Bachelor of Social Sciences with Honours in The University of Hong Kong in 1992 and the degree of International Master of Business Administration in the University of South Australia, Australia, in 1998. She joined the Group in 1993.

**Mr. LAM Wing Kin, Sunny**, aged 37, was appointed as an executive director of the Company with effect from 27th September 2001. He is responsible for the general management, coordination and supervision of the Group's subsidiaries. Mr. Lam has been admitted to the degree of Baccalaureate in Social Sciences in Economics and in Public Policy and Public Management in the University of Ottawa, Canada, in 1989. He joined the Group in 2000.

### Non-Executive Director

**Mr. TANG Tin Sek**, aged 43, was appointed as an executive director of the Company with effect from 29th September 1999, and has become a non-executive director of the Company since 1st January 2000. Mr. Tang is a Certified Public Accountant in Hong Kong and has over 21 years of experience in corporate finance, business advisory, auditing and financial management. He graduated from The University of Hong Kong in 1980 with the degree of Bachelor of Science and has been admitted to the degree of Master of Business Administration in The University of Sydney, Australia, in 1990. Mr. Tang is also a Chartered Certified Accountant in the United Kingdom, a Chartered Accountant in Australia, a Certified Public Accountant in China, and 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 56, was appointed as an independent non-executive director of the Company with effect from 29th September 1999. Mr. Au 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 of the 1998 Legislative Council. He is also an independent non-executive director of several public companies listed on The Stock Exchange of Hong Kong Limited. In addition, Mr. Au 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 57, 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 the Small and Medium Enterprises Committee of the HKSAR Government (1996-2000). He is now a member of the Trade and Industry Advisory Board, the Business Advisory Group and the Employment Task Force of the HKSAR Government. He is also a member of the Executive Committee of the Hong Kong Coalition of Service Industries, and a member of the 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

**Ms. MAI Shao Ling**, aged 38, is a director of Zhongshan Tonichi Ferrite Products Co., Ltd., Zhongshan Coils Electronic Co., Ltd. and Zhongshan Coils Metalwork Co., Ltd. She is responsible for the general administration of the Group's production facilities in Zhongshan, Guangdong Province. Ms. Mai has over 19 years of experience in administration. She joined the Group in 1983.

**Mr. LAW Hoo Shan**, aged 42, is the general manager of Zhongshan Tonichi Ferrite Products Co., Ltd., Shanghai Representative Office. He is responsible for the overall management of the Group's operation in Shanghai as well as the sales and marketing of transformers. Mr. Law has over 17 years of experience in the sales and marketing of coils in Hong Kong and Mainland China. He joined the Group in 1985. Mr. Law is also the brother-in-law of Mr. Lam Wai Chun, a director of the Company.

**Mr. CHIN Chi Nam**, aged 45, 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 has over 14 years of experience in the sales and marketing of coils. He joined the Group in 1988.

**Mr. CHAN Yuk Lun**, aged 34, is the accounting manager of the Group. He is responsible for the Group's accounting and financial management functions. Mr. Chan has been admitted to the degree of Bachelor of Arts with Honours in Business Administration in the Bolton Institute of Higher Education, the United Kingdom, in 2000. He joined the Group in 1992.

**Mr. JIANG Ping Yuan**, aged 33, is the manager of the production department. He is responsible for the production management of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Jiang graduated from the Ganzhou Institute of Geology, Mainland China, in 1990. He joined the Group in 1993.

**Mr. CAO Hui Zhong**, aged 32, is the manager of the production department. He is responsible for the production management of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Cao graduated from the department of mechanical engineering in the Ningxia Institute of Industry, Mainland China, in 1992. He joined the Group in 1994.

## Directors and Senior Management Profile

**Ms. LI Hong**, aged 33, is a director and 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 has been admitted to the degree of Bachelor of Arts in English in the Changchun Teachers College, Mainland China, in 1991. She joined the Group in 1994.

**Mr. LIU Jian Hui**, aged 32, is the manager of the research and development department. He is responsible for the research and development functions of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Liu has been admitted to the degree of Bachelor of Engineering in Magnetic Physics in the University of Electronic Science and Technology, Mainland China, in 1991. He joined the Group in 1994.

**Ms. WANG Chun Hong**, aged 31, is a director and 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 has been admitted to the degree of Bachelor of Arts in English Education in the Ningxia University, Mainland China, in 1992. She joined the Group in 1994.

**Mr. WANG Min**, aged 38, is the senior manager of the research and development department. He is responsible for the design and development of moulds. Mr. Wang graduated from the Xinjiang Institute of Industry, Mainland China, in 1983 and is a mechanical engineer. He joined the Group in 1994.

**Mr. ZHANG Suo**, aged 31, is the senior manager of the quality assurance department. He is responsible for the overall quality assurance functions of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Zhang has been admitted to the degree of Bachelor of Engineering in Forestry Mechanics in the Beijing Forestry University, Mainland China, in 1992. He joined the Group in 1994.

**Mr. HO Kwok Keung**, aged 44, is a director of Coils Electronic Co., Limited and the senior manager of the research and development department. He is responsible for the research and development functions of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Ho has over 26 years of experience in the electronics and electrical industry. He joined the Group in 1996.

**Mr. ZHOU Xiang Hong**, aged 31, is the manager of the production department. He is responsible for the production management of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Zhou graduated from the department of electrical engineering in the Zhengzhou Institute of Textile, Mainland China, in 1994. He joined the Group in 1997.

**Mr. CHEUNG Ming Yat**, aged 26, is the assistant general manager of CEC-Coils Hong Kong Co., Limited. He is responsible for the Group's sales and marketing functions in Hong Kong. Mr. Cheung has been admitted to the degree of Bachelor of Finance with Honours in The University of Hong Kong in 1998. He joined the Group in November 1998.

**Mr. CHEUNG Man Ho**, aged 29, is the senior finance manager of the Group. He is responsible for the Group's financial reporting and corporate finance functions. Prior to joining the Group in January 1999, he had over 3 years of experience in auditing in an international firm of certified public accountants. Mr. Cheung has been admitted to the degree of Bachelor of Arts with Honours in Accountancy in the City University of Hong Kong in 1995. He is also an associate member of both the Hong Kong Society of Accountants and The Association of Chartered Certified Accountants.

**Mr. THATTI Suresh**, aged 42, is the sales and marketing manager in India. He is responsible for the Group's marketing development activities in India. Mr. Thatti has been admitted to the degree of Bachelor of Science and the degree of Bachelor of Engineering in the Bangalore University, India, in 1979 and 1983 respectively. He joined the Group in January 1999.

## Directors and Senior Management Profile

**Ms. LI Lai Sheung**, aged 38, 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. TAN Yan Chang**, aged 55, is a director of Zhongshan Coils Metalwork Co., Ltd. He is responsible for the overall management of the Group's production facilities in Zhangjiabian, Zhongshan, Guangdong Province. Mr. Tan joined the Group in December 1999.

**Mr. LEE Shih Min**, aged 41, is a director and 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 20 years of experience in the electronics manufacturing industry. He joined the Group in March 2000.

**Mr. MA Yu Chung**, aged 28, is a director of CEC-Technology Limited and 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 has been admitted to the degree of Bachelor of Science with Honours in The Chinese University of Hong Kong in 1998. He joined the Group in August 2000. Mr. Ma is also the brother-in-law of Mr. Chan Yuk Lun.

**Mr. LELLA Prasad**, aged 36, is the manager of the research and development department. He is responsible for the research and development functions 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.

**Mr. CHAN King Man**, aged 44, 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 21 years of experience in the sales and marketing of electronic components. He joined the Group in November 2000.

**Mr. WONG Chi Ho, Benlie**, aged 33, is the senior manager of CEC-Unitech Electronics Limited. He is responsible for the sales and marketing of semiconductors and other electronic components. Mr. Wong has over 11 years of experience in the sales and marketing of electronic components. He joined the Group in March 2001.

**Mr. HE Guo Gao**, aged 36, is the assistant general manager of Zhongshan Coils Electronic Co., Ltd. He is responsible for the production management of the Group's production facilities in Zhongshan, Guangdong Province. Mr. He has been admitted to the degree of Bachelor of Engineering in Automation in the Gansu University of Technology, Mainland China, in 1988. He joined the Group in March 2001.

**Mr. ZHAO Xiang Qun**, aged 40, is the head of the calibration laboratory. He is responsible for the management of the calibration laboratory of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Zhao has been admitted to the degree of Master of Science in Gravitational Physics in the Sun Yat-Sen University, Mainland China, in 1989. He joined the Group in March 2001.

**Ms. WANG Mei Xiu**, aged 34, is the manager of the production department. She is responsible for the production management of the Group's production facilities in Zhongshan, Guangdong Province. Ms. Wang graduated from the Central South Institute of Industry, Mainland China, in 1999. She joined the Group in March 2001.

## Directors and Senior Management Profile

**Mr. RAMAKRISHNA Subbaraya**, aged 41, is the manager of the production department. He is responsible for the production management of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Ramakrishna has been admitted to the degree of Bachelor of Engineering in Electrical Engineering in the Bangalore University, India, in 1983. He joined the Group in March 2001.

**Ms. MAHALAKSHMI V. S.**, aged 32, is the deputy manager of the research and development department. She is responsible for the research and development functions of the Group's production facilities in Zhongshan, Guangdong Province. Ms. Mahalakshmi holds a Diploma in Telecommunication Engineering in India. She joined the Group in May 2001.

**Mr. UCHIDA Mitsuo**, aged 59, is the general manager of the research and development department. He is responsible for the overall management and coordination of the Group's research and development functions. Mr. Uchida has been admitted to the degree of Bachelor of Engineering in Communication Engineering in the Shinsyuu University, Japan, in 1967 and has over 32 years of experience in the coils manufacturing industry. He joined the Group in June 2002.

**Mr. ENDO Yukio**, aged 60, is the assistant general manager of the research and development department. He is responsible for the research and development functions of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Endo graduated from the Daiichi Engineering High School (affiliated to the Hosei University), Japan, in 1961 and has over 40 years of experience in the coils manufacturing industry. He joined the Group in June 2002.

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 2002.

### Principal activities, business and geographical analysis of operations

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, power supply devices and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products.

An analysis of the Group’s performance for the year ended 30th April 2002 by business and geographical segment is set out in Note 3 to the financial statements.

### Major customers and suppliers

During the year ended 30th April 2002, the five largest suppliers of the Group accounted for approximately 34% of the Group’s total purchases with the largest supplier accounted for approximately 14% of the Group’s total purchases while the five largest customers of the Group accounted for less than 30% of the Group’s total turnover.

Toko, Inc., a company which was beneficially interested in approximately 5.5% of the Company’s share capital as at 30th April 2002, is one of the five largest suppliers of the Group and accounted for approximately 7% of the Group’s total purchases for the year ended 30th April 2002. Save as disclosed above, 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 2002 are set out in the consolidated income statement on page 33 of this annual report.

No dividend was declared in respect of the year ended 30th April 2002.

### Share capital and warrants

Movements in share capital and details of the warrants of the Company are set out in Notes 24 and 26, respectively, to the financial statements.

### Share options

On 26th October 1999 (the “Adoption Date”), the sole shareholder of the Company adopted a share option scheme (the “Scheme”), which was designed to provide incentives to the participants although no such purpose was mentioned in the terms of the Scheme.

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) amended the requirements for Chapter 17 under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in relation to share option schemes, which came into effect on 1st September 2001.

## Report of the Directors

The major terms of the Scheme are summarised as follows:

1. The participants of the Scheme include any employees or executives (including any executive directors) of the Company or any of its subsidiaries (but excluding the independent non-executive directors of the Company).
2. The maximum number of shares of the Company in respect of which options might be granted under the Scheme and/or under any other share option schemes of the Company must not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose any shares which have been duly allotted and issued upon exercise of options granted pursuant to the Scheme (the "Maximum Number"). As at 15th August 2002, the date of this annual report, a total of 20,994,105 shares, representing approximately 3% of the issued share capital of the Company, are available for issue under the Scheme.
3. The maximum number of shares of the Company in respect of which options might be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the Scheme, must not exceed 25% of the Maximum Number under the Scheme from time to time.
4. Any option may be exercised in whole or in part within a period which is determined and notified by the board of directors of the Company or a duly authorised committee thereof (the "Board") as stated in the offer letter of the grant, which shall be in any event no later than 10 years from the Adoption Date, subject to the provisions for early termination in accordance with the terms of the Scheme.
5. There is no general requirement in respect of the minimum period for which an option must be held before it can be exercised in the terms of the Scheme, but the Board may determine at its discretion such vesting period when making an offer of option.
6. The acceptance of an option, if accepted, must be made not more than 40 days after the date of the offer of the option with a non-refundable payment of HK\$1.00 from the grantee to the Company. The full amount of the subscription price for shares must be paid upon exercise of an option.
7. The subscription price per share in respect of an option is determined by the Board and will not be less than the higher of:
  - (i) a price not less than 80% of the average closing price of the shares of the Company for the 5 trading days immediately preceding the date of offer of the option; and
  - (ii) the nominal value of the share.
8. The Scheme is valid and effective for a period of 10 years commencing on the Adoption Date.

## Report of the Directors

As a transitional arrangement applicable to the Scheme, the Company must comply with the new requirements of the Listing Rules. The new requirements make some provisions of the Scheme no longer applicable. Accordingly, the directors of the Company will propose an ordinary resolution relating to the termination of the Scheme and the adoption of a new share option scheme with rules in compliance with the revised Listing Rules at the forthcoming annual general meeting of the Company to seek approval from the Company's shareholders.

Movements in share options during the year are as follows:

Name	Date of grant	Exercisable period	Subscription price per share	Number of shares under options				End of year
				Beginning of year	Adjustment for bonus issue ***	Exercised during the year	Lapsed during the year	
(i) Directors								
Mr. Lam Wai Chun	21st September 2000	22nd September 2002 to 21st January 2005 *	HK\$1.02 *	2,948,966	578,228	-	-	3,527,194
Ms. Tang Fung Kwan	21st September 2000	22nd September 2002 to 21st January 2005 *	HK\$1.02 *	2,948,966	578,228	-	-	3,527,194
Mr. Saito Misao	21st September 2000	22nd September 2002 to 21st January 2005 *	HK\$1.02 *	2,948,966	578,228	-	-	3,527,194
Ms. Hu Yan Huan (resigned on 18th March 2002)	21st September 2000	22nd September 2002 to 21st January 2005 *	HK\$1.02 *	2,948,966	578,228	-	-	3,527,194
(ii) Employees	1st November 2000	1st November 2002 to 28th February 2005 **	HK\$0.75**	35,400,000	6,680,000	-	(7,340,000)	34,740,000
				47,195,864	8,992,912	-	(7,340,000)	48,848,776

\* The options are exercisable subject to: (a) up to one quarter of the options are exercisable from 22nd September 2002 to 21st September 2003, both dates inclusive, with vesting period commencing from 21st September 2000 to 21st September 2002; (b) up to three-eighths of the options are exercisable from 22nd September 2003 to 21st June 2004, both dates inclusive, with vesting period commencing from 21st September 2000 to 21st September 2003; (c) up to three-eighths of the options are exercisable from 22nd June 2004 to 21st January 2005, both dates inclusive, with vesting period commencing from 21st September 2000 to 21st June 2004. Any options not exercised during each of the exercisable periods will lapse immediately after the relevant exercisable period. The subscription price was adjusted from HK\$1.22 per share to HK\$1.02 per share with effect from 15th September 2001 for the bonus issue.



## Report of the Directors

- \*\* The options are exercisable subject to: (a) up to one quarter of the options are exercisable from 1st November 2002 to 31st October 2003, both dates inclusive, with vesting period commencing from 1st November 2000 to 31st October 2002; (b) up to three-eighths of the options are exercisable from 1st November 2003 to 31st July 2004, both dates inclusive, with vesting period commencing from 1st November 2000 to 31st October 2003; (c) up to three-eighths of the options are exercisable from 1st August 2004 to 28th February 2005, both dates inclusive, with vesting period commencing from 1st November 2000 to 31st July 2004. Any options not exercised during each of the exercisable periods will lapse immediately after the relevant exercisable period. The subscription price was adjusted from HK\$0.90 per share to HK\$0.75 per share with effect from 15th September 2001 for the bonus issue.
- \*\*\* The adjustment for number of shares under options was made to reflect the bonus issue of shares on the basis of one bonus share for every five shares held by shareholders on 14th September 2001.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Reserves

Movements in reserves of the Group and of the Company during the year are set out in Note 27 to the financial statements.

### Distributable reserves

As at 30th April 2002, the Company's reserves of approximately HK\$131,338,000 (2001: HK\$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained profits of approximately HK\$3,621,000 (2001: HK\$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 2002.

### Pre-emptive rights

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

### Property, plant and equipment

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

### Subsidiaries

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

### Borrowings

Particulars of borrowings as at 30th April 2002 are set out in Notes 19, 20 and 21 to the financial statements.

### Commitments and contingent liabilities

Details of commitments and contingent liabilities as at 30th April 2002 are set out in Note 29 to the financial statements.

### Charitable donations

During the year, the Group made charitable donations of approximately HK\$156,000 (2001: HK\$78,000).

### Subsequent events

Details of a significant subsequent event are set out in Note 33 to the financial statements.

### Pension schemes

Particulars of the Group's pension schemes are set out in Note 30 to the financial statements.

### 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	<i>(Chairman and Managing Director)</i>
Mr. Saito Misao	<i>(Deputy Chairman)</i>
Ms. Tang Fung Kwan	
Mr. Lam Wing Kin, Sunny	<i>(Appointed on 27th September 2001)</i>
Mr. Iwata Kenji	<i>(Retired on 14th September 2001)</i>
Ms. Hu Yan Huan	<i>(Resigned on 18th March 2002)</i>

#### *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, Mr. Tang Tin Sek will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Tang Tin Sek will, being eligible, offer himself for re-election.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Lam Wing Kin, Sunny, will hold office until the forthcoming annual general meeting of the Company. Mr. Lam Wing Kin, Sunny, will, being eligible, offer himself for re-election.

Mr. Lam Wai Chun entered into a service agreement with the Company on 27th September 1999 for an initial period of three years commencing on 1st October 1999 and thereafter until terminated by either party giving to the other not less than six months' notice in writing terminating on or after the expiry of the initial term of three years. Each of Mr. Saito Misao and Ms. Tang Fung Kwan entered into a service agreement with the Company on 27th September 1999 for an initial period of two years, each commencing on 1st October 1999, and thereafter until terminated by either party

# Report of the Directors

giving to the other not less than six months' notice in writing terminating on or after the expiry of the initial term of two years. Mr. Lam Wing Kin, Sunny, entered into a service agreement with the Company on 27th September 2001 for an initial period of two years commencing on 27th September 2001 and thereafter until terminated by either party giving to the other not less than six month's notice in writing terminating on or after the expiry of the initial term of two years.

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

## Directors' interests in securities

As at 30th April 2002, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

### (a) The Company

	Number of shares of HK\$0.10 each		Number of warrants
	Family interests	Personal interests	Personal interests
Mr. Lam Wai Chun ( <i>Note 1</i> )	404,008,996	2,400,000	–
Mr. Saito Misao	–	750,493	–
Ms. Tang Fung Kwan	–	3,502,611	–
Mr. Lam Wing Kin, Sunny	–	50,000	480,000
Mr. Au Son Yiu	–	500,000	1,000,000

*Note:*

- As at 30th April 2002, Ka Yan China Development (Holding) Company Limited held 404,008,996 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.

### (b) Associated corporation

Coils Electronic Co., Limited

	Number of non-voting deferred shares of HK\$1.00 each ( <i>Note 4</i> )		
	Personal interests	Family interests	Total
Mr. Lam Wai Chun ( <i>Notes 2 and 3</i> )	7,500,000	6,500,000	14,000,000

*Notes:*

2. Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK\$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 HK\$1.00 each in the share capital of Coils Electronic Co., Limited.
3. In respect of the 6,000,000 non-voting deferred shares of HK\$1.00 each held by Ka Yan China Development (Holding) Company Limited and the remaining 500,000 non-voting deferred shares of HK\$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 HK\$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.
4. 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 HK\$100,000,000,000, and are not entitled to any distributions upon winding up unless a sum of HK\$100,000,000,000,000 has been distributed to the holders of ordinary shares.

Save as disclosed above, as at 30th April 2002, none of the directors of the Company or any of their associates (as defined in the Listing Rules) had any interests in the securities of the Company or its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

**Directors' rights to acquire shares or debentures**

Under the Scheme, the directors of the Company may grant options to any 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 25 to the financial statements.

## Report of the Directors

As at 30th April 2002, the directors of the Company had the following personal interests in share options to subscribe for shares in the Company granted under the 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	HK\$1.02	3,527,194
Mr. Saito Misao	21st September 2000	22nd September 2002 to 21st January 2005	HK\$1.02	3,527,194
Ms. Tang Fung Kwan	21st September 2000	22nd September 2002 to 21st January 2005	HK\$1.02	3,527,194

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 (including debentures) of, the Company or any other body corporate.

### Directors' interests in contracts of significance

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

### Substantial shareholders

As at 30th April 2002, 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 ( <i>Notes 1 and 2</i> )	404,008,996	61.118%
Ka Yan China Investments Limited ( <i>Note 2</i> )	404,008,996	61.118%
HSBC Holdings plc ( <i>Note 3</i> )	404,008,996	61.118%
HSBC Bank plc ( <i>Note 3</i> )	404,008,996	61.118%
Midcorp Limited ( <i>Note 3</i> )	404,008,996	61.118%
Griffin International Limited ( <i>Note 3</i> )	404,008,996	61.118%
HSBC Europe BV ( <i>Note 3</i> )	404,008,996	61.118%
HSBC Europe (Netherlands) BV ( <i>Note 3</i> )	404,008,996	61.118%
HSBC International Trustee Limited ( <i>Note 3</i> )	404,008,996	61.118%

*Notes:*

1. The 404,008,996 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 404,008,996 shares duplicated with each other.
3. The interests of HSBC Holdings plc, HSBC Bank plc, Midcorp Limited, Griffin International Limited, HSBC Europe BV, HSBC Europe (Netherlands) BV and HSBC International Trustee Limited in respect of 404,008,996 shares in the Company duplicated with each other. The 404,008,996 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 2002.

# Report of the Directors

## Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 16 to 20 of this annual report.

## Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Practice Note 19 of the Listing Rules

In accordance with the disclosure requirements of Practice Note 19 to the Listing Rules, the Company makes the following disclosures in relation to the details of the Agreement (as defined below), which includes conditions relating to specific performance of the controlling shareholder of the Company.

On 31st January 2002, the Company entered into a 3-year transferable term loan and revolving credit facility agreement (the "Agreement") for an aggregate amount of HK\$100,000,000 (the "Facility") with a group of banks. The Facility consists of a term loan for an aggregate amount of HK\$60,000,000 and a revolving credit facility for an aggregate amount of HK\$40,000,000.

Under the provisions of the Agreement, it would be an event of default, inter alia, if any of the following events occurs:

1. Mr. Lam Wai Chun ("Mr. Lam"), the Chairman and Managing Director of the Company, and Ka Yan China Development (Holding) Company Limited ("Ka Yan"), the controlling shareholder of the Company, cease to be the beneficial owners, together, of more issued share capital of the Company than any other person (including persons acting in concert); or
2. Mr. Lam and Ka Yan cease to be the beneficial owners, together, of at least 35% of the issued share capital of the Company; or
3. Mr. Lam ceases to be the Chairman of the Company or ceases to be involved actively in the management and business of the Group; or
4. Mr. Lam or Ka Yan sells, transfers, assigns, encumbers or disposes of all or part of their respective beneficial ownership of shares in the Company; or
5. Ka Yan ceases to be wholly and beneficially owned by Ka Yan China Family Trust (the "Trust"), the family trust of Mr. Lam; or
6. Mr. Lam's immediate family members cease to be the only beneficiaries under the Trust.

If any such event of default occurs, upon a notice served to the Company, (i) the Facility shall immediately be cancelled; (ii) all amounts accrued and outstanding or owing under the Facility shall immediately become due and payable; and/or (iii) the Facility shall immediately become payable on demand.

Details of the Group's non-compliance with certain restrictive financial covenants of the Agreement are set out in Note 31 to the financial statements.

# Report of the Directors

## 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 2002, except that the independent non-executive directors have not been appointed for a specific term, and the non-executive director, whose service agreement expired on 30th September 2001, no longer has a specific term of appointment, 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

Arthur Andersen & Co audited the financial statements of the Company for each of the years ended 30th April 1999, 2000 and 2001. Arthur Andersen & Co resigned as the auditors of the Company in June 2002 and the Company appointed PricewaterhouseCoopers to fill the casual vacancy at a special general meeting held on 12th July 2002. The financial statements for the year ended 30th April 2002 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board,  
**LAM WAI CHUN**  
*Chairman*

Hong Kong, 15th August 2002



# Report of the Auditors



羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor Prince's Building  
Central Hong Kong

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

We have audited the accounts on pages 33 to 71 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 accounts which give a true and fair view. In preparing accounts 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 accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 30th April 2002, and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 15th August 2002

## Consolidated Income Statement

	<i>Note</i>	2002 HK\$'000	2001 HK\$'000
Turnover	3	363,896	347,004
Cost of sales		(274,778)	(237,448)
Gross profit		89,118	109,556
Distribution and selling expenses		(10,833)	(10,073)
General and administrative expenses		(48,448)	(47,736)
Profit from operations		29,837	51,747
Interest income	3	1,031	2,422
Interest expense		(22,295)	(19,499)
Share of profits less losses of jointly controlled entities		(138)	(2)
Profit before taxation	4	8,435	34,668
Taxation	6	(2,361)	(3,805)
Profit after taxation but before minority interests		6,074	30,863
Minority interests		(101)	–
Profit attributable to shareholders	7	5,973	30,863
Dividends	8	–	5,280
Earnings per share	10		
– Basic		0.92 cent	5.01 cents
– Diluted		0.92 cent	4.72 cents

## Balance Sheets

	Note	Consolidated		Company	
		2002 HK\$'000	2001 HK\$'000 (Restated – Note 2(a))	2002 HK\$'000	2001 HK\$'000 (Restated – Note 2(a))
<b>Non-current assets</b>					
Property, plant and equipment	11	489,012	432,417	–	–
Intangible asset	12	1,778	2,844	–	–
Investment in subsidiaries	13	–	–	342,878	225,956
Investment in jointly controlled entities	14	872	234	–	–
<b>Total non-current assets</b>		<b>491,662</b>	<b>435,495</b>	<b>342,878</b>	<b>225,956</b>
<b>Current assets</b>					
Inventories	15	70,321	58,762	–	–
Trade receivables	16	42,000	30,780	–	–
Prepayments, deposits and other current assets		10,227	8,071	–	–
Dividend receivable from a subsidiary Investment	17	–	–	–	10,000
Pledged bank deposits	18	35,847	47,387	–	–
Cash and other bank deposits		9,587	8,327	22	16
<b>Total current assets</b>		<b>175,352</b>	<b>153,327</b>	<b>22</b>	<b>10,016</b>
<b>Current liabilities</b>					
Short-term bank borrowings	19	(89,030)	(88,803)	–	–
Long-term bank loans, current portion	20	(44,798)	(73,266)	(20,000)	–
Finance lease obligations, current portion	21	(14,552)	(33,092)	–	–
Trade payables	22	(41,596)	(23,427)	–	–
Bills payable		(2,390)	(11,971)	–	–
Accruals and other payables		(13,874)	(13,033)	(63)	(31)
Taxation payable		(122)	(59)	–	–
<b>Total current liabilities</b>		<b>(206,362)</b>	<b>(243,651)</b>	<b>(20,063)</b>	<b>(31)</b>
<b>Net current (liabilities)/assets</b>		<b>(31,010)</b>	<b>(90,324)</b>	<b>(20,041)</b>	<b>9,985</b>
<b>Total assets less current liabilities</b>		<b>460,652</b>	<b>345,171</b>	<b>322,837</b>	<b>235,941</b>

	Note	Consolidated		Company	
		2002 HK\$'000	2001 HK\$'000 (Restated – Note 2(a))	2002 HK\$'000	2001 HK\$'000 (Restated – Note 2(a))
<b>Non-current liabilities</b>					
Long-term bank loans, non-current portion	20	(134,649)	(11,252)	(75,000)	–
Finance lease obligations, non-current portion	21	(17,060)	(49,145)	–	–
Deferred taxation	23	(14,937)	(13,262)	–	–
<b>Total non-current liabilities</b>		<b>(166,646)</b>	<b>(73,659)</b>	<b>(75,000)</b>	<b>–</b>
Minority interests		–	(5)	–	–
<b>Net assets</b>		<b>294,006</b>	<b>271,507</b>	<b>247,837</b>	<b>235,941</b>
<b>Capital and reserves</b>					
Share capital	24	66,103	52,803	66,103	52,803
Reserves	27	227,903	213,424	181,734	177,858
Proposed final dividends	27	–	5,280	–	5,280
<b>Shareholders' equity</b>		<b>294,006</b>	<b>271,507</b>	<b>247,837</b>	<b>235,941</b>

Approved by the Board of Directors on 15th August 2002.

LAM WAI CHUN  
Chairman

TANG FUNG KWAN  
Director

## Consolidated Cash Flow Statement

	Note	2002 HK\$'000	2001 HK\$'000
Net cash inflow from operating activities	28(a)	66,859	54,312
Returns on investments and servicing of finance			
Interest received		1,031	2,422
Interest paid		(22,295)	(19,499)
Dividends paid to shareholders		(1,540)	(2,395)
Dividends paid to minority shareholder of a subsidiary		(101)	–
		(22,905)	(19,472)
Taxation			
Hong Kong profits tax paid		(137)	(450)
Hong Kong profits tax refunded		5	–
Mainland China enterprise income tax paid		(485)	(231)
		(617)	(681)
Investing activities			
Additions to property, plant and equipment		(91,729)	(166,503)
Acquisition of additional interest in a subsidiary		(5)	–
Increase in investment in jointly controlled entities		–	(105)
Increase in amount due from jointly controlled entities		(772)	(136)
(Decrease)/increase in amount due to a jointly controlled entity		(5)	5
Increase in investment		(7,800)	–
Decrease/(increase) in pledged bank deposits		11,540	(4,186)
		(88,771)	(170,925)
Net cash outflow before financing activities		(45,434)	(136,766)
Financing activities	28(b)		
Proceeds from issue of shares		14,619	14,012
Share issue expense		(239)	(178)
Proceeds from issue of warrants		–	25,000
Warrant issue expense		–	(2,109)
Proceeds from issue of new shares in a subsidiary to minority interests		–	5
New long-term bank loans		134,117	88,325
Repayment of long-term bank loans		(39,188)	(12,254)
Repayment of capital element of finance lease obligations		(62,864)	(27,620)
		46,445	85,181
Translation adjustments		22	113
Increase/(decrease) in cash and cash equivalents		1,033	(51,472)
Cash and cash equivalents, beginning of year		(80,476)	(29,004)
Cash and cash equivalents, end of year	28(d)	(79,443)	(80,476)

## Consolidated Statement of Recognised Gains and Losses

	<i>Note</i>	2002 HK\$'000	2001 HK\$'000
Surplus on revaluation of properties, net	27	3,590	–
Translation adjustments	27	96	(197)
Net gains/(losses) not recognised in the consolidated income statement		3,686	(197)
Profit attributable to shareholders		5,973	30,863
Total recognised gains and losses		9,659	30,666

# Notes to the Financial Statements

## 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 Main Board of 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, power supply devices and other electronic components, which 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 accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. Principal accounting policies are summarised below:

### (a) Adoption of new/revised Statements of Standard Accounting Practice

Effective from the year ended 30th April 2002, the Company and its subsidiaries (together the “Group”) have adopted, for the first time, the following SSAPs issued by the Hong Kong Society of Accountants:

SSAP 9 (revised)	: Events after the balance sheet date
SSAP 14 (revised)	: Leases
SSAP 26	: Segment reporting
SSAP 28	: Provisions, contingent liabilities and contingent assets
SSAP 29	: Intangible assets
SSAP 30	: Business combinations
SSAP 31	: Impairment of assets
SSAP 32	: Consolidated financial statements and accounting for investments in subsidiaries

The adoption of the above new/revised SSAPs had no material effect on the Group’s financial statements, other than those described below:

#### (i) SSAP 9 (revised) – Events after the balance sheet date

In accordance with SSAP 9 (revised), dividends proposed or declared after the balance sheet date in respect of the financial year ended on the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of shareholders’ equity on the face of the balance sheet. This change in accounting policy has been applied retrospectively as a prior year adjustment, resulting in an increase of HK\$5,280,000 in shareholders’ equity as at 1st May 2001, which represents the proposed final dividend for the year ended 30th April 2001.

## 2 Principal accounting policies (Continued)

### (a) Adoption of new/revised Statements of Standard Accounting Practice (Continued)

#### (ii) SSAP 26 – Segment reporting

Segment information of the Group has been disclosed in Note 3 to the financial statements.

#### (iii) SSAP 30 – Business combinations

In accordance with SSAP 30, goodwill arising on acquisition of subsidiaries, associates and jointly controlled entities after 1st May 2001 is recognised as an asset in the balance sheet and is amortised to the income statement on a straight-line basis over its estimated useful life. Upon disposal of subsidiaries, associates or jointly controlled entities, goodwill not previously amortised to the income statement is included in the calculation of gain and loss on disposal.

In addition, the Group has adopted the consequential changes made to SSAP 10 – Accounting for investments in associates, SSAP 17 – Property, plant and equipment, SSAP 18 – Revenue and SSAP 21 – Accounting for interests in joint ventures. These consequential changes do not have a material effect on the Group's financial statements.

### (b) Basis of measurement

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

### (c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries 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.

All subsidiaries incorporated in Mainland China adopt 31st December as their financial year end. For the purpose of preparing the Group's consolidated financial statements, management accounts of these subsidiaries as at and for the twelve months ended 30th April 2001 and 2002 were used, after making adjustments which are considered necessary by the directors of the Company for compliance with SSAPs and accounting principles generally accepted in Hong Kong.

### (d) Goodwill

Goodwill arises where the fair value of the consideration given exceeds the Group's share of the aggregate fair values of the identifiable net assets acquired. Goodwill is recognised as an asset in the balance sheet and is amortised on a straight-line basis over its estimated useful life from three to five years. The carrying value of goodwill is assessed periodically or when factors indicating an impairment are present. Any impairment of goodwill is recognised as an expense in the period in which the impairment occurs.



## Notes to the Financial Statements

### 2 Principal accounting policies (Continued)

#### (e) Subsidiaries

A subsidiary is a company in which the Company can exercise controls directly or indirectly, which is normally evidenced when the Company has the power to govern the financial and operating policies of that company so as to benefit from its activities. 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.

#### (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 rates 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

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

## 2 Principal accounting policies (Continued)

### (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 which are deferred 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) there is an intention 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.

All research and development costs for the years ended 30th April 2001 and 2002 have been expensed as no expenditure met the criteria for deferral.

### (k) Employee retirement benefits

Costs of employee retirement benefits are recognised as an expense in the period in which the employees' services are rendered.

### (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 and accumulated impairment loss. Land and buildings are stated at valuation less accumulated depreciation. Major expenditures on modifications and betterments of property, plant and equipment which will increase their 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	16.7% to 25%
Motor vehicles	16.7% to 30%

Independent valuations for land and buildings are performed periodically. 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.

# Notes to the Financial Statements

## 2 Principal accounting policies (Continued)

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

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 profits.

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, borrowing 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.

### (p) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

### (q) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 2 Principal accounting policies (Continued)

### (r) Investment

Investment which is held for trading purpose is carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of investment are recognised in the income statement. Profits or losses on disposal of investment, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

### (s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of property, plant and equipment, intangible asset, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to property, plant and equipment (Note 11) and intangible asset (Note 12).

In respect of geographical segment reporting, turnover is based on the country in which customers are located. Total assets and capital expenditure are based on where the assets are located.

### (t) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset, is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the income statement.

### (u) Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

# Notes to the Financial Statements

## 2 Principal accounting policies (Continued)

### (v) 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.

### (w) Subsequent events

Post-year-end events that provide financial information about financial position as at the balance sheet date or those that indicate the going concern assumption is not appropriate (“adjusting events”) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

### (x) 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 financial statements 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. Upon disposal of a foreign entity, the cumulative translation adjustment is included in the consolidated income statement as part of the gain or loss on disposal.

### (y) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Notes to the Financial Statements

## 3 Turnover, revenue and segment information

Turnover and revenue (consolidated) consisted:

	2002 HK\$'000	2001 HK\$'000
Turnover – Sale of merchandise	363,896	347,004
Interest income from bank deposits	1,031	2,422
<b>Total revenue</b>	<b>364,927</b>	<b>349,426</b>

## (a) Business segment

The Group is principally engaged in the design, development, manufacture and sale of a wide range of coils, capacitors, power supply devices and other electronic components. An analysis by business segment is as follows:

	Coils		Capacitors		Power supply devices		Other electronic components		Other operations		Eliminations		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover														
External sales	293,122	309,886	33,240	21,899	3,380	-	34,154	15,219	-	-	-	-	363,896	347,004
Intersegment sales	3,159	431	2,075	436	1,141	-	344	1,119	-	-	(6,719)	(1,986)	-	-
	<b>296,281</b>	<b>310,317</b>	<b>35,315</b>	<b>22,335</b>	<b>4,521</b>	<b>-</b>	<b>34,498</b>	<b>16,338</b>	<b>-</b>	<b>-</b>	<b>(6,719)</b>	<b>(1,986)</b>	<b>363,896</b>	<b>347,004</b>
Operating results														
Profit/(loss) from operations	30,983	51,908	(368)	332	202	-	(980)	(493)	-	-	-	-	29,837	51,747
Interest income	1,031	2,422	-	-	-	-	-	-	-	-	-	-	1,031	2,422
Interest expense	(21,516)	(19,362)	(289)	(105)	-	-	(490)	(32)	-	-	-	-	(22,295)	(19,499)
Share of profits less losses of jointly controlled entities	-	-	-	-	-	-	-	-	(138)	(2)	-	-	(138)	(2)
Profit before taxation													8,435	34,668
Taxation													(2,361)	(3,805)
Profit after taxation but before minority interests													<b>6,074</b>	<b>30,863</b>
Other information														
Total assets	634,907	554,989	17,917	21,448	2,476	-	11,714	12,385	-	-	-	-	667,014	588,822
Total liabilities	362,890	296,065	7,174	9,198	1,303	-	1,641	12,047	-	-	-	-	373,008	317,310
Capital expenditures	101,807	216,247	1,094	5,331	1,018	-	4	4,919	-	-	-	-	103,923	226,497
Depreciation and amortisation	50,088	33,739	794	362	75	-	1,067	611	-	-	-	-	52,024	34,712

## Notes to the Financial Statements

## 3 Turnover, revenue and segment information (Continued)

## (b) Geographical segment

The Group's activities are conducted predominately in Hong Kong, Mainland China, Taiwan, Europe and Singapore. An analysis by geographical segment is as follows:

	Turnover		Profit/(loss) from operations		Total assets		Capital expenditures	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	253,463	271,532	23,785	52,504	179,358	162,266	3,216	9,888
Mainland China	21,919	23,210	2,938	3,863	461,974	401,337	100,674	207,246
Taiwan	45,456	16,409	829	(125)	3,822	1,475	-	28
Europe	16,879	15,849	2,162	3,633	-	-	-	-
Singapore	21,691	15,320	818	(1,426)	20,787	22,643	33	9,280
Others	4,488	4,684	(695)	(6,702)	1,073	1,101	-	55
<b>Total</b>	<b>363,896</b>	<b>347,004</b>	<b>29,837</b>	<b>51,747</b>	<b>667,014</b>	<b>588,822</b>	<b>103,923</b>	<b>226,497</b>

## 4 Profit before taxation

Profit before taxation in the consolidated income statement is stated after crediting and charging the following:

	2002 HK\$'000	2001 HK\$'000
Crediting		
Net exchange gain	-	1,934
Charging		
Cost of inventories (excluding provision for slow-moving and obsolete inventories)	274,276	237,448
Employment costs (including directors' emoluments)	91,264	87,210
Advertising and promotion costs	1,768	2,125
Research and development expenses	6,162	8,670
Operating lease rental of premises	3,345	2,697
Depreciation of property, plant and equipment		
- owned assets	43,616	22,381
- assets held under finance leases	7,342	11,975
Amortisation of intangible asset	1,066	356
Loss on disposal of property, plant and equipment	10	-
Deficit on revaluation of properties	69	-
Unrealised loss on investment	430	-
Interest expense on		
- bank overdrafts and loans wholly repayable within five years	13,656	8,831
- factoring of trade receivables	2,372	3,755
- finance leases	6,267	6,913
Provision for bad and doubtful debts	1,259	3,019
Provision for slow-moving and obsolete inventories	502	-
Net exchange loss	1,134	-
Auditors' remuneration	770	778

## Notes to the Financial Statements

## 5 Directors' and senior executives' emoluments

## (a) Details of directors' emoluments are:

	2002 HK\$'000	2001 HK\$'000
Fees for executive directors	–	–
Fee for non-executive director	300	–
Fees for independent non-executive directors	600	600
Other emoluments for executive directors		
– Basic salaries and allowances	4,136	4,216
– Contributions to pension schemes	227	253
Other emoluments for non-executive director		
– Basic salary and allowances	–	495
	5,263	5,564

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 directors for the year.

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

	2002	2001
Executive directors		
– Nil to HK\$1,000,000	4	3
– HK\$1,000,001 to HK\$1,500,000	1	1
– HK\$1,500,001 to HK\$2,000,000	1	1
	6	5
Non-executive director and independent non-executive directors		
– Nil to HK\$1,000,000	3	3



## Notes to the Financial Statements

## 5 Directors' and senior executives' emoluments (Continued)

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

	2002 HK\$'000	2001 HK\$'000
Basic salaries and allowances	4,201	4,544
Contributions to pension schemes	248	244
	<u>4,449</u>	<u>4,788</u>

	2002	2001
Number of directors	4	5
Number of employees	1	–
	<u>5</u>	<u>5</u>

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:

	2002	2001
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	1
	<u>5</u>	<u>5</u>

## Notes to the Financial Statements

**6 Taxation**

Taxation (consolidated) consisted:

	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries		
Current taxation –		
Hong Kong profits tax		
– current year	200	–
– over-provision in prior years	–	(51)
Mainland China enterprise income tax		
– current year	485	231
Deferred taxation (Note 23) – Hong Kong profits tax	1,675	3,625
	<b>2,360</b>	<b>3,805</b>
Jointly controlled entities		
Current taxation – Hong Kong profits tax	1	–
	<b>2,361</b>	<b>3,805</b>

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16% (2001: 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%.

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

**7 Profit attributable to shareholders**

The consolidated profit attributable to shareholders includes a loss of approximately HK\$944,000 (2001: profit of approximately HK\$9,085,000) dealt with in the financial statements of the Company.

**8 Dividends**

No dividend was declared in respect of the year ended 30th April 2002 (2001: final dividend of HK\$5,280,000).

## Notes to the Financial Statements

**9 Retained profits**

Retained profits consisted:

	2002 HK\$'000	2001 HK\$'000
Company	3,621	4,576
Subsidiaries	142,786	135,730
Jointly controlled entities	(141)	(2)
	<b>146,266</b>	<b>140,304</b>

**10 Earnings per share**

The calculation of basic earnings per share for the year ended 30th April 2002 is based on the profit attributable to shareholders of approximately HK\$5,973,000 (2001: HK\$30,863,000) and on the weighted average number of 649,040,127 (2001: 615,628,735) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 30th April 2002 is based on the profit attributable to shareholders of approximately HK\$5,973,000 (2001: HK\$30,863,000) and on the weighted average number of 649,040,127 (2001: 653,516,681) shares, adjusted to reflect the effect of all dilutive potential shares in issue during the year.

The comparative weighted average number of shares in issue, basic earnings per share and diluted earnings per share for the year ended 30th April 2001 have been adjusted to reflect the bonus issue of shares on the basis of one bonus share for every five shares held by shareholders on 14th September 2001 (see Note 24(b)).

A reconciliation of the weighted average number of shares used in the calculation of basic earnings per share for the year ended 30th April 2002 to that used in the calculation of diluted earnings per share is as follows:

	2002	2001
Weighted average number of shares used in the calculation of basic earnings per share	649,040,127	615,628,735
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 26)	–	37,887,946
Weighted average number of shares used in the calculation of diluted earnings per share	<b>649,040,127</b>	<b>653,516,681</b>

The outstanding share options and warrants during the year ended 30th April 2002 were anti-dilutive. The outstanding share options during the year ended 30th April 2001 were anti-dilutive.

## Notes to the Financial Statements

## 11 Property, plant and equipment

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

	2002					2001	
	Land and buildings HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Buildings under construction HK\$'000	Total HK\$'000	Total HK\$'000
<b>Cost or valuation</b>							
Beginning of year	55,676	423,463	42,549	4,823	18,615	545,126	322,841
Additions	5,065	92,075	5,900	883	-	103,923	223,297
Disposals	-	-	(18)	-	-	(18)	-
Transfer	13,630	4,759	226	-	(18,615)	-	-
Revaluation	(249)	-	-	-	-	(249)	-
Translation adjustments	8	96	(10)	(10)	-	84	(1,012)
End of year	74,130	520,393	48,647	5,696	-	648,866	545,126
<b>Representing -</b>							
At cost	-	520,393	48,647	5,696	-	574,736	498,325
At professional valuation	74,130	-	-	-	-	74,130	46,801
	74,130	520,393	48,647	5,696	-	648,866	545,126
<b>Accumulated depreciation</b>							
Beginning of year	2,212	83,118	24,740	2,639	-	112,709	78,777
Provision for the year	1,571	41,492	7,263	632	-	50,958	34,356
Disposals	-	-	(8)	-	-	(8)	-
Write-back upon revaluation	(3,770)	-	-	-	-	(3,770)	-
Translation adjustments	(13)	(8)	(9)	(5)	-	(35)	(424)
End of year	-	124,602	31,986	3,266	-	159,854	112,709
<b>Net book value</b>							
End of year	74,130	395,791	16,661	2,430	-	489,012	432,417
Beginning of year	53,464	340,345	17,809	2,184	18,615	432,417	244,064

## Notes to the Financial Statements

## 11 Property, plant and equipment (Continued)

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

	2002 HK\$'000	2001 HK\$'000
Hong Kong – medium-term leases	8,140	8,204
Mainland China – medium-term leases	65,595	44,865
Mainland China – long-term leases	395	395
	74,130	53,464

Approximately HK\$65,595,000 (2001: HK\$44,865,000) of land and buildings located in Mainland China are held under land use rights for 50 years up to 2048, while approximately HK\$395,000 (2001: HK\$395,000) of land and buildings located in Mainland China are held under land use rights for 70 years up to 2068.

Approximately HK\$8,140,000 (2001: HK\$6,668,000) of land and buildings located in Hong Kong were stated at open market value as at 30th April 2002 (date of last valuation) as determined by Castores Magi Surveyors Limited, independent qualified valuers. Approximately HK\$65,990,000 (2001: HK\$38,456,000) of land and buildings located in Mainland China were stated on a replacement cost basis as at 30th April 2002 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 2002 would have been approximately HK\$55,159,000 (2001: HK\$37,587,000).

Land and buildings with a net book value of approximately HK\$6,190,000 (2001: HK\$6,319,000) were mortgaged as collateral for the Group's banking facilities (see Note 31(a)).

## (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:

	2002 HK\$'000	2001 HK\$'000
Cost	71,813	149,291
Less: Accumulated depreciation	(13,239)	(16,770)
Net book value	58,574	132,521

Machinery with net book value of approximately HK\$14,649,000 (2001: HK\$35,778,000) was pledged as collateral for the Group's banking facilities (see Note 31(d)).

## Notes to the Financial Statements

## 12 Intangible asset

Movements in intangible asset (consolidated) were:

	2002 HK\$'000	2001 HK\$'000
<b>Cost</b>		
Beginning of year	3,200	–
Additions	–	3,200
End of year	3,200	3,200
<b>Accumulated amortisation</b>		
Beginning of year	356	–
Amortisation for the year	1,066	356
End of year	1,422	356
<b>Net book value</b>		
End of year	1,778	2,844
Beginning of year	2,844	–

## 13 Investment in subsidiaries

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

	2002 HK\$'000	2001 HK\$'000
Unlisted shares/investments, at cost	137,348	137,348
Due from subsidiaries	205,530	88,608
	342,878	225,956

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 and the Group's management, not less than the carrying value as at 30th April 2002.

As at 30th April 2002, the Company had given guarantees to banks of approximately HK\$227,756,000 (2001: HK\$296,622,000) to secure banking and finance lease facilities of certain subsidiaries (see Note 29(c)).

## Notes to the Financial Statements

## 13 Investment in subsidiaries (Continued)

Details of the Company's subsidiaries as at 30th April 2002 are:

Name	Place of incorporation/ operation	Issued and fully paid share capital/ registered 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 HK\$2	100%	Dormant
		Non-voting deferred HK\$1,000,000 (b)	100%	
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 HK\$1,000,000	100%	Manufacture and sale of electrolytic capacitors
CEC-Electric Co., Limited	Hong Kong	Ordinary HK\$2	100%	Manufacture and sale of power supply devices
CEC-Smart Good Enterprises Limited	Hong Kong	Ordinary HK\$10,000	100%	Trading of electronic components
CEC-Technology Limited	Hong Kong	Ordinary HK\$10,000	100%	Provision of information technology management services
Coils Electronic Co., Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding; manufacture and sale of coils and other electronic components
		Non-voting deferred HK\$14,000,000 (b)	–	

## Notes to the Financial Statements

## 13 Investment in subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group (a)	Principal activities
Coils Investment (BVI) Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
CEC-Unitech Electronics Limited (c)	Hong Kong	Ordinary HK\$10,000	100%	Trading of electronic components
Jin Yuan Moulds Limited	Hong Kong	Ordinary HK\$100	100%	Dormant
Xiamen Coils Electronic Co., Ltd. (d)	Mainland China	Registered capital HK\$2,900,000	100%	Manufacture and sale of coils and other electronic components
Zhongshan Tonichi Ferrite Products Co., Ltd. (d)	Mainland China	Registered capital HK\$81,600,000	100%	Manufacture and sale of coils and other electronic components
Zhongshan Coils Metalwork Co., Ltd. (d)	Mainland China	Registered capital US\$66,185 (e)	100%	Manufacture of coils
Zhongshan Coils Electronic Co., Ltd. (d)	Mainland China	Registered capital US\$76,371 (e)	100%	Dormant



## Notes to the Financial Statements

### 13 Investment in subsidiaries (Continued)

*Notes:*

- (a) The shares of Coils International Holdings Limited are held directly by the Company. 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, a wholly-owned subsidiary of the Company, whereas the non-voting deferred shares of Coils Electronic Co., Limited are owned by Mr. Lam Wai Chun, a director of the Company, Ms. Law Ching Yee, the spouse of Mr. Lam Wai Chun, and Ka Yan China Development (Holding) Company Limited, the intermediate holding company of the Company. Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of CEC-Coils Hong Kong Co., Limited and Coils Electronic Co., Limited exceeds HK\$100,000,000,000,000 respectively, and are not entitled to any distributions upon winding up unless a sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares.
- (c) During the year ended 30th April 2002, the Group acquired an additional 49% interest in CEC-Unitech Electronics Limited from the minority shareholder for a consideration of HK\$4,900, representing the Group's share of the net asset value of CEC-Unitech Electronics Limited being acquired.
- (d) 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.
- (e) 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 2002, the Group had outstanding commitments of approximately US\$2,934,000 and US\$7,924,000, respectively, for capital contributions to the two subsidiaries.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30th April 2002.

## Notes to the Financial Statements

## 14 Investment in jointly controlled entities

Investment in jointly controlled entities (consolidated) consisted:

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	105	105
Share of undistributed post-acquisition results	(141)	(2)
Due from jointly controlled entities	908	136
Due to a jointly controlled entity	-	(5)
	872	234

The outstanding balances with jointly controlled entities are unsecured, non-interest bearing and not repayable until the jointly controlled entities are financially capable to do so.

The underlying value of the investment in jointly controlled entities is, in the opinion of the Company's directors and the Group's management, not less than the carrying value as at 30th April 2002.

Details of the jointly controlled entities as at 30th April 2002 are:

Name	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group (a)	Principal activities
Yat Chun Motor Car Services Limited (Formerly known as CEC-East Tower Co., Limited)	Hong Kong	Ordinary HK\$10,000	50%	Repairs and maintenance of motor vehicles
CEC-Chung Cheuk Electronics Limited	Hong Kong	Ordinary HK\$200,000	50%	Dormant

Note:

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

## Notes to the Financial Statements

**15 Inventories**

Inventories (consolidated) consisted:

	2002 HK\$'000	2001 HK\$'000
Raw materials	41,623	39,593
Work-in-progress	16,572	9,513
Finished goods	14,550	11,578
	<b>72,745</b>	<b>60,684</b>
Less: Provision for slow-moving and obsolete inventories	(2,424)	(1,922)
	<b>70,321</b>	<b>58,762</b>

The Group's inventories with a carrying amount of approximately HK\$54,985,000 (2001: HK\$56,562,000) were held under trust receipts bank loan arrangements (see Note 31(d)). Approximately HK\$4,256,000 (2001: Nil) of the Group's inventories were stated at net realisable value as at 30th April 2002.

**16 Trade receivables**

Aging analysis of trade receivables (consolidated) is:

	2002 HK\$'000	2001 HK\$'000
Current	27,527	20,707
Overdue by 0–1 month	9,937	6,559
Overdue by 1–2 months	3,284	4,250
Overdue by 2–3 months	842	1,010
Overdue by more than 3 months	2,218	2,869
	<b>43,808</b>	<b>35,395</b>
Less: Provision for bad and doubtful debts	(1,808)	(4,615)
	<b>42,000</b>	<b>30,780</b>

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 to three months to its trade customers who have good payment records and well-established relationships with the Group.

## Notes to the Financial Statements

**17 Investment**

Details of investment (consolidated) are:

	2002 HK\$'000	2001 HK\$'000
Quoted guaranteed return fund	7,370	–

As at 30th April 2002, the Group's investment was pledged as collateral for the Group's banking facilities (see Note 31(b)).

**18 Pledged bank deposits**

As at 30th April 2002, the Group's bank deposits of approximately HK\$35,847,000 (2001: HK\$47,387,000) were pledged as collateral for the Group's banking facilities (see Note 31(c)).

**19 Short-term bank borrowings**

Short-term bank borrowings (consolidated) consisted:

	2002 HK\$'000	2001 HK\$'000
Bank overdrafts	20,370	12,075
Short-term bank loans	13,675	5,575
Trust receipts bank loans	54,985	71,153
	<b>89,030</b>	<b>88,803</b>

Refer to Note 31 for details of the Group's banking facilities.

**20 Long-term bank loans**

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

	Consolidated		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts repayable within a period of				
– not exceeding one year	44,798	73,266	20,000	–
– more than one year but not exceeding two years	43,820	6,174	20,000	–
– more than two years but not exceeding five years	90,829	5,078	55,000	–
	<b>179,447</b>	<b>84,518</b>	<b>95,000</b>	<b>–</b>
Less: Amounts repayable within one year included under current liabilities	(44,798)	(73,266)	(20,000)	–
	<b>134,649</b>	<b>11,252</b>	<b>75,000</b>	<b>–</b>

Refer to Note 31 for details of the Group's banking facilities.

## Notes to the Financial Statements

**21 Finance lease obligations**

Finance lease obligations (consolidated) consisted:

	2002 HK\$'000	2001 HK\$'000
Amounts repayable within a period of		
– not exceeding one year	16,414	38,139
– more than one year but not exceeding two years	10,493	29,923
– more than two years but not exceeding five years	7,877	22,962
	<u>34,784</u>	<u>91,024</u>
Less: Future finance charges on finance leases	(3,172)	(8,787)
Present value of finance lease obligations	<u>31,612</u>	<u>82,237</u>

The present value of finance lease obligations is as follows:

	2002 HK\$'000	2001 HK\$'000
Amounts repayable within a period of		
– not exceeding one year	14,552	33,092
– more than one year but not exceeding two years	9,671	27,510
– more than two years but not exceeding five years	7,389	21,635
	<u>31,612</u>	<u>82,237</u>
Less: Amounts repayable within one year included under current liabilities	(14,552)	(33,092)
	<u>17,060</u>	<u>49,145</u>

**22 Trade payables**

Aging analysis of trade payables (consolidated) is:

	2002 HK\$'000	2001 HK\$'000
Current	25,386	12,212
Overdue by 0–1 month	7,525	4,432
Overdue by 1–2 months	3,112	1,665
Overdue by 2–3 months	2,344	257
Overdue by more than 3 months	3,229	4,861
	<u>41,596</u>	<u>23,427</u>

## Notes to the Financial Statements

**23 Deferred taxation**

Movements in deferred taxation (consolidated) were:

	2002 HK\$'000	2001 HK\$'000
Beginning of year	13,262	9,637
Provision for net timing differences (Note 6)	1,675	3,625
End of year	<u>14,937</u>	<u>13,262</u>

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

	2002 HK\$'000	2001 HK\$'000
Accelerated depreciation allowance of property, plant and equipment	26,276	20,397
Cumulative tax losses carried forward of certain subsidiaries	(10,989)	(6,922)
General provisions	(350)	(213)
	<u>14,937</u>	<u>13,262</u>

As at 30th April 2002, the Group had unprovided deferred tax liability of approximately HK\$3,300,000, representing the tax effect on the surpluses arising on the revaluation of the Group's land and buildings in Mainland China, which would be recorded as a reduction of surplus on revaluation of properties. The deferred tax liability has not been provided for as the Company's directors and the Group's management 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 2002.

## Notes to the Financial Statements

## 24 Share capital

Movements in share capital were:

	2002		2001	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised shares of HK\$0.10 each	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid shares of HK\$0.10 each				
Beginning of year	528,027,108	52,803	200,000,000	20,000
Issue of shares upon exercise of warrants (Note 26)	1,050,000	105	23,750,000	2,375
Bonus issue (b)	105,815,421	10,581	300,000,000	30,000
Issue of shares pursuant to scrip dividend scheme (a)	5,548,047	555	4,277,108	428
Issue of new shares (c)	20,588,235	2,059	–	–
End of year	661,028,811	66,103	528,027,108	52,803

Notes:

- (a) On 15th October 2001, the Company issued 5,548,047 new shares at HK\$0.676 each to certain shareholders as scrip dividend in lieu of cash in respect of a final dividend of HK\$0.01 per share for the year ended 30th April 2001.
- (b) On 31st July 2001, the directors of the Company recommended a bonus issue on the basis of one bonus share for every five then existing shares held (the "2001 Bonus Share Issue"). The bonus shares were allotted, issued and credited as fully paid at par and ranked pari passu with the then existing shares in all respects when issued on 18th September 2001.
- (c) On 9th October 2001, the Company issued 20,588,235 new shares at HK\$0.68 each to Nittoku Engineering Co., Ltd., an independent third party, to broaden the capital base of the Company and strengthen the financial position of the Company. The subscription price represented a discount of 11.69% to the closing price of the Company's shares of HK\$0.77 each as quoted on The Stock Exchange of Hong Kong Limited on 11th September 2001, the date of the subscription agreement. The net proceeds of approximately HK\$13,808,000 were used as general working capital of the Group.

## Notes to the Financial Statements

**25 Share options**

On 26th October 1999, the sole shareholder of the Company approved a share option scheme under which the directors may grant options to any 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 issued share capital of the Company from time to time, excluding for this purpose shares duly allotted and issued upon exercise of options granted pursuant to the share option scheme. The subscription price per share 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 were as follows:

Date of grant	Subscription price per share (a)	Number of shares under options				End of year
		Beginning of year	Adjustment for bonus issue (Note 24(b))	Exercised during the year	Lapsed during the year	
21st September 2000	HK\$1.02 (b)	11,795,864	2,312,912	-	-	14,108,776
1st November 2000	HK\$0.75 (c)	35,400,000	6,680,000	-	(7,340,000)	34,740,000
		47,195,864	8,992,912	-	(7,340,000)	48,848,776

Notes:

- (a) The subscription price per share has been adjusted for the effect of the 2001 Bonus Share Issue (see Note 24(b)).
- (b) Such share options are exercisable from 22nd September 2002 to 21st January 2005, both dates inclusive.
- (c) Such share options are exercisable from 1st November 2002 to 28th February 2005, both dates inclusive.

**26 Warrants**

As at 30th April 2002, the Company had outstanding warrants of 300,800,000 units, exercisable at any time from 3rd July 2000 to 30th September 2003, both dates inclusive. These warrants entitled the warrant holders to subscribe for 90,546,938 shares in the Company at HK\$0.49 per share (subject to adjustment). During the year ended 30th April 2002, the Company issued 1,050,000 new shares (2001: 23,750,000) (see Note 24) as a result of the exercise of 4,200,000 units of warrants (2001: 95,000,000). The net proceeds arising from such issue amounted to HK\$619,500 (2001: HK\$14,012,500) and were used as general working capital of the Group.



## Notes to the Financial Statements

## 27 Reserves and proposed final dividends

Movements were:

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained profits HK\$'000	Total HK\$'000	Proposed final dividends HK\$'000
<b>Consolidated</b>									
As at 1st May 2000									
– as previously reported	24,607	13,934	5,810	–	17,476	(37)	114,721	176,511	–
– effect of adopting SSAP 9 (revised) (Note 2(a))	–	–	–	–	–	–	–	–	10,000
As restated	24,607	13,934	5,810	–	17,476	(37)	114,721	176,511	10,000
Proceeds from issue of warrants	–	–	–	25,000	–	–	–	25,000	–
Warrant issue expense	–	–	–	(2,109)	–	–	–	(2,109)	–
Bonus issue	(24,190)	–	(5,810)	–	–	–	–	(30,000)	–
Premium arising from issue of shares pursuant to the scrip dividend scheme	7,177	–	–	–	–	–	–	7,177	–
Proceeds from exercise of warrants	11,637	–	–	–	–	–	–	11,637	–
Premium arising from issue of shares on exercise of warrants	5,437	–	–	(5,437)	–	–	–	–	–
Share issue expense	(178)	–	–	–	–	–	–	(178)	–
Profit for the year	–	–	–	–	–	–	30,863	30,863	–
Proposed dividends	–	–	–	–	–	–	(5,280)	(5,280)	5,280
Dividends paid	–	–	–	–	–	–	–	–	(7,605)
– scrip dividends	–	–	–	–	–	–	–	–	(2,395)
– cash dividends	–	–	–	–	–	–	–	–	–
Translation adjustments	–	–	–	–	–	(197)	–	(197)	–
As at 30th April 2001	24,490	13,934	–	17,454	17,476	(234)	140,304	213,424	5,280
As at 1st May 2001									
– as previously reported	24,490	13,934	–	17,454	17,476	(234)	140,304	213,424	–
– effect of adopting SSAP 9 (revised) (Note 2(a))	–	–	–	–	–	–	–	–	5,280
As restated	24,490	13,934	–	17,454	17,476	(234)	140,304	213,424	5,280
Bonus issue (Note 24(b))	(10,581)	–	–	–	–	–	–	(10,581)	–
Premium arising from issue of shares pursuant to the scrip dividend scheme (Note 24(a))	3,196	–	–	–	–	–	–	3,196	–
Proceeds from exercise of warrants (Note 26)	514	–	–	–	–	–	–	514	–
Premium arising from issue of shares on exercise of warrants	240	–	–	(240)	–	–	–	–	–
Premium arising from issue of new shares (Note 24(c))	11,941	–	–	–	–	–	–	11,941	–
Share issue expense	(239)	–	–	–	–	–	–	(239)	–
Surplus on revaluation of properties	–	–	–	–	3,590	–	–	3,590	–
Profit for the year	–	–	–	–	–	–	5,973	5,973	–
Dividends paid	–	–	–	–	–	–	–	–	(3,751)
– scrip dividends	–	–	–	–	–	–	–	–	–
– cash dividends (Note (b))	–	–	–	–	–	–	(11)	(11)	(1,529)
Translation adjustments	–	–	–	–	–	96	–	96	–
As at 30th April 2002	29,561	13,934	–	17,214	21,066	(138)	146,266	227,903	–

## Notes to the Financial Statements

## 27 Reserves and proposed final dividends (Continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Subscription right reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Proposed final dividends HK\$'000
<b>Company</b>						
As at 1st May 2000						
– as previously reported	24,607	137,148	–	771	162,526	–
– effect of adopting SSAP 9 (revised) (Note 2(a))	–	–	–	–	–	10,000
As restated	24,607	137,148	–	771	162,526	10,000
Proceeds from issue of warrants	–	–	25,000	–	25,000	–
Warrant issue expense	–	–	(2,109)	–	(2,109)	–
Bonus issue	(24,190)	(5,810)	–	–	(30,000)	–
Premium arising from issue of shares pursuant to the scrip dividend scheme	7,177	–	–	–	7,177	–
Proceeds from exercise of warrants	11,637	–	–	–	11,637	–
Premium arising from issue of shares on exercise of warrants	5,437	–	(5,437)	–	–	–
Share issue expense	(178)	–	–	–	(178)	–
Profit for the year	–	–	–	9,085	9,085	–
Proposed dividends	–	–	–	(5,280)	(5,280)	5,280
Dividends paid						
– scrip dividends	–	–	–	–	–	(7,605)
– cash dividends	–	–	–	–	–	(2,395)
As at 30th April 2001	24,490	131,338	17,454	4,576	177,858	5,280
As at 1st May 2001						
– as previously reported	24,490	131,338	17,454	4,576	177,858	–
– effect of adopting SSAP 9 (revised) (Note 2(a))	–	–	–	–	–	5,280
As restated	24,490	131,338	17,454	4,576	177,858	5,280
Bonus issue (Note 24(b))	(10,581)	–	–	–	(10,581)	–
Premium arising from issue of shares pursuant to the scrip dividend scheme (Note 24(a))	3,196	–	–	–	3,196	–
Proceeds from exercise of warrants (Note 26)	514	–	–	–	514	–
Premium arising from issue of shares on exercise of warrants	240	–	(240)	–	–	–
Premium arising from issue of new shares (Note 24(c))	11,941	–	–	–	11,941	–
Share issue expense	(239)	–	–	–	(239)	–
Loss for the year	–	–	–	(944)	(944)	–
Dividends paid						
– scrip dividends	–	–	–	–	–	(3,751)
– cash dividends (Note (b))	–	–	–	(11)	(11)	(1,529)
As at 30th April 2002	29,561	131,338	17,214	3,621	181,734	–

# Notes to the Financial Statements

## 27 Reserves and proposed final dividends (Continued)

Notes:

- (a) 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.
- (b) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the financial statements for the year ended 30th April 2001 were approximately HK\$5,280,000. The additional amount of approximately HK\$11,000 paid was as a result of additional shares issued pursuant to the exercise of warrants prior to the record date (14th September 2001) for the payment of the final dividend of HK\$0.01 per share in respect of the year ended 30th April 2001.

## 28 Notes to the consolidated cash flow statement

- (a) Reconciliation of profit before taxation to net cash inflow from operating activities is:

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	8,435	34,668
Interest income	(1,031)	(2,422)
Interest expense	22,295	19,499
Depreciation of property, plant and equipment	50,958	34,356
Amortisation of intangible asset	1,066	356
Loss on disposal of property, plant and equipment	10	-
Deficit on revaluation of properties	69	-
Share of profits less losses of jointly controlled entities	138	2
Unrealised loss on investment	430	-
Increase in inventories	(11,559)	(15,874)
Increase in trade receivables	(11,220)	(7,779)
Increase in prepayments, deposits and other current assets	(2,161)	(2,751)
Increase/(decrease) in trade payables	18,169	(16,188)
(Decrease)/increase in bills payable	(9,581)	11,971
Increase/(decrease) in accruals and other payables	841	(1,526)
<b>Net cash inflow from operating activities</b>	<b>66,859</b>	<b>54,312</b>

## Notes to the Financial Statements

## 28 Notes to the consolidated cash flow statement (Continued)

## (b) Analysis of changes in financing is:

	Share capital and share premium HK\$'000	Subscription right reserve HK\$'000	Long-term bank loans HK\$'000	Finance lease obligations HK\$'000	Minority interests HK\$'000	Total HK\$'000
As at 1st May 2000	44,607	-	8,447	53,341	-	106,395
Issue of warrants for cash	-	25,000	-	-	-	25,000
Warrant issue expense	-	(2,109)	-	-	-	(2,109)
Bonus issue	5,810	-	-	-	-	5,810
Issue of shares pursuant to the scrip dividend scheme	7,605	-	-	-	-	7,605
Share issue expense	(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 leases	-	-	-	(27,620)	-	(27,620)
Translation adjustments	-	-	-	(278)	-	(278)
Exercise of warrants for cash	14,012	-	-	-	-	14,012
Premium arising from issue of shares on exercise of warrants	5,437	(5,437)	-	-	-	-
As at 30th April 2001	77,293	17,454	84,518	82,237	5	261,507
Issue of shares pursuant to the scrip dividend scheme (Note 24(a))	3,751	-	-	-	-	3,751
Issue of new shares for cash (Note 24(c))	14,000	-	-	-	-	14,000
Share issue expense	(239)	-	-	-	-	(239)
Exercise of warrants for cash (Note 26)	619	-	-	-	-	619
Premium arising from issue of shares on exercise of warrants	240	(240)	-	-	-	-
New long-term bank loans	-	-	134,117	-	-	134,117
Repayment of long-term bank loans	-	-	(39,188)	-	-	(39,188)
Inception of finance leases	-	-	-	12,194	-	12,194
Repayment of capital element of finance leases	-	-	-	(62,864)	-	(62,864)
Translation adjustments	-	-	-	45	-	45
Acquisition of additional interests in a subsidiary	-	-	-	-	(5)	(5)
Minority interests' share in net profit of a subsidiary	-	-	-	-	101	101
Dividend declared by a subsidiary	-	-	-	-	(101)	(101)
As at 30th April 2002	95,664	17,214	179,447	31,612	-	323,937

## Notes to the Financial Statements

## 28 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 HK\$12,194,000 (2001: HK\$56,794,000) in respect of new machinery and motor vehicles.
- (ii) During the year, 5,548,047 new shares were issued at HK\$0.676 each as scrip dividend in lieu of cash in respect of the final dividend of HK\$0.01 per share for the year ended 30th April 2001 (see Note 24(a)).

## (d) Analysis of cash and cash equivalents:

	2002 HK\$'000	2001 HK\$'000
Cash and other bank deposits	9,587	8,327
Bank overdrafts	(20,370)	(12,075)
Short-term bank loans	(13,675)	(5,575)
Trust receipts bank loans	(54,985)	(71,153)
	<u>(79,443)</u>	<u>(80,476)</u>

## 29 Commitments and contingent liabilities

## (a) Capital commitments

As at 30th April 2002, the Group had authorised and contracted capital commitments (consolidated) of approximately HK\$270,000 (2001: HK\$28,038,000) for acquisition of machinery and equipment. The Company had no capital commitments as at 30th April 2002 (2001: Nil).

## (b) Operating lease commitments

As at 30th April 2002, 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:

	Consolidated		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable				
– within one year	2,626	2,359	–	–
– within two to five years	2,237	4,244	–	–
	<u>4,863</u>	<u>6,603</u>	<u>–</u>	<u>–</u>

## Notes to the Financial Statements

## 29 Commitments and contingent liabilities (Continued)

## (c) Contingent liabilities

Contingent liabilities not provided for in the financial statements are:

	Consolidated		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Discounted bills with recourse	205	1,402	–	–
Factoring of trade receivables with recourse	36,618	30,415	–	–
Guarantees given to banks in respect of banking and finance lease facilities of its subsidiaries	–	–	227,756	296,622
	<b>36,823</b>	<b>31,817</b>	<b>227,756</b>	<b>296,622</b>

## 30 Pension schemes

The Group had 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 make 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 HK\$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.

## Notes to the Financial Statements

### 30 Pension schemes (Continued)

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 2002, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK\$3,292,000 (2001: HK\$2,344,000), after deduction of forfeited contributions of approximately HK\$3,000 (2001: HK\$190,000). As at 30th April 2002, there were no material forfeitures available to offset the Group's future contributions.

### 31 Banking facilities and pledge of assets

As at 30th April 2002, the Group had aggregate banking facilities of approximately HK\$391,747,000 (2001: HK\$302,624,000) for overdrafts, loans, factoring of trade receivables and trade financing. Unused facilities as at the same date amounted to approximately HK\$68,786,000 (2001: HK\$65,727,000). These facilities were secured by:

- (a) mortgages over certain of the Group's land and buildings with a net book value of approximately HK\$6,190,000 (2001: HK\$6,319,000) (see Note 11(b));
- (b) pledge of the Group's investment of approximately HK\$7,370,000 (2001: Nil) (see Note 17);
- (c) pledges of the Group's bank deposits of approximately HK\$35,847,000 (2001: HK\$47,387,000) (see Note 18);
- (d) the Group's inventories with a carrying amount of approximately HK\$54,985,000 (2001: HK\$56,562,000) (see Note 15) and the Group's machinery with a net book value of approximately HK\$14,649,000 (2001: HK\$35,778,000) (see Note 11(c)) held under trust receipts bank loan arrangements; and
- (e) guarantees provided by the Company and certain of its subsidiaries.

### 31 Banking facilities and pledge of assets (Continued)

In addition, the Group is required to comply with certain restrictive financial covenants imposed by the banks. The financial covenants include, among other things, the maintenance of the following specific financial ratios, which were not fulfilled by the Group as at 30th April 2002:

- (i) the consolidated net gearing ratio, as defined by the relevant bank, shall not exceed 0.85:1; and
- (ii) the amount of capital expenditures, as defined by the relevant banks, for the year ended 30th April 2002 shall not exceed HK\$70,000,000.

The Group obtained waivers from the relevant banks in respect of such non-compliance subsequent to 30th April 2002.

### 32 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.

### 33 Subsequent event

On 14th May 2002, the Company entered into an agreement with Mr. Chen Guo Luan, an independent third party, to acquire the entire issued share capital of, and the benefit of a loan of HK\$9,367,720 advanced to, Good Signal Holdings Limited, a company incorporated in the British Virgin Islands, by the Company or through its nominated wholly-owned subsidiary at a total consideration of HK\$8,320,000. CEC-Technology Limited, the nominated wholly-owned subsidiary of the Company, acquired the aforesaid shares and loan, which was completed on 4th June 2002. The consideration of the acquisition was satisfied by the issue of 32,000,000 new shares of the Company at HK\$0.26 each. Good Signal Holdings Limited is an investment holding company. Its associate is principally engaged in software development, sale of software products and system integration.







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