Corporate Profile

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, Singapore and India.

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

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

Contents

3 Corporate Information

4 Financial Highlights

5 Five-Year Financial Summary

6 Management's Discussion and Analysis

23 Directors and Senior Management Profile

29 Report of the Directors

43 Report of the Auditors

44 Consolidated Income Statement

45 Balance Sheets

47 Consolidated Statement of Changes in Equity

48 Consolidated Cash Flow Statement

49 Notes to the Financial Statements

Corporate Information

DIRECTORS

Executive Directors

Mr. Lam Wai Chun *(Chairman)*
Ms. Tang Fung Kwan
(Deputy Chairman and Managing Director)
Mr. Huang Kong
(Deputy Managing Director; appointed on 19th December 2002)
Mr. Law Hoo Shan
(Appointed on 19th December 2002)
Mr. Chiu Chan, Charles
(Appointed on 19th December 2002)
Mr. Lam Wing Kin, Sunny
(Retired on 26th September 2002 and re-appointed on 18th February 2003)
Mr. Saito Misao
(Resigned on 30th June 2003)
Mr. Ho Kwok Keung
(Appointed on 20th December 2002 and resigned on 14th August 2003)

Independent Non-executive Directors

Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis
Mr. Tang Tin Sek

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
DBS Bank (Hong Kong) 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

2nd Floor, Hing Win Factory Building
110 How Ming Street
Kwun Tong, Kowloon
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar

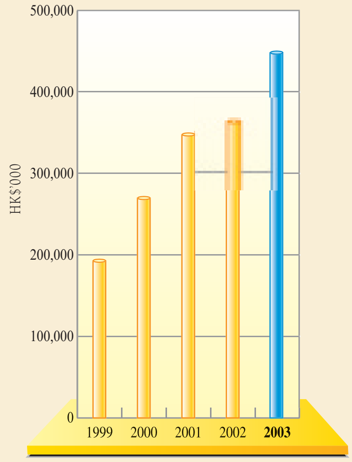
Computershare Hong Kong Investor Services Limited
Rooms 1901-5, 19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

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

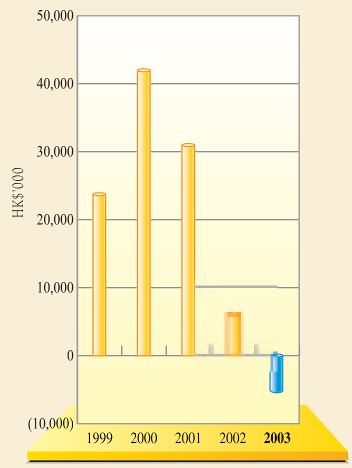
E-mail: info@ceccoils.com

Listed on The Stock Exchange of Hong Kong Limited
Stock Code: 0759 (shares)
0337 (warrants)

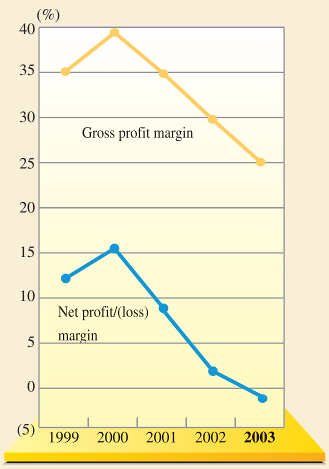
Turnover



Profit/(loss) attributable to shareholders



Gross profit margin and net profit/(loss) margin



	As at 30th April/ Year ended 30th April		
	2003 HK$'000	2002 HK$'000	% Change
Turnover	**448,155**	363,896	+23.2
(Loss)/profit attributable to shareholders	**(4,947)**	5,973	N/A
Total assets	**697,586**	667,014	+4.6
Net tangible assets	**300,259**	292,228	+2.7
Per Share Data			
Basic (loss)/earnings per share (HK cent)	**(0.72)**	0.92	N/A
Net tangible assets per share (HK cents)	**43.3**	44.2	-2.0
Financial Ratios			
Gross profit margin (%)	**25.0**	29.5	-4.5
EBITDA margin (%)	**18.4**	22.5	-4.1
Current ratio	**0.80**	0.85	-5.9
Interest coverage ratio	**4.60**	3.85	+19.5
Net gearing ratio (1)	**0.96**	1.01	-5.0
Net gearing ratio (2)	**0.85**	0.85	N/A

Definitions

Basic (loss)/earnings per share	(Loss)/profit attributable to shareholders / Weighted average number of shares
Net tangible assets per share	Net tangible assets / Number of shares as at end of year
Gross profit margin (%)	Gross profit X 100% / Turnover
EBITDA margin (%)	Operating profit plus depreciation, amortisation and provision for impairment loss on intangible assets X 100% / Turnover
Current ratio	Current assets / Current liabilities
Interest coverage ratio	Operating profit plus depreciation, amortisation and provision for impairment loss on intangible assets / Interest expense less interest income
Net gearing ratio (1)	Total borrowings plus bills payable and contingent liabilities less total cash and bank deposits / Net tangible assets less proposed final dividends
Net gearing ratio (2)	Total borrowings plus bills payable less total cash and bank deposits and investment / Net tangible assets less proposed final dividends

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				
	2003	2002	2001	2000	1999
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**448,155**	363,896	347,004	271,292	193,943
Cost of sales	**(335,926)**	(256,460)	(225,662)	(165,045)	(125,450)
Gross profit	**112,229**	107,436	121,342	106,247	68,493
Selling and distribution expenses	**(13,866)**	(12,445)	(11,332)	(10,278)	(7,227)
General and administrative expenses	**(69,052)**	(63,825)	(57,907)	(40,772)	(27,099)
Provision for impairment loss on intangible assets	**(8,940)**	–	–	–	–
Other operating expenses	**(5,747)**	(1,329)	(356)	–	–
Operating profit	**14,624**	29,837	51,747	55,197	34,167
Interest income	**341**	1,031	2,422	1,864	1,517
Interest expense	**(18,223)**	(22,295)	(19,499)	(10,367)	(9,708)
Share of profits less losses of associates	**76**	–	–	–	–
Share of profits less losses of jointly controlled entities	**140**	(138)	(2)	–	–
(Loss)/profit before taxation	**(3,042)**	8,435	34,668	46,694	25,976
Taxation	**(1,805)**	(2,361)	(3,805)	(4,860)	(2,335)
(Loss)/profit after taxation but before minority interests	**(4,847)**	6,074	30,863	41,834	23,641
Minority interests	**(100)**	(101)	–	76	–
(Loss)/profit attributable to shareholders	**(4,947)**	5,973	30,863	41,910	23,641

ASSETS AND LIABILITIES

	As at 30th April				
	2003	2002	2001	2000	1999
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**697,586**	667,014	588,822	368,108	226,291
Total liabilities	**(397,266)**	(373,008)	(317,310)	(161,597)	(105,168)
Minority interests	**(61)**	–	(5)	–	–
Net assets	**300,259**	294,006	271,507	206,511	121,123

Notes:

1. The published results of the Group for the year ended 30th April 1999 and the assets and liabilities of the Group as at 30th April 1999 have been prepared on the assumption that the current structure of the Group had been in existence throughout that year.

2. Certain comparative figures have been reclassified to conform to the current year's presentation.

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 fourth 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 following summarises the results of the Group for the year ended 30th April 2003:

– Turnover climbed 23.2% to HK$448,155,000 (2002: HK$363,896,000);

– Loss attributable to shareholders was HK$4,947,000 (2002: profit attributable to shareholders of HK$5,973,000); and

– Basic loss per share was 0.72 HK cent (2002: basic earnings per share of 0.92 HK cent).

DIVIDENDS

No interim dividend was declared in respect of the year ended 30th April 2003 (2002: Nil).

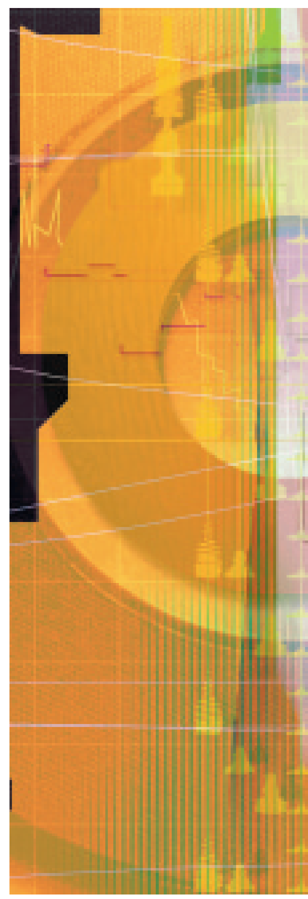
The Directors do not recommend the payment of a final dividend in respect of the year ended 30th April 2003 (2002: Nil).

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 warrantholders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies must be lodged with the Company's branch share registrar in Hong Kong, 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 17th September 2003. The register of members of the Company will be closed from 18th September 2003 to 24th September 2003, both dates inclusive, during which period no transfer of shares will be effected and no shares will be allotted and issued on the exercise of the subscription rights attaching to the outstanding warrants.

BUSINESS REVIEW

The Company's wholly-owned subsidiary, CEC-Technology Limited ("CEC-Technology"), acquired the entire issued share capital of Good Signal Holdings Limited ("Good Signal") and the benefit of a loan of HK$9,367,720 advanced to Good Signal, at an aggregate consideration of HK$8,320,000 on 4th June 2002 by way of the issue of 32,000,000 new shares of the Company at HK$0.26 per new share to satisfy the consideration of acquisition. In accordance with accounting standards, the aggregate cost of the acquisition was recorded at HK$9,760,000 and the 32,000,000 new shares of the Company were recorded at HK$0.305 per new share, being the closing price of the Company's share as quoted on The Stock Exchange of Hong Kong Limited on 4th June 2002. The acquisition allowed the Group to have an indirect 12.5% interest in the registered capital of 上海圖王科技有限公司 (Shanghai Signking Science & Technology Co., Ltd. (for identification purpose) ("Shanghai Signking")). The Group considered that the performance and business growth of this acquired project were below expectation and substantially behind the original valuation. This indicates that the Group has been too optimistic towards the prospects of information technology business and the investment approach was too aggressive. The Directors have decided to adopt prudent accounting management to evaluate investment projects, and to make a one-off full provision for impairment loss on the goodwill in information technology segment in this financial year, amounting to HK$8,229,000.



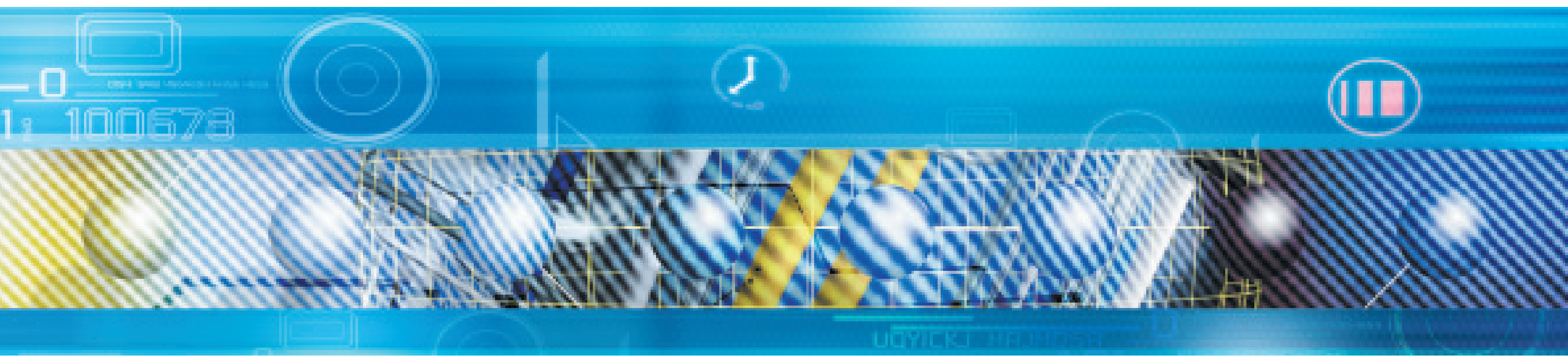
On the other hand, the Group will scale down its electronic components trading business. The Directors have also decided to make a one-off full provision for impairment loss on the remaining balance of the amortised intangible asset value of the distribution right for electronic components trading segment amounting to HK$711,000 in this financial year.

The two items of provision for impairment loss mentioned above totalled HK$8,940,000, resulting in a loss attributable to shareholders of HK$4,947,000 for this financial year. However, there was no impact on the Group's operating cash flow. The Directors believe that the provisions can better reflect the Group's current and future operating conditions. With the experience gained from investing outside its core business, the Group will focus more on its core business, the manufacturing segment, and is committed to adopting a more cautious and prudent approach in evaluating new investment projects' potential and opportunity cost.

The Group's turnover for the year ended 30th April 2003 grew from HK$363,896,000 for the same period last year to HK$448,155,000, up 23.2%. Gross profit also rose to HK$112,229,000 from HK$107,436,000 last year. During the year under review, earnings before interest, tax, depreciation, amortisation and provision for impairment loss ("EBITDA") was HK$82,280,000 (2002: HK$81,861,000), while operating profit was HK$14,624,000 (2002: HK$29,837,000). As the Group made a one-off provision for impairment loss on intangible assets of HK$8,940,000 (2002: Nil) this year, there was a loss attributable to shareholders of HK$4,947,000 (2002: profit attributable to shareholders of HK$5,973,000).

Although the Group recorded satisfactory turnover growth last year, it had to make substantial strategic adjustments to its product prices during the first two quarters of the financial year in attempts to consolidate its competitiveness in the increasingly competitive electronic products market. This had led to a reduction in the Group's gross profit margin from 29.5% to 25.0%. The Group's performances in the third and fourth quarters indicated an easing of the price cut pressure.

In respect of production cost, the Group experienced an increase in production volume, and a decrease of 2.6% in the ratio of labour cost on turnover, from 12.7% in 2002 to 10.1%. This reflected that the Group's active investments in improving and upgrading its manufacturing facilities had begun to take effect. In addition, the Group's power supply enhancement plan that was commenced in 2001 had helped reduce electricity expenditure by 7.9% from last year. The Group's selling and distribution expenses for the year ended



30th April 2003 rose 11.4% to HK$13,866,000 (2002: HK$12,445,000), and general and administrative expenses also increased 8.2% to HK$69,052,000 (2002: HK$63,825,000).

The Group's unsatisfactory performance stemmed from its aggressive approach towards business development and diversification and over-optimistic expectation towards the information technology projects since listing. We had conducted a painstaking review and evaluation of each of the Group's business operations since listing and took prompt improvement measures in the following aspects during the year under review. Details are mentioned in the business review for each operation:

Focus on the development of the core manufacturing business
Scale down and restructure under-performing projects
Achieve more efficient overall operations of the Group

The Group is primarily engaged in coils manufacturing and has been investing substantial resources into the upgrading of production facilities and the vertical integration of its production processes over the years to build and ensure the Group's longstanding competitive strengths. Such investments have helped the Group sustain a consolidated gross profit margin of 25.0% (2002: 29.5%), with the gross profit margin for coils amounting to 29.5% (2002: 34.8%) in a fiercely competitive market environment. The Group's depreciation of fixed assets was HK$55,856,000 (2002: HK$50,958,000).

While investing heavily in its manufacturing facilities, the Group had over-estimated the progress of certain projects, such as the production facilities for manganese-zinc ferrite, which is the primary raw material of power supply devices, had taken nine months longer than planned from installation in October 2000 to the completion of initial trial production. Although the project is below progress, with the hard work of the Group, the product designs, application for the certification of relevant safety regulation compliance and marketing activities have already fully commenced, with certain processes successfully completed. But there is still under-utilisation of the production facilities for manganese-zinc ferrite materials. As compared to the previous year, the turnover for power supply devices has recorded considerable growth this year. Therefore, we believe that the prevailing marketing strategy will be able to effect with the designated impact and achieve the expected economies of scale as soon as possible.

We had planned to leverage on the Group's network of customers to develop the electronic components trading business that is closely related to the sale of products manufactured by the Group as part of the business diversification drive to fuel fast turnover growth. However, the profit margin for the electronic components trading segment is relatively low while the demand for working capital is high, making it a burden to the Group's overall business. The Group has taken measures to restructure this business and this invaluable experience has thrown new light to the Group's future development.

Looking back the past three years since listing, the Group had incurred certain losses from its aggressive diversification and over-optimism on information technology business. The Group has realised that it was alienating itself from the successful fundamentals for small and medium-sized enterprises – responsive, flexible and efficient – in its expansion pursuits. The Group realises that the way to turn around is to re-gain the high flexibility of a small and medium-sized enterprise in different aspects, including organisational structure and human resources deployment, and to focus on the development of its proven core business.

Report on human resources for the year ended 30th April 2003:

Total number	5,610	**Male:**	17.9%	**Female:**	82.1%
Functional distribution	**Management**	**Technology/ development**	**Manufacturing**	**Sales and marketing**	**Others**
	4.1%	3.0%	Workers: 78.0% Supervisors: 6.3%	2.4%	6.2%
Qualification	**Management**	**Technology/ development**	**Manufacturing**	**Sales and marketing**	**Others**
Post-secondary school and above	88.7%	91.7%	19.5%	91.7%	46.7%
Postgraduate	58.3%	57.1%	0.5%	54.6%	4.9%
Age	**25 or below**	**26-35**	**36-50**	**51 or above**	
	65.5%	27.7%	5.9%	0.9%	
Nationality	**Hong Kong**	**Mainland China**	**Overseas/others**		
	3.0%	96.2%	0.8%		

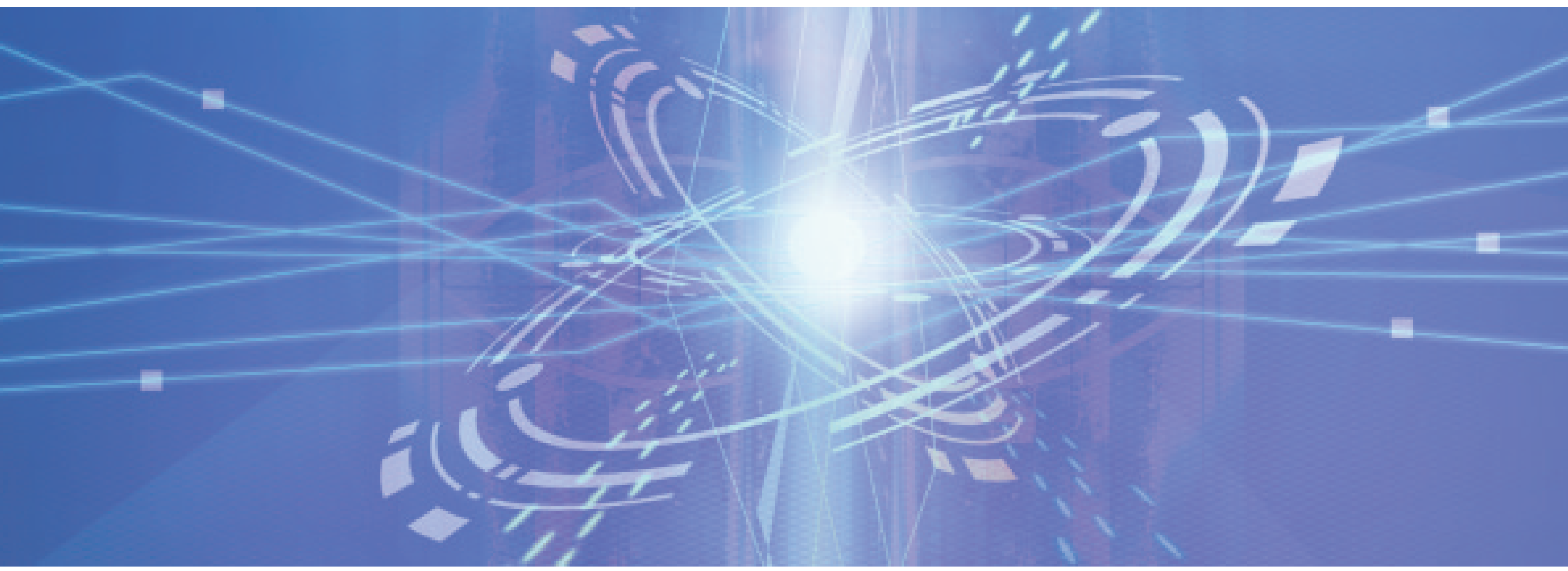
	Turnover		**Gross profit**		**Gross profit margin (%)**	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Coils manufacturing	**355,879**	287,607	**105,044**	99,983	**29.5**	34.8
Capacitors manufacturing	**35,271**	33,240	**3,030**	2,717	**8.6**	8.2
Electronic components trading	**55,173**	43,049	**3,308**	4,736	**6.0**	11.0
Information technology services	**1,832**	–	**847**	–	**46.2**	–
	448,155	363,896	**112,229**	107,436	**25.0**	29.5

The above was written by:
Tang Fung Kwan
Deputy Chairman and Managing Director
Huang Kong
Deputy Managing Director

Manufacturing Segment

The Group primarily manufactures coils, electrolytic capacitors, and also the principal materials for coils, including ferrite cores (manganese-zinc series, nickel-zinc series and iron powder core series), ceramic components, plastic components, metal components, moulds and packaging materials such as carton boxes and adhesive tapes, etc. The year under review was characterised by a global economic slowdown and fierce market competition. However, the Group was able to maintain its competitiveness in pricing, production cycle and product quality through active investments in vertical integration and production automation over the past few years. Turnover for the manufacturing segment was HK$391,150,000 (2002: HK$320,847,000), of which coils manufacturing accounted for HK$355,879,000 (2002: HK$287,607,000).

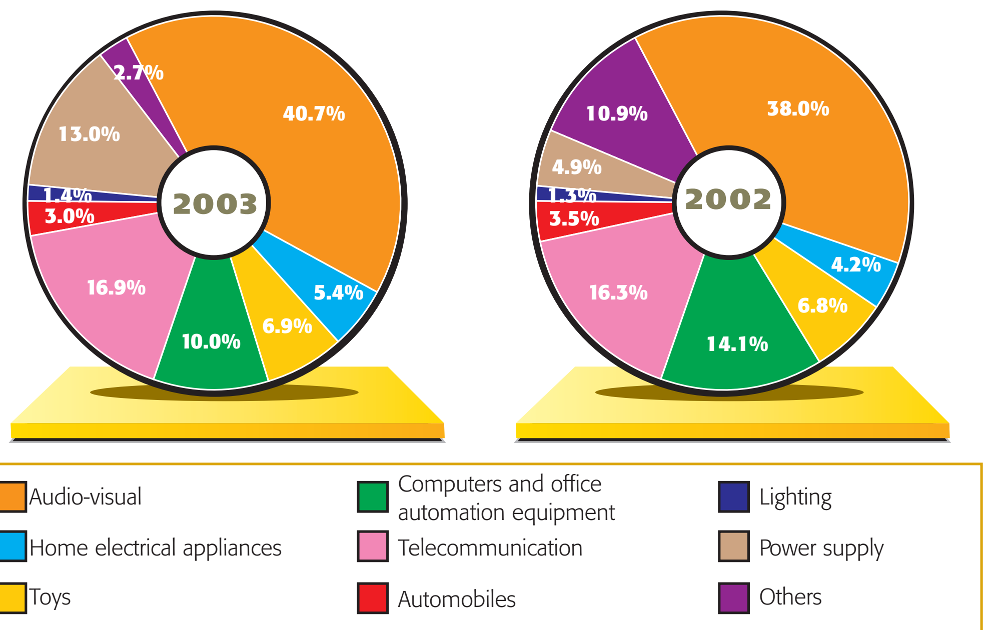
The Group's coils are widely applicable in different electrical and electronic consumer products, including audio-visual, telecommunication and home electrical appliances, toys, computers and information technology products, automobiles, lighting facilities, office equipment and power supply devices, etc. Audio-visual, telecommunication and toys, which are the principal market sectors for the Group's products, accounted for HK$159,225,000, HK$65,954,000 and HK$27,152,000 (2002: HK$121,762,000, HK$52,172,000 and HK$21,838,000), respectively, of the Group's turnover for the year. Since the installation of manganese-zinc ferrite production facilities and the development



of different power supply coils product series, coupled with the support of active marketing efforts, the turnover of power supply devices increased rapidly by 223.3% to HK$50,940,000 (2002: HK$15,755,000), accounting for 13.0% (2002: 4.9%) of the turnover in the manufacturing segment. It is expected that the share of power supply devices in the Group's overall turnover will continue to rise. In addition, there was a substantial demand growth for energy-saving lighting products and ballast, in line with the increasing awareness of energy saving and environmental protection. As power supply coils, certain other coils products and electrolytic capacitors are indispensable components in energy-saving lamps, this has aligned with the Group's investment direction in power supply coils, electrolytic capacitors and manganese-zinc ferrite materials. The Group has designated the lighting market as the marketing target for the next and coming financial years.

In respect of the geographical profile of the Group's customers, the Group's major customers have always been electrical and electronic consumer product manufacturers for Japanese brands, and their OEM manufacturers in Hong Kong, Mainland China and Southeast Asia. Supported by intensive product and market development efforts in power supply devices, the Group is taking on more customers from Europe, including the world's largest mobile phone charger manufacturer in Finland and also power supply device manufacturers in Germany. As Mainland China has become "the world's production base", more and more well-known manufacturers of electrical and electronic consumer products from Europe and the United States are setting up plants there, and many of these foreign manufacturers conduct their procurement and fulfillment activities in Mainland China. With the experience of operating in Mainland China for more than two decades, the Group is well-poised to capitalise on this tremendous opportunity. During the period under review, the Group derived a turnover of HK$52,793,000 from Mainland China (2002: HK$21,919,000). As a widely recognised domestic supplier among major enterprises, the Group believes that its customer base will be further broadened with more European and American manufacturers.

Analysis of Turnover of Manufacturing Segment by Customers' Industry



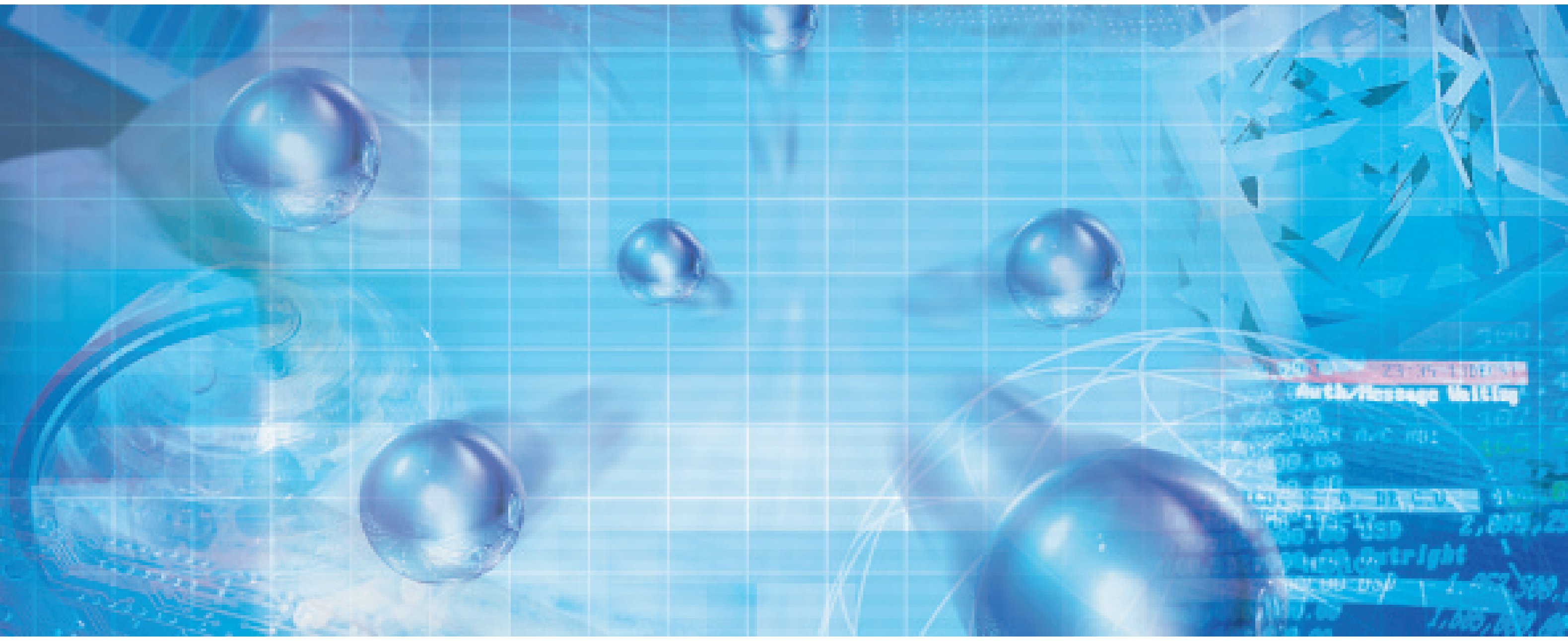
While actively developing new markets, the Group is also scaling down and restructuring under-performing branches and offices.

The Group established a branch in Japan in 1999 to facilitate marketing to Japanese customers. As more and more Japanese customers are relocating their technology development and product approval processes from their headquarters in Japan to their production bases in Mainland China and Southeast Asia and also delegating procurement activities entirely to their respective manufacturers, the importance of domestic marketing in Japan is fast diminishing. In fact, the Group's new customers in Japan developed over the past few years were introduced and cultivated primarily through channels in Hong Kong, Mainland China and Southeast Asia. These objective factors had led to a decline in the cost-effectiveness of the branch in Japan. As part of the Group's efforts to achieve better resources management, the branch in Japan ceased operation in June 2003. The Group has also commenced the re-deployment of its sales units and resources.

The office in Shanghai was combined into the subsidiary in Kunshan in May 2002, to further improve the operating structure and to consolidate production, technology and sales under one roof. The Group has put a freeze on the plant building plan in Qingdao and will only be reviewed again when a comprehensive and precise evaluation of the market potential and risk exposure is completed.

In keeping abreast of technological innovation, the Group has been actively developing coils products of different categories and functionalities from its core business platform to meet diversified market demands. For example, anti-electromagnetic interference filter has already become a major product of the Group. As more and more countries have imposed increasingly stringent environmental standards for electromagnetic wave, more electronic products have to be certified by the local electromagnetic wave environmental protection authorities. Therefore, the Group's anti-electromagnetic interference filters have been widely applied on electrical and electronic products. During the year under review, the Group succeeded in the development of several high-current anti-electromagnetic interference filters for use in relatively high-power consumption electronic products, such as washing machines, refrigerators, air-conditioners and other large electrical home appliances, facilitating the Group's successful inroads into the manufacturers' market for these electrical products.

The Group is pursuing vertical integration to further enhance its competitiveness in manufacturing coils through the lowering of production cost and more effective control on product quality. It has invested in the production of raw materials for coils products. Since 2000, the Group has successfully developed manganese-zinc ferrite core product that is already extensively used in the power supply devices manufactured by the Group. During the year under review, the Group further gained the state-of-the-art manganese-zinc ferrite technology and access to raw materials manufacturers in Europe through a cooperation project with LG.Philips Displays in Nanjing, Mainland China. The Group can apply this ferrite technology on the manufacturing of power supply coils, thus further broadening the Group's competitive strengths with enhanced production efficiency and cost control. Characterised by higher saturation flux density (Bs) and higher initial permeability (μi), manganese-zinc ferrite is commonly applied in transformers for telecommunication, data transmission, energy-saving products and power supply switches. The more promising of which include transformers for backlight power supply devices and energy-saving products.



Demand for liquid crystal display (LCD) monitors that are commonly used in personal digital assistants (PDAs), laptop computers, mobile handsets, digital cameras, digital camcorders and computer monitors is tremendous. To capitalise on this market niche, the Group took the initiative to launch a series of transformers for backlight power supply devices as its fundamental raw material – manganese-zinc ferrite – had been successfully developed. This transformer series has already attained customer approval.

Electronic and electrical power technology is another major energy-saving platform. Through the use of electronic frequency converters and the high-efficiency fluorescent lights with the latest fluorescent powder, energy saving can be as high as 80%. The use of switching mode power supply of this technology can also save 30-60% energy compared with traditional mode power supply. It is estimated that when electronic and electrical power technology is fully implemented, Mainland China can save 40 billion kilowatt-hours of electricity each year. The development potential of electronic frequency converters, switching mode power supply devices and their core raw material manganese-zinc ferrite are such substantial that it has further reinforced the Group's focus on investing, developing and manufacturing manganese-zinc ferrite materials.

Resources deployment for core manufacturing segment:

	2003	2002	% change
	HK$'000	HK$'000	
Market development and promotion	**5,676**	5,004	13.4%
Research and development	**6,641**	6,162	7.8%
Manufacturing facilities	**21,121**	92,075	(77.1%)
Human resources training	**914**	497	83.9%
Information technology	**3,834**	3,989	(3.9%)

The above was written by:
Tang Fung Kwan
Deputy Chairman and Managing Director

Chiu Chan, Charles
Law Hoo Shan
Executive Directors

Trading Segment

The market for electronic components trading remained competitive for the year ended 30th April 2003. During the year under review, the electronic components trading segment recorded a turnover of HK$55,173,000 (2002: HK$43,049,000), up 28.2% compared with the previous year, and accounting for 12.3% (2002: 11.8%) of the Group's turnover. Price-cutting pressures among agents in a bid to maintain their own competitiveness have put a squeeze on profitability.

Gross profit margin derived from the electronic components trading segment shrank from 11.0% for the year ended 30th April 2002 to 6.0% for the year ended 30th April 2003. An operating loss of HK$1,392,000 (2002: HK$542,000) was recorded. The operating loss has increased by HK$850,000, and the segment has also diluted the Group's overall gross profit margin.

As the products traded are not manufactured by the Group, control over operation, cost, delivery and inventory is rather limited. In certain cases, efforts to push sales had led to price pressure, making the trading segment of mediocre profitability even more difficult.

In respect of sales in a depressed market environment, a majority of customers requested price discounts and longer payment terms, thus making prudent credit risk management more important than ever. Trading business normally requires substantial capital deployment for safety-inventory warehousing, where any mishaps in control and planning management will pose a strain on working capital.

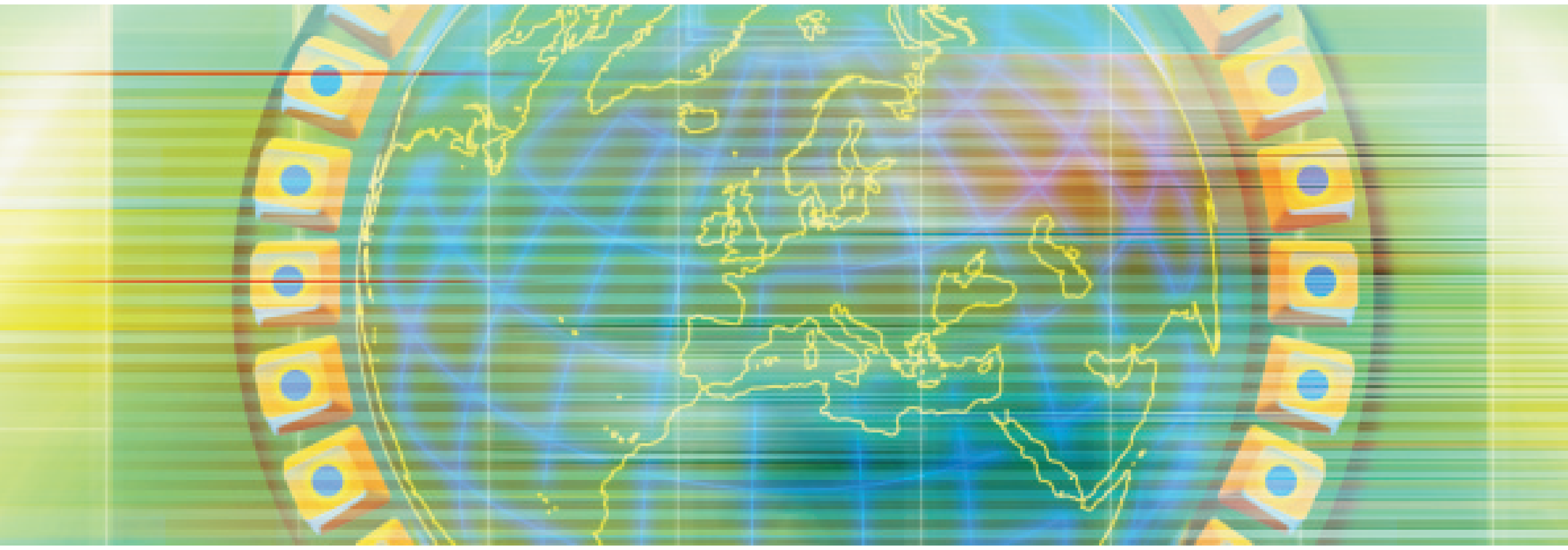
The Group started to commence trading of electronic components in 2001 as part of its diversification strategy. Over the past three years, profit margin for this trading segment had been on a constant decline, from 15.8% in 2001 to 6.0% in 2003. Return from the Group's additional resources and capital investment of this segment had been lower than that of the Group's core business. Having reviewed the opportunity cost and operating risks, the Group adjusted its diversification strategy and restructured the trading segment to scale down projects of high risk and low return, and focus on more lucrative businesses.

The above was written by:
Lam Wing Kin, Sunny
Executive Director

Information Technology Segment

For the first time, the Group recorded turnover from the information technology segment in this financial year. This was mainly due to the completion of acquisition of 51% equity interest of Sun-iOMS Technology Holdings Limited ("Sun-iOMS") by CEC-Technology by way of subscription of new shares in Sun-iOMS at a total consideration of HK$255,000 on 5th March 2003. The consolidated turnover of Sun-iOMS was HK$1,832,000, accounting for 0.4% of the Group's turnover. The operating profit for the period from 5th March 2003 to 30th April 2003 was HK$205,000. The gross profit for the whole information technology segment was HK$847,000, with a gross profit margin of 46.2%. As at 30th April 2003, Sun-iOMS's balance in contract-on-hand amounted to HK$1,784,000. It will continue to expand its customer base to achieve economies of scale, and as at 30th June 2003, a balance of payment was basically achieved.

The Directors decided to make a one-off full provision for impairment loss on the goodwill in Good Signal in the year under review. It was intended that, through this investment, the Group would be in a position to seize opportunities arising from the new economy of information technology through an indirect 12.5% interest in the registered capital of Shanghai Signking. However, the Group considered that the performance and business growth of this acquired project had been below expectation and substantially behind the original valuation and a provision for impairment loss was necessary. This investment experience has inspired the Group to adopt a different approach towards its information technology business. The Group now recognises that it must thoroughly assess the market



trend and potential risk of all new businesses, and evaluate their respective potential synergy and opportunity cost, so as to achieve a better control over the selection of information technology development and the deployment of resources. The positive impact of this new approach has already been reflected in the Sun-iOMS's improving operating results.

Internally, the Group will continue to apply information technology to strengthen internal management system, increase operating efficiency, empower business analysis and upgrade information management. Currently, the Group does not have any plan to commercialise the software products developed by CEC-Technology at this stage.

The above was written by:
Huang Kong
Deputy Managing Director

Changes in Financial Resources

With the confidence and support from our principal banks, the Group always has sufficient banking facilities for long-term development and operation. On 30th April 2003, the Company entered into a three-year transferable term loan facility agreement for an aggregate amount of HK$165,000,000 with a group of banks. HK$75,000,000 of the facility will be applied to prepay all of the Company's outstanding indebtedness under a HK$100,000,000 term loan and revolving credit facility agreement dated 31st January 2002. The remaining balance of HK$90,000,000 will be used to finance the development of the new plant in Nanjing and as the Group's general working capital. The full amount of the facility has been drawn down in one lump sum in May 2003. This facility has helped strengthen the Group's operating capital and consolidate its financing structure.

As at 30th April 2003, the Group's aggregate banking facilities from banks and financial institutions expanded to HK$539,426,000 (2002: HK$391,747,000), of which HK$222,320,000 (2002: HK$68,786,000) remained unutilised. The Group had cash and bank deposits of HK$44,240,000 (2002: HK$45,434,000), denominated mainly in Hong Kong dollars, United States dollars, Renminbi, Japanese yen, Singapore dollars and New Taiwan dollars. 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. The Group is also required to meet certain restrictive financial covenants with the major financing 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 bills payable and 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 in August 2002.

	2003 **HK$'000**	2002 HK$'000
Banking facilities	**539,426**	391,747
Utilised banking facilities	**(317,106)**	(322,961)
Unutilised banking facilities	**222,320**	68,786
Cash and bank deposits	**44,240**	45,434

	Financial covenants with major banks	**2003**	**Compliance with financial covenants**
Net tangible assets	Above HK$290,000,000	HK$300,259,000	Complied
Current ratio	Above 0.70	0.80	Complied
Interest coverage ratio	Above 3.50 times	4.60 times	Complied
Net gearing ratio (1)*	Below 1.05	0.96	Complied
Net gearing ratio (2)#	Below 0.85	0.85	Complied

The Group's total borrowings as at 30th April 2003 were HK$306,370,000 (2002: HK$300,089,000), of which HK$205,282,000 (2002: HK$148,380,000) was current and HK$101,088,000 (2002: HK$151,709,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. Contingent liabilities as at the same date amounted to HK$25,286,000 (2002: HK$36,823,000), of which HK$25,286,000 (2002: HK$36,618,000) was factoring of trade receivables with recourse.

	2003 **HK$'000**	2002 HK$'000	Interest rate
Current borrowings	**205,282**	148,380	H or P
Non-current borrowings	**101,088**	151,709	H or P
Total borrowings	**306,370**	300,089	H or P
Factoring of trade receivables with recourse	**25,286**	36,618	P

H Hong Kong Interbank Offered Rate ("HIBOR") plus competitive margins
P Prime rate/Prime rate plus competitive margins

The declining interest rates in Hong Kong have led to a significant drop in the Group's interest expense and interest income for the year ended 30th April 2003 with a net interest expense of HK$17,882,000 (2002: HK$21,264,000), representing a saving of 15.9% compared with the previous year. The interest coverage ratio rose to 4.60 times (2002: 3.85 times).

	2003 **HK$'000**	2002 HK$'000
Interest income	**341**	1,031
Interest expense	**(18,223)**	(22,295)
Net interest expense	**(17,882)**	(21,264)
Interest coverage ratio	**4.60 times**	3.85 times

The Group's net cash inflow for the year ended 30th April 2003 was HK$1,512,000 (2002: net cash outflow of HK$7,035,000) with a net cash outflow from financing activities of HK$29,554,000 (2002: net cash inflow of HK$14,441,000). This was primarily attributable to a significant reduction in new long-term bank loans to HK$7,000,000 (2002: HK$134,117,000) during the year. However, as the Company entered into a three-year transferable term loan facility agreement for an aggregate amount of HK$165,000,000 with a group of banks on 30th April 2003, this facility will help improve the Group's debt structure and increase cash inflow. In addition, infrastructure development for the Group's coils manufacturing segment was nearer to completion in this financial year as compared with the previous year, resulting in a sharp decrease in capital expenditure on fixed assets to HK$26,709,000 (2002: HK$103,923,000). Apart from certain auxiliary manufacturing facilities and the construction of a new plant in Nanjing, the Group will maintain its capital investment at a low level.

Cash flow summary

	2003	2002
	HK$'000	HK$'000
Net cash inflow from operating activities	**47,690**	66,242
Net cash outflow from investing activities	**(17,567)**	(87,740)
Net cash (outflow)/inflow from financing activities	**(29,554)**	14,441
Translation adjustments	**943**	22
Increase/(decrease) in cash and cash equivalents	**1,512**	(7,035)

With the significant reduction in the Group's capital expenditure during the year under review, the Group will continue to adopt prudent control on cash flows. Indicators on the Group's liquidity performance such as trade receivables turnover, inventories turnover and trade payables turnover were sustained at similar levels of last year – 74 days, 84 days and 51 days, respectively, as at 30th April 2003 (2002: 70 days, 92 days, 46 days).

	2003	2002
Trade receivables turnover (before factoring)/days	**74**	70
Inventories turnover/days	**84**	92
Trade payables turnover/days	**51**	46
Current ratio	**0.80**	0.85
Quick ratio	**0.50**	0.51
Net gearing ratio (1)*	**0.96**	1.01
Net gearing ratio (2)#	**0.85**	0.85

* The ratio of (total borrowings plus bills payable and contingent liabilities less total cash and bank deposits) over (net tangible assets less proposed final dividends)

The ratio of (total borrowings plus bills payable less total cash and bank deposits and investment) over (net tangible assets less proposed final dividends)

The Group's net gearing ratio was also on a decline. As at 30th April 2003, the Group's net gearing ratio (1) and net gearing ratio (2) were 0.96 and 0.85 (2002: 1.01 and 0.85), respectively, reflecting the Group's stringent approach towards the application of capital and credit facilities.

The above was written by:
Cheung Ming Yat
Manager, Capital Management Department

FUTURE PLANS AND PROSPECTS

The Group anticipates that the electronic industry will continue to be fiercely competitive. Nevertheless, the Group's comprehensive industrial infrastructure, product quality and cost structure established over the years will help sustain its market competitiveness. The Group will continue to devote its resources and commitment to the development of its core business – the manufacturing of coils and related raw materials such as manganese-zinc ferrite core materials. As this only entails certain auxiliary production facilities and accessories, the Group can maintain its capital expenditure at a relatively low level and at the same time launch new product series and increase production output in the coming year. The Group will also put a stronger emphasis on the development and marketing of manufactured products, especially power supply devices and to customers in Europe and the United States. It is expected that the Group will attain a satisfactory business growth.

In respect of new investments, in January 2003, the Group entered into a sales agreement with LG.Philips Displays for the Group to supply ready-to-press ferrite powder for LG.Philips Displays' deflection yoke cores, an important part in the manufacturing of display tubes. According to the agreement, the Group plans to set up a new plant in Nanjing to produce ready-to-press ferrite powder – a core project for the next financial year – and then sell the ready-to-press ferrite powder produced to Nanjing Fei Jin Magnetic Products Co., Ltd., a subsidiary of LG.Philips Displays.

LG.Philips Displays is a joint venture between the South Korea-based LG Electronics and the Dutch conglomerate Philips, and is the largest manufacturer of display tubes in the world. For every four television sets and computer monitors in the world, there is one with its display tube manufactured by the LG.Philips Displays. LG.Philips Displays had intended to designate one ready-to-press ferrite powder supplier in Mainland China that could meet its stringent quality requirements and the Group succeeded in becoming the designated cooperation partner of its subsidiary, Nanjing Fei Jin Magnetic Products Co., Ltd., after strict screening and evaluation by LG.Philips Displays' headquarter.

Through technology transfer and new plant investment, and coupled with geographical advantages, the Group will be able to further lower cost, increase competitiveness and expand business scope. The cooperation with LG.Philips Displays also enables the Group to extend its supplier base in Europe and increase the flexibility in sourcing. As the procurement currency will be denominated in United States dollars, this helps minimise foreign exchange risk. This strategic development will help facilitate the internationalisation of the Group.

The total investment outlay for this project is HK$23,000,000, which will be used primarily for the purchase of equipment and the construction of a production plant. As the Group has already signed a sales agreement with LG.Philips Displays as a sales guarantee, this project is expected to provide the Group with reasonable yields. As at 30th April 2003, the Group has invested HK$8,577,000 on the Nanjing project. According to the current progress, this project should be completed on schedule and become operational by the end of this year. It is expected that profit from this project will be reflected as soon as the third quarter of the next financial year.

Corporate and Community Relationships

When planning for future development, the Group also places heavy emphasis on cultivating corporate and community relationships. The two most important initiatives of which are human resources enhancement and environmental friendly green campaign.

The Group actively pursues forward-looking human resources policy to complement the policy of the local communities and to build harmonious and sensible labour relationships. Its people-oriented management concept underscores efforts in improving staff quality, recruiting young and competent executives and strengthening employee training. Continuing training programmes are also in place for employees to acquire new skill sets for career advancement. The Group invested HK$914,000 (2002: HK$497,000) on staff training for the year ended 30th April 2003, up 83.9%. In line with the Hong Kong SAR Government's promotion of increasing job opportunities among local enterprises, the Group's headquarter in Hong Kong is actively looking for the right talent.

Communication is an essential agenda in the Group. An intranet system has been in place since 2001 as a one-stop platform to facilitate real-time communication between the Group and the staff, and also among departments and across different geographical locations. Staff can also express their views on the intranet to the management, such that the management gets an in-depth understanding of the operation details. The Group's newsletters are also published to promote and cultivate the Group's corporate culture, and to disseminate messages of common concern. For example, during the outbreak of Severe Acute Respiratory Syndrome ("SARS"), the Group supported the anti-SARS campaigns of different local authorities and to educate all staff on personal hygiene and preventive measures.

In Mainland China, the Group fully supports and advocates labour unions to reconcile corporate and employee interests. In 2002, it was awarded the honour of "Advanced Labour Union of Dongfeng, Zhongshan" again. "CEC Labour Union" has a membership of 2,600 people, representing 52.0% of the total labour force at the Zhongshan main factory. The Group continuously supports the sub-division of the Chinese Communist Party in our Zhongshan main factory and encourages staff enrollment.

All measures are directed to the common goal of consolidating and developing the Group's human resources and promoting team spirit, so as to optimise synergy for the benefit of the Group, all staff and the community.

Green Campaign

Environmental protection is an important agenda of the Group. The Group actively promotes green campaign and makes it an essential element of corporate management because an environmentally friendly society is conducive to the development of enterprises.

An effective environmental management system is fundamental to the green campaign. The Group has set the goal to complete the accreditation of ISO 14000 environmental protection management system in the next financial year in order to incorporate the environmental protection concept into its day-to-day business and production activities. The Group will continue to protect and fully optimise the limited resources on Earth, save energy, recycle resources and improve cost effectiveness. The Group has invested HK$2,810,000 for the green campaign.

The Group believes that employee participation is critical to the success of the environmental protection campaign, and has been conducting educational programmes to turn concept into actual behaviour and driving different subsidiaries to commence more and more continuing activities in the green campaign.

The Group strives to fulfill its responsibility as a good corporate citizen and continues to devote resources into the green campaign to build a better environment for the Group and the community.

The above was written by:
Huang Kong
Deputy Managing Director
Lam Wing Kin, Sunny
Executive Director

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, 14th August 2003

Executive Directors

Mr. LAM Wai Chun, aged 44, was appointed as an executive director of the Company with effect from 29th September 1999, and the Chairman of the Company with effect from 4th October 1999. Mr. Lam is the founder of the Group and has over 32 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 the sole director of Ka Yan China Development (Holding) Company Limited, which has an interest in the shares of the Company as disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance. Mr. Lam is also the brother-in-law of Mr. Law Hoo Shan, an executive director of the Company.

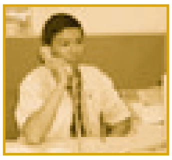
Ms. TANG Fung Kwan, aged 33, was appointed as an executive director of the Company with effect from 29th September 1999, and the Managing Director and Deputy Chairman of the Company with effect from 5th May 2003 and 1st August 2003 respectively. She is responsible for the Group's overall strategic planning, 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. HUANG Kong, aged 30, was appointed as an executive director of the Company with effect from 19th December 2002, and the Deputy Managing Director of the Company with effect from 5th May 2003. He is responsible for the management of the Group's information technology and administration functions. Mr. Huang has been admitted to the degree of Bachelor of Engineering with Honours in Information Engineering in The Chinese University of Hong Kong in 1995. Mr. Huang has over 7 years of experience in information technology management. He joined the Group in December 2002.

Mr. LAW Hoo Shan, aged 43, was appointed as an executive director of the Company with effect from 19th December 2002. He is responsible for the sales and marketing functions of the Group. Mr. Law has over 18 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, the Chairman of the Company.

Mr. CHIU Chan, Charles, aged 61, was appointed as an executive director of the Company with effect from 19th December 2002. He is responsible for the sales and marketing functions of the Group. Mr. Chiu has over 28 years of experience in the manufacturing, sales and marketing of electronic components, among which 25 years of experience were gained in the power supplies business. He joined the Group in August 2001.

Mr. LAM Wing Kin, Sunny, aged 38, was appointed as an executive director of the Company with effect from 18th February 2003. 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 December 2000.



Independent Non-Executive Directors

Mr. AU Son Yiu, aged 57, 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 and China Point Stock Brokers Limited, and 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 58, 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.

Mr. TANG Tin Sek, aged 44, was appointed as an executive director of the Company with effect from 29th September 1999, and has been re-designated as a non-executive director and an independent non-executive director of the Company with effect from 1st January 2000 and 3rd June 2003 respectively. Mr. Tang is a Certified Public Accountant in Hong Kong and has over 22 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.

Senior Management

Ms. MAI Shaoling, aged 39, 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 and materials control of the Group's production facilities in Zhongshan, Guangdong Province. Ms. Mai has over 20 years of experience in administration. She joined the Group in 1983.

Mr. JIANG Pingyuan, aged 34, is a director of Kunshan CEC-Ferrite Manufacturing Co., Ltd. He is responsible for the overall management of the Group's production facilities in Kunshan, Jiangsu Province, Mainland China. Mr. Jiang graduated from the Ganzhou Institute of Geology, Mainland China, in 1990. He joined the Group in 1993.

Mr. HUANG Guoxiang, aged 33, is the manager of the magnetic materials development department. He is responsible for the research and development functions for magnetic materials. Mr. Huang has been admitted to the degree of Bachelor of Engineering in Magnetic Physics in the University of Electronic Science and Technology, Mainland China, in 1992. He joined the Group in 1994.

Ms. LI Hong, aged 34, 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.

Ms. WANG Chunhong, aged 32, is a director and the assistant 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. ZHANG Suo, aged 32, 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. YANG Yong, aged 28, is a director of Chongqing CEC-Technology Limited. He is responsible for the general administration of the Group's operation in Chongqing, Mainland China. He joined the Group in 1994.

Mr. LI Jian, aged 31, is the manager of the general resources management department. He is responsible for the general administration functions of Zhongshan Tonichi Ferrite Products Co., Ltd. Mr. Li has been admitted to the degree of Bachelor of History in Archives in the Renmin University of China, Mainland China, in 1994. He joined the Group in 1995.

Mr. HO Kwok Keung, aged 45, is a director of Coils Electronic Co., Limited and the senior manager of the research and development department. He is responsible for the Group's research and development functions. Mr. Ho has over 27 years of experience in the electronics and electrical industry. He joined the Group in 1996.

Mr. YU Lei, aged 27, is the manager of the information systems department. He is responsible for the maintenance and management of the hardwares and softwares of the Group's computers and networks. Mr. Yu graduated from the Shanghai Teachers University, Mainland China, in 1995, and has been awarded the CNE 5.0 certificate by Novell and the MCSE system engineering certificate by Microsoft. He joined the Group in 1997.

Mr. CHEUNG Ming Yat, aged 27, is a director of Coils Electronic Co., Limited. He is responsible for the Group's financial management functions. 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 30, is the financial controller 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 43, 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.

Ms. LI Lai Sheung, aged 39, 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 Yanchang, aged 56, 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 42, 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 21 years of experience in the electronics manufacturing industry. He joined the Group in March 2000.

Mr. MA Yu Chung, aged 29, is a director of Chongqing CEC-Technology Limited. Mr. Ma is the project manager of the Group. He is responsible for the management of the application and development of information technology projects for the Group. Mr. Ma 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. CHAN King Man, aged 45, 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 22 years of experience in the sales and marketing of electronic components. He joined the Group in November 2000.

Mr. WONG Chi Ho, Benlie, aged 34, is the assistant general sales manager of the Group. He is responsible for the sales and marketing management functions of the Group. Mr. Wong has over 12 years of experience in sales and marketing management in the manufacturing and trading sectors. He joined the Group in March 2001.

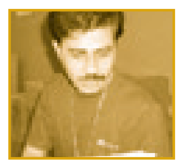
Mr. HE Guogao, aged 37, is the assistant general manager of Zhongshan Coils Electronic Co., Ltd. He is responsible for the research and development functions of the Group. Mr. He has been admitted to the degree of Bachelor of Engineering in Automation in the Gansu University of Technology, Mainland China, in 1988. He joined the Group in March 2001.

Mr. ZHAO Xiangqun, aged 41, 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.

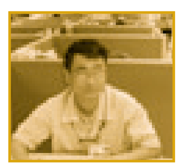
Mr. RAMAKRISHNA Subbaraya, aged 42, is the manager of the production department. He is responsible for the production management of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Ramakrishna has been admitted to the degree of Bachelor of Engineering in Electrical Engineering in the Bangalore University, India, in 1983. He joined the Group in March 2001.

Ms. MAHALAKSHMAMMA Varadappa Suryanara Yanappa, aged 33, 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. Mahalakshmamma holds a Diploma in Telecommunication Engineering in India. She joined the Group in May 2001.

Mr. TANG Wei-Te, aged 45, is the manager of the research and development department. He is responsible for the research and product development functions of the Group's production facilities in Zhongshan, Guangdong Province. Mr. Tang graduated from the electrical engineering department of Ching Yun University, Taiwan, in 1979, and is an electrical engineer with over 13 years of experience in the electronic components and devices industry. He joined the Group in August 2002.



Mr. LI Wenbing, aged 36, is the financial controller of the Group in China, He joined the Group in April 2003 and is responsible for the financial management functions of the Group's operations in Mainland China. He joined public accounting firm in 1994 and has practised as a Certified Public Accountant and a Certified Tax Accountant in several public accounting and taxation firms in Guangdong Province, Mainland China. Mr. Li graduated from Wuhan Jianghan University, Mainland China, in 1988 and qualified as a Certified Public Accountant and a Certified Tax Accountant in Mainland China in 1997 and 1999, respectively.



Mr. CHUNG Hang Ngai, aged 32, is the general sales manager of Sun-iOMS (Hong Kong) Limited. He is responsible for the sales and marketing management functions of Sun-iOMS (Hong Kong) Limited. Mr. Chung has been admitted to the degree of Bachelor of Science with Honours with a major in Chemistry and a minor in Computer Science in The Chinese University of Hong Kong in 1993. He has over 9 years of experience in sales and marketing management in the manufacturing and information technology sectors. He joined the Group in November 2002.

Ms. CHEUNG Lai San, aged 31, is the assistant general manager of Sun-iOMS (Hong Kong) Limited. She is responsible for the administration and management functions of Sun-iOMS (Hong Kong) Limited. Ms. Cheung has been admitted to the degree of Bachelor of Arts with Honours in Business Administration in the Bolton University, the United Kingdom, in 1999. She has over 13 years of experience in sales, marketing and administration in the manufacturing and information technology sectors. She joined the Group in 1989.

The directors submit their report together with the audited financial statements for the year ended 30th April 2003.

Principal activities and geographical analysis of operations

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) the design, development, manufacture and sale of a wide range of coils, capacitors and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products; and (ii) the provision of information technology services.

An analysis of the Group's performance for the year by business and geographical segment is set out in note 4 to the financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 44. The directors do not recommend the payment of a dividend in respect of the year ended 30th April 2003.

Reserves

Movements in reserves of the Group and of the Company during the year are set out in note 28 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$375,000 (2002: HK$156,000).

Fixed assets

Details of the movements in fixed assets of the Group during the year are set out in note 13 to the financial statements.

Share capital and warrants

Details of the movements in share capital and warrants of the Company are set out in notes 27 and 29, respectively, to the financial statements.

Distributable reserves

As at 30th April 2003, the Company's contributed surplus of approximately HK$131,338,000 (2002: HK$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained profits of approximately HK$2,995,000 (2002: HK$3,621,000) were available for distribution to the Company's shareholders.

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.

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 2003.

Share options

At the annual general meeting of the Company held on 26th September 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") and the termination of the share option scheme adopted by the Company on 26th October 1999 (the "Old Scheme").

The Old Scheme

The Old Scheme was designed to provide incentives to the participants although no such purpose was mentioned in the terms of the Old Scheme. The major terms of the Old Scheme are summarised as follows:

1. The participants of the Old 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 Old 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.

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 Old Scheme, must not exceed 25% of the maximum shares under the Old 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 (the "Board") when making an offer of option and in any event shall not be later than 10 years from the date of adoption of the Old Scheme.

5. Unless otherwise determined by the Board in its absolute discretion, there is no general requirement in respect of the minimum period for which an option must be held before it can be exercised.

6. The acceptance of an option, if accepted, must be made not more than 40 days after the date of 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 shall not be less than the higher of:

    (i) a price not less than 80% of the average closing price of the Company's shares quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the 5 trading days immediately preceding the date of offer of the option; and

    (ii) the nominal value of the Company's share.

The Old Scheme (Continued)

8. As the Old Scheme was terminated on 26th September 2002, no further options can be offered under the Old Scheme. However, in all other respects the provisions of the Old Scheme shall remain in full force and all outstanding options granted under the Old Scheme prior to such termination shall continue to be valid and exercisable pursuant to the Old Scheme until their respective expiry dates.

Movements in share options granted under the Old Scheme during the year were as follows:

				Number of shares under options			
Name	Date of grant	Exercisable period	Subscription price per share	Beginning of year	Exercised during the year	Lapsed during the year	End of year
(i) Directors							
Mr. Lam Wai Chun	21st September 2000	22nd September 2002 to 21st January 2005*	HK$1.02	3,527,194	–	–	3,527,194
Ms. Tang Fung Kwan	21st September 2000	22nd September 2002 to 21st January 2005*	HK$1.02	3,527,194	–	–	3,527,194
Mr. Saito Misao (resigned on 30th June 2003)	21st September 2000	22nd September 2002 to 21st January 2005*	HK$1.02	3,527,194	–	–	3,527,194
Mr. Law Hoo Shan	1st November 2000	1st November 2002 to 28th February 2005**	HK$0.75	1,680,000	–	–	1,680,000
Mr. Ho Kwok Keung (resigned on 14th August 2003)	1st November 2000	1st November 2002 to 28th February 2005**	HK$0.75	780,000	–	–	780,000
(ii) Employees	21st September 2000	22nd September 2002 to 21st January 2005*	HK$1.02	3,527,194	–	–	3,527,194
	1st November 2000	1st November 2002 to 28th February 2005**	HK$0.75	32,280,000	–	(1,080,000)	31,200,000
				48,848,776	–	(1,080,000)	47,768,776

* 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; and (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 automatically after they cease to be exercisable.

The Old Scheme (Continued)

** 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; and (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 automatically after they cease to be exercisable.

The New Scheme

The major terms of the New Scheme are summarised as follows:

1. The purpose of the New Scheme is to provide participants with the opportunity to acquire proprietary interest in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

2. The participants include:

   (i) any full-time employees of the Company or its subsidiary, including executive directors; and

   (ii) any non-executive directors of the Company or its subsidiary, including independent non-executive directors of the Company.

3. The total number of shares available for issue upon exercise of all options to be granted under the New Scheme and other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company as at the date of approval of the New Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. The total number of shares available for issue under the New Scheme as at 14th August 2003, the date of this annual report, was 69,302,881, representing approximately 10% of the issued share capital of the Company.

4. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including exercised, cancelled and outstanding options) in any twelve-month period up to the date of grant must not exceed 1% of the Company's shares in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in general meeting of the Company in advance.

   Any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant, in aggregate exceed 0.1% of the shares of the Company in issue and with an aggregate value in excess of HK$5 million (based on the closing price of the Company's share at the date of each grant), is subject to the prior approval by the shareholders of the Company in general meeting.

The New Scheme (Continued)

5. The period within which an option may be exercised will be determined and notified by the Board at the time of grant, but in any event shall not exceed 10 years from the date of grant.

6. Unless otherwise determined by the Board in its absolute discretion, there is no general requirement in respect of the minimum period for which an option must be held before it can be exercised.

7. The acceptance of an option, if accepted, must be made within 28 days from the date of 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.

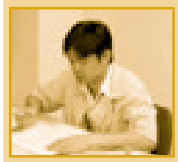
8. The subscription price per share in respect of an option shall not be less than the highest of:

   (a) the closing price of the Company's share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

   (b) the average closing price of the Company's share as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and

   (c) the nominal value of the Company's share on the date of grant.

9. The New Scheme is valid and effective for a period of 10 years commencing on its date of adoption until 25th September 2012.



During the year ended 30th April 2003, no option has been granted under the New Scheme.

Directors

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

Executive directors

Mr. Lam Wai Chun	*(Chairman)*
Ms. Tang Fung Kwan	*(Deputy Chairman and Managing Director)*
Mr. Huang Kong	*(Deputy Managing Director; appointed on 19th December 2002)*
Mr. Lam Wing Kin, Sunny	*(retired on 26th September 2002 and re-appointed on 18th February 2003)*
Mr. Law Hoo Shan	*(appointed on 19th December 2002)*
Mr. Chiu Chan, Charles	*(appointed on 19th December 2002)*
Mr. Ho Kwok Keung	*(appointed on 20th December 2002 and resigned on 14th August 2003)*
Mr. Saito Misao	*(resigned on 30th June 2003)*

Independent non-executive directors

Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis
Mr. Tang Tin Sek*

* *Re-designated from a non-executive director to an independent non-executive director with effect from 3rd June 2003*

Directors (Continued)

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Au Son Yiu will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Au Son Yiu 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, Mr. Huang Kong, Mr. Chiu Chan, Charles and Mr. Law Hoo Shan will hold office until the forthcoming annual general meeting of the Company and will, being eligible, offer themselves for re-election.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 23 to 28 of this annual report.

Directors' service contracts

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 Ms. Tang Fung Kwan, Mr. Lam Wing Kin, Sunny, Mr. Law Hoo Shan, Mr. Chiu Chan, Charles and Mr. Huang Kong entered into a service agreement with the Company on 14th August 2003 for a term of two years, each commencing on 1st May 2003 until terminated by either party giving to the other a prior notice of three months in writing (or such other period as the parties may agree in writing from time to time, but in any event not more than three months) before its expiration.

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 contracts of significance

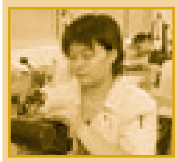
No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Interests of directors and chief executives in securities

As at 30th April 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Interests and short positions in the shares of the Company

	Number of shares of HK$0.10 each						
Name of director	Family interests	Personal interests (*Note 2*)	Corporate interests	Trusts and similar interests	Other interests	Total interests	Percentage of issued share capital
Mr. Lam Wai Chun	404,008,996 (*Note 3*)	3,832,000	404,008,996 (*Note 3*)	404,008,996 (*Note 3*)	–	407,840,996 (*Note 3*)	58.85%
Mr. Saito Misao (resigned on 30th June 2003)	–	750,493	–	–	–	750,493	0.11%
Ms. Tang Fung Kwan	–	3,502,611	–	–	–	3,502,611	0.51%
Mr. Law Hoo Shan	–	546,751	–	–	–	546,751	0.08%
Mr. Ho Kwok Keung (resigned on 14th August 2003)	248,266 (*Note 4*)	–	–	–	200,266 (*Note 4*)	448,532 (*Note 4*)	0.06%
Mr. Au Son Yiu	–	2,258,000	–	–	–	2,258,000	0.33%
Mr. Lam Wing Kin, Sunny	–	902,000	–	–	–	902,000	0.13%



Notes:

1. All the above interests in the shares of the Company were long positions. These interests need to be aggregated with those set out in sub-paragraph (b) below (if applicable) to give the total interests of the relevant directors of the Company. None of the directors or chief executives of the Company held any short position in the shares of the Company.

2. Personal interests were interests held by the relevant directors as beneficial owners.

3. The 404,008,996 shares were held by and registered in the name of Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust, namely Ka Yan China Family Trust (the "Trust"). The beneficiaries under the Trust were Mr. Lam Wai Chun's spouse, Ms. Law Ching Yee, and his children who were under the age of 18 years. By virtue of his being a founder of the Trust, Mr. Lam Wai Chun was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The 404,008,996 shares in the family interests, corporate interests and trusts and similar interests related to the same block of shares in the Company and duplicated each other. Accordingly, the figure of 407,840,996 shares in the total interests column for Mr. Lam Wai Chun was arrived at after eliminating the duplication.

4. The 248,266 shares which constituted the family interests of Mr. Ho Kwok Keung ("Mr. Ho") consisted of 48,000 shares which were beneficially owned by the spouse of Mr. Ho and the 200,266 shares which were jointly beneficially owned by Mr. Ho and his spouse.

Interests of directors and chief executives in securities (Continued)

(b) Interests and short positions in underlying shares pursuant to equity derivatives of the Company

As at 30th April 2003, the following directors of the Company had beneficial interests in the outstanding share options granted under the Old Scheme entitling them to subscribe for shares of the Company, the interests of which were long positions:

				Number of shares under options			
Name of director	Date of grant	Exercisable period	Subscription price per share	Beginning of year	Exercised during the year	Lapsed during the year	End of year
Mr. Lam Wai Chun	21st September 2000	22nd September 2002 to 21st January 2005*	HK$1.02	3,527,194	–	–	3,527,194
Ms. Tang Fung Kwan	21st September 2000	22nd September 2002 to 21st January 2005*	HK$1.02	3,527,194	–	–	3,527,194
Mr. Saito Misao (resigned on 30th June 2003)	21st September 2000	22nd September 2002 to 21st January 2005 *	HK$1.02	3,527,194	–	–	3,527,194
Mr. Law Hoo Shan	1st November 2000	1st November 2002 to 28th February 2005**	HK$0.75	1,680,000	–	–	1,680,000
Mr. Ho Kwok Keung (resigned on 14th August 2003)	1st November 2000	1st November 2002 to 28th February 2005**	HK$0.75	780,000	–	–	780,000

* 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; and (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 automatically after they cease to be exercisable.

** 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; and (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 automatically after they cease to be exercisable.

None of the directors or chief executives of the Company held any short position in underlying shares of the Company.

Interests of directors and chief executives in securities (Continued)

(c) Interests and short positions in the shares and underlying shares pursuant to equity derivatives of associated corporations of the Company

Coils Electronic Co., Limited

Name of director	Number of non-voting deferred shares of HK$1.00 each				Percentage of issued non-voting deferred shares
	Personal interests	Corporate interests	Family interests	Total interests	
Mr. Lam Wai Chun *(Notes 5 and 6)*	7,500,000	6,000,000	500,000	14,000,000	100%

Notes:

5. Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK$1.00 each, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of HK$1.00 each issued by Coils Electronic Co., Limited, in which Coils International Holdings Limited, a direct wholly-owned subsidiary of the Company, held 100% of the issued ordinary share capital.

6. 6,000,000 non-voting deferred shares of HK$1.00 each were held by Ka Yan China Development (Holding) Company Limited and 500,000 non-voting deferred shares of HK$1.00 each were held by Ms. Law Ching Yee respectively 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 these shares under the SFO by virtue of, in the case of shares held by Ka Yan China Development (Holding) Company Limited, the reasons set out in Note (a)3 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.

7. All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited were long positions.

8. Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

None of the directors or chief executives of the Company held any short position in the shares or underlying shares in the Company's associated corporations.

(d) Interests in debentures of the Company

None

(e) Interests in debentures of associated corporation(s) of the Company

None

Interests of directors and chief executives in securities (Continued)

Save as disclosed above, as at 30th April 2003, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares or debentures

Save as disclosed above, at no time during the year ended 30th April 2003 was the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 debentures of, the Company or any other body corporate.

Interests of shareholders discloseable under the SFO

As at 30th April 2003, according to the register kept by the Company under section 336 of the SFO, other than the directors or chief executives of the Company, the following persons had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) Interests and short positions in the shares of the Company

Substantial shareholders (as defined in the Listing Rules)

	Number of shares held				
Name	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	Percentage of issued share capital
Ms. Law Ching Yee	407,840,996 *(Note 2)*	–	–	–	58.85% *(Note 2)*
Ka Yan China Development (Holding) Company Limited	–	–	–	404,008,996 *(Notes 2 & 3)*	58.30%
Ka Yan China Investments Limited	–	404,008,996 *(Notes 2 & 3)*	–	–	58.30%
HSBC International Trustee Limited	–	–	404,008,996 *(Notes 3 & 4)*	–	58.30%

Interests of shareholders discloseable under the SFO (Continued)

(a) Interests and short positions in the shares of the Company (Continued)

Other persons as recorded in the register kept by the Company pursuant to section 336 of the SFO

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Nittoku Engineering Co., Ltd.	–	–	–	51,093,983	7.37%
Toko, Inc.	–	–	–	36,785,402	5.31%
Friedmann Pacific Greater China Investments Limited	–	–	–	36,470,000	5.26%

Notes:

1. All the above interests in the shares of the Company were long positions.

2. The 404,008,996 shares were held by and registered in the name of Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust. The beneficiaries under the Trust were Mr. Lam Wai Chun's spouse, Ms. Law Ching Yee, and his children who were under the age of 18 years. By virtue of Mr. Lam Wai Chun being a founder of the Trust, Ms. Law Ching Yee was deemed to be interested in all the shares and equity derivatives held by her spouse for the purpose of the SFO.

   These interests need to be aggregated with those set out in sub-paragraph (b) below to give the total interests of Ms. Law Ching Yee.

3. The interests of Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, the ultimate holding company of the Company, were in respect of the same 404,008,996 shares and duplicated each other.

4. The 404,008,996 shares in which HSBC International Trustee Limited was interested were the shares referred to in Notes 2 and 3 above.

Interests of shareholders discloseable under the SFO (Continued)

(b) Interests and short positions in underlying shares pursuant to equity derivatives of the Company

Substantial shareholders (as defined in the Listing Rules)

Name	Number of shares pursuant to option granted Family interests
Ms. Law Ching Yee	3,527,194 *(Note 5)*

Note:

5. By virtue of Ms. Law Ching Yee's spouse, Mr. Lam Wai Chun, being a founder of the Trust, Ms. Law Ching Yee was deemed to be interested in 3,527,194 shares in respect of the outstanding share option granted to Mr. Lam Wai Chun under the Old Scheme, the interests of which were long positions. The details of the outstanding share option are set out in the section headed "Interests of directors and chief executives in securities" and under sub-paragraph (b) headed "Interests and short positions in underlying shares pursuant to equity derivatives of the Company".

Save as disclosed above, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which was required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 30th April 2003.

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.

Major customers and suppliers

During the year ended 30th April 2003, the five largest suppliers of the Group accounted for less than 30% 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.

Practice Note 19 to 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 2002 Agreement (as defined below) and 2003 Agreement (as defined below), which includes conditions relating to specific performance of the controlling shareholder of the Company:

(a) On 31st January 2002, the Company entered into a 3-year transferable term loan and revolving credit facility agreement (the "2002 Agreement") for an aggregate amount of HK$100,000,000 (the "2002 Facility") with Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company, as original guarantor and a group of banks.

(b) On 30th April 2003, the Company entered into a 3-year transferable term loan facility agreement (the "2003 Agreement") for an aggregate amount of HK$165,000,000 (the "2003 Facility") with Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company, as original guarantor and a group of banks.

Practice Note 19 to the Listing Rules (Continued)

Under the provisions of the 2002 Agreement and the 2003 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 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.

For 2002 Agreement, if any such event of default occurs, upon a notice served to the Company, (i) the 2002 Facility shall immediately be cancelled; (ii) all amounts accrued and outstanding or owing under the 2002 Facility shall immediately become due and payable; and/or (iii) the 2002 Facility shall immediately become payable on demand.

For 2003 Agreement, if any such event of default occurs, upon a notice served to the Company, (i) the 2003 Facility shall immediately be cancelled; (ii) all amounts accrued and outstanding or owing under the 2003 Facility shall immediately become due and payable; and/or (iii) the 2003 Facility shall immediately become payable on demand.

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 bills payable and 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 in August 2002.

All the outstanding indebtedness under the 2002 Agreement has been prepaid in May 2003.

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 2003, except that the non-executive director (Mr. Tang Tin Sek, who has been re-designated as an independent non-executive director with effect from 3rd June 2003) and independent non-executive directors have not been appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

Audit committee

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

Summary financial information

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

Auditors

The financial statements 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, 14th August 2003

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 44 to 85 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 out audit, on those accounts and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person of the contents of this report.

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 2003 and of the group's loss 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, 14th August 2003

Consolidated Income Statement

For the year ended 30th April 2003

	Note	2003 HK$'000	2002 HK$'000
Turnover	3	**448,155**	363,896
Cost of sales		**(335,926)**	(256,460)
Gross profit		**112,229**	107,436
Selling and distribution expenses		**(13,866)**	(12,445)
General and administrative expenses		**(69,052)**	(63,825)
Provision for impairment loss on intangible assets		**(8,940)**	–
Other operating expenses		**(5,747)**	(1,329)
Operating profit	5	**14,624**	29,837
Interest income	3	**341**	1,031
Interest expense	6	**(18,223)**	(22,295)
Share of profits less losses of associates		**76**	–
Share of profits less losses of jointly controlled entities		**140**	(138)
(Loss)/profit before taxation		**(3,042)**	8,435
Taxation	7	**(1,805)**	(2,361)
(Loss)/profit after taxation but before minority interests		**(4,847)**	6,074
Minority interests		**(100)**	(101)
(Loss)/profit attributable to shareholders	8	**(4,947)**	5,973
(Loss)/earnings per share			
– Basic	9	**(0.72) cent**	0.92 cent
– Diluted	9	**N/A**	N/A

Balance Sheets

As at 30th April 2003

		Group		Company	
		2003	2002	**2003**	2002
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Non-current assets					
Intangible assets	12	**–**	1,778	**–**	–
Fixed assets	13	**460,469**	489,012	**–**	–
Investment in subsidiaries	14	**–**	–	**331,965**	342,878
Investment in associates	15	**4,193**	–	**–**	–
Investment in jointly controlled entities	16	**–**	872	**–**	–
Deposit with an associate	17	**8,577**	–	**–**	–
Total non-current assets		**473,239**	491,662	**331,965**	342,878
Current assets					
Inventories	18	**83,756**	70,321	**–**	–
Trade receivables	19	**77,680**	42,000	**–**	–
Bills receivable		**583**	–	**–**	–
Prepayments, deposits and other current assets		**9,713**	10,227	**–**	–
Tax recoverable		**436**	–	**–**	–
Investment	20	**7,939**	7,370	**–**	–
Pledged bank deposits	21	**24,983**	35,847	**–**	–
Bank balances and cash	21	**19,257**	9,587	**3**	22
Total current assets		**224,347**	175,352	**3**	22
Current liabilities					
Short-term bank borrowings	22	**(147,799)**	(89,030)	**–**	–
Trade payables	23	**(51,876)**	(41,596)	**–**	–
Bills payable		**(660)**	(2,390)	**–**	–
Accruals and other payables		**(21,788)**	(13,874)	**–**	(63)
Long-term bank loans, current portion	24	**(42,996)**	(44,798)	**(20,000)**	(20,000)
Finance lease obligations, current portion	25	**(14,487)**	(14,552)	**–**	–
Taxation payable		**(140)**	(122)	**–**	–
Total current liabilities		**(279,746)**	(206,362)	**(20,000)**	(20,063)
Net current liabilities		**(55,399)**	(31,010)	**(19,997)**	(20,041)
Total assets less current liabilities		**417,840**	460,652	**311,968**	322,837

As at 30th April 2003

		Group		Company	
		2003	2002	**2003**	2002
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Non-current liabilities					
Long-term bank loans, non-current portion	24	**(92,862)**	(134,649)	**(55,000)**	(75,000)
Finance lease obligations, non-current portion	25	**(8,226)**	(17,060)	**–**	–
Deferred taxation	26	**(16,432)**	(14,937)	**–**	–
Total non-current liabilities		**(117,520)**	(166,646)	**(55,000)**	(75,000)
Minority interests		**(61)**	–	**–**	–
Net assets		**300,259**	294,006	**256,968**	247,837
Capital and reserves					
Share capital	27	**69,303**	66,103	**69,303**	66,103
Reserves	28	**230,956**	227,903	**187,665**	181,734
Shareholders' equity		**300,259**	294,006	**256,968**	247,837

LAM WAI CHUN
Chairman

TANG FUNG KWAN
Deputy Chairman

Consolidated Statement of Changes in Equity

For the year ended 30th April 2003

	Note	**2003 HK$'000**	2002 HK$'000
Total equity, beginning of year		**294,006**	271,507
Surplus on revaluation of properties, net		**–**	3,590
Exchange differences arising on translation of the financial statements of foreign subsidiaries and associates	28	**1,443**	96
Net gains not recognised in the consolidated income statement		**1,443**	3,686
(Loss)/profit attributable to shareholders	28	**(4,947)**	5,973
Issue of new shares	27	**3,200**	2,719
Premium arising from issue of new shares	28	**6,560**	15,651
Share issue expense	28	**(3)**	(239)
Dividends paid		**–**	(5,291)
Total equity, end of year		**300,259**	294,006

For the year ended 30th April 2003

	Note	2003 HK$'000	2002 HK$'000
Net cash inflow from operating activities	31(a)	**47,690**	66,242
Investing activities			
Purchase of fixed assets		**(17,258)**	(91,729)
Disposal of fixed assets		**176**	–
Purchase of subsidiaries, net of cash acquired	31(d)	**1**	–
Purchase of additional interest in a jointly controlled entity, net of cash acquired	31(e)	**120**	–
Acquisition of additional interest in a subsidiary		**–**	(5)
Purchase of an associate		**(4,099)**	–
Interest received		**341**	1,031
Increase in deposit with an associate		**(8,577)**	–
Decrease/(increase) in amount due from jointly controlled entities		**865**	(772)
Decrease in amount due to a jointly controlled entity		**–**	(5)
Increase in investment		**–**	(7,800)
Decrease in pledged bank deposits		**10,864**	11,540
Net cash outflow from investing activities		**(17,567)**	(87,740)
Financing activities	31(b)		
Proceeds from issue of shares		**–**	14,619
Share issue expense		**(3)**	(239)
New short-term bank borrowings		**119,271**	68,660
Repayment of short-term bank borrowings		**(68,660)**	(76,728)
New long-term bank loans		**7,000**	134,117
Repayment of long-term bank loans		**(50,589)**	(39,188)
Repayment of capital element of finance lease obligations		**(18,350)**	(62,864)
Interest paid		**(18,223)**	(22,295)
Dividends paid to shareholders		**–**	(1,540)
Dividends paid to minority shareholder of a subsidiary		**–**	(101)
Net cash (outflow)/inflow from financing activities		**(29,554)**	14,441
Translation adjustments		**943**	22
Increase/(decrease) in cash and cash equivalents		**1,512**	(7,035)
Cash and cash equivalents, beginning of year		**(10,783)**	(3,748)
Cash and cash equivalents, end of year		**(9,271)**	(10,783)
Analysis of cash and cash equivalents:			
Bank balances and cash		**19,257**	9,587
Bank overdrafts		**(28,528)**	(20,370)
		(9,271)	(10,783)

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 (i) the design, development, manufacture and sale of a wide range of coils, capacitors and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products; and (ii) the provision of information technology services.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below:

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that certain properties are stated at revalued amounts and investment held as current asset is stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 34 (revised)	: Employee benefits

The directors consider that there was no material impact on the financial statements of the Group as a result of adopting these revised SSAPs.

(b) Group accounting

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30th April.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

2 Principal accounting policies (Continued)

(b) Group accounting (Continued)

(i) Consolidation (Continued)

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the sales proceeds and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

All subsidiaries incorporated in Mainland China adopt 31st December as their financial year end to comply with local reporting requirement. 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 2002 and 2003 were used, after making adjustments which are considered necessary by the directors for compliance with SSAPs and accounting principles generally accepted in Hong Kong.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Jointly controlled entities

A jointly controlled entity is a contractual agreement whereby 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.

The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, investment in jointly controlled entities is stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

2 Principal accounting policies (Continued)

(b) Group accounting (Continued)

(iii) Associates

An associate is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated income statement includes the Group's share of the results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, investment in associates is stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

(iv) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The balance sheets of subsidiaries, jointly controlled entities and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statements are translated at an average rate. Exchange differences are dealt with as movement in reserves. Upon disposal of a foreign entity, the related accumulative exchange differences are included in the consolidated income statement as part of the gain or loss on disposal.

(c) Intangible assets

(i) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/jointly controlled entity/associate at the date of acquisition.

Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life of five years.

2 Principal accounting policies (Continued)

(c) Intangible assets (Continued)

(i) *Goodwill/negative goodwill (Continued)*

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets of five years; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

(ii) *Distribution right*

Expenditure on acquired non-exclusive distribution right is capitalised and amortised using the straight-line method over its useful life of three years. Where appropriate, provision is made for any impairment in value.

(iii) *Research and development costs*

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than five years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

All research and development costs for the years ended 30th April 2002 and 2003 have been expensed as no expenditure met the criteria for deferral.

(iv) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

2 Principal accounting policies (Continued)

(d) Fixed assets

(i) Land and buildings

Land and buildings are stated at valuation less accumulated depreciation and accumulated impairment losses. Independent valuations are performed periodically. The valuations are on an open market basis related to individual properties and separate values are not attributed to land and buildings. In the intervening years, the directors review the carrying value of the land and buildings and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

(ii) Other fixed assets

Other fixed assets, comprising machinery, furniture and equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

Leasehold land is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2.5%
Machinery	10%
Furniture and equipment	16.7% to 25%
Motor vehicles	16.7% to 30%

The plant components are depreciated over the period to overhaul. Major costs incurred in restoring the plant components to its normal working condition to allow continued use of the overall asset are capitalised and depreciated over the period to the next overhaul.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

2 Principal accounting policies (Continued)

(d) Fixed assets (Continued)

(iv) Impairment and gain or loss on sale (Continued)

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(e) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital element and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the income statement over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(f) Investment

Investment classified as current asset is carried at fair value, which generally approximates the quoted market value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of the investment are recognised in the income statement. Profits or losses on disposal of the investment, representing the difference between the net sales proceeds and the carrying amount, are recognised in the income statement as they arise.

(g) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate portion of all production overhead expenditures. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 Principal accounting policies (Continued)

(h) 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.

(i) 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 and bank overdrafts.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates a number of defined contribution plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(l) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

2 Principal accounting policies (Continued)

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from the provision of service is recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(p) 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.

2 Principal accounting policies (Continued)

(p) Segment reporting (Continued)

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

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

3 Turnover and revenues

Revenues recognised during the year are as follows:

	2003	2002
	HK$'000	HK$'000
Turnover		
Sale of goods	**446,323**	363,896
Provision of information technology services	**1,832**	–
	448,155	363,896
Other revenue		
Interest income	**341**	1,031
Total revenues	**448,496**	364,927

4 Segment information

(a) Primary segments

The Group is organised into four major operating units: (i) coils manufacturing; (ii) capacitors manufacturing; (iii) electronic components trading; and (iv) provision of information technology services. An analysis by business segment is as follows:

	Coils manufacturing		Capacitors manufacturing		Electronic components trading		Information technology services		Eliminations		Total	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Turnover												
External sales	355,879	287,607	35,271	33,240	55,173	43,049	1,832	–	–	–	448,155	363,896
Intersegment sales	1,422	4,300	2,973	2,075	1,640	344	–	–	(6,035)	(6,719)	–	–
	357,301	291,907	38,244	35,315	56,813	43,393	1,832	–	(6,035)	(6,719)	448,155	363,896
Operating results												
Operating profit/ (loss)	26,722	30,747	821	(368)	(1,392)	(542)	(11,527)	–	–	–	14,624	29,837
Interest income	341	1,031	–	–	–	–	–	–	–	–	341	1,031
Interest expense	(17,965)	(21,516)	(234)	(289)	(24)	(490)	–	–	–	–	(18,223)	(22,295)
Share of profits less losses of associates											76	–
Share of profits less losses of jointly controlled entities											140	(138)
(Loss)/profit before taxation											(3,042)	8,435
Taxation											(1,805)	(2,361)
(Loss)/profit after taxation but before minority interests											(4,847)	6,074
Minority interests											(100)	(101)
(Loss)/profit attributable to shareholders											(4,947)	5,973
Other information												
Total assets	635,113	636,223	48,402	17,916	10,691	12,875	3,380	–	–	–	697,586	667,014
Total liabilities	387,892	363,755	4,833	7,174	3,322	2,079	1,219	–	–	–	397,266	373,008
Capital expenditures												
– fixed assets	26,101	102,825	239	1,094	11	4	358	–	–	–	26,709	103,923
– subsidiaries and associates	4,099	–	–	–	–	–	10,015	–	–	–	14,114	–
	30,200	102,825	239	1,094	11	4	10,373	–	–	–	40,823	103,923
Depreciation and amortisation	52,684	50,164	2,678	794	1,069	1,066	2,285	–	–	–	58,716	52,024
Impairment loss	–	–	–	–	711	–	8,229	–	–	–	8,940	–

ANNUAL REPORT 2002/2003

4 Segment information (Continued)

(b) Secondary segments

The Group has business operations in Hong Kong, Mainland China, Taiwan, Europe, Singapore and other regions. An analysis by geographical location is as follows:

	Turnover		Operating profit/(loss)		Total assets		Capital expenditures	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong	**278,381**	253,463	**15,518**	23,785	**206,322**	179,358	**1,957**	3,216
Mainland China	**52,793**	21,919	**(4,955)**	2,938	**465,396**	461,974	**34,763**	100,674
Taiwan	**58,050**	45,456	**1,345**	829	**6,147**	3,822	**4,099**	–
Europe	**25,649**	16,879	**1,153**	2,162	**–**	–	**–**	–
Singapore	**22,551**	21,691	**3,684**	818	**18,802**	20,787	**4**	33
Others	**10,731**	4,488	**(2,121)**	(695)	**919**	1,073	**–**	–
Total	**448,155**	363,896	**14,624**	29,837	**697,586**	667,014	**40,823**	103,923

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2003	2002
	HK$'000	HK$'000
Crediting		
Unrealised gain on investment	**569**	–
Charging		
Depreciation		
– owned fixed assets	**48,484**	43,616
– fixed assets held under finance leases	**7,372**	7,342
Amortisation of intangible assets		
– goodwill *(Note 12)*	**1,793**	–
– distribution right *(Note 12)*	**1,067**	1,066
Provision for impairment loss on intangible assets		
– goodwill *(Note 12)*	**8,229**	–
– distribution right *(Note 12)*	**711**	–
Loss on disposal of fixed assets	**119**	10
Cost of inventories sold	**334,942**	255,958
Provision for bad and doubtful debts	**1,495**	1,259
Provision for slow moving and obsolete inventories	**–**	502
Operating lease rental on rented premises	**3,873**	3,345
Auditors' remuneration	**798**	770
Research and development costs	**6,641**	6,162
Unrealised loss on investment	**–**	430
Advertising and promotion costs	**1,478**	1,768
Net exchange losses	**2,371**	1,134
Staff costs (including directors' emoluments) *(Note 10)*	**89,183**	91,264

6 Interest expense

	2003 HK$'000	2002 HK$'000
Interest expense on		
– bank overdrafts and loans wholly repayable within five years	**14,153**	13,656
– factoring of trade receivables	**2,247**	2,372
– finance leases	**1,823**	6,267
	18,223	22,295

7 Taxation

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. Subsidiaries of the Company in Mainland China are subject to Mainland China enterprise income tax ranging from 12% to 33% (2002: 15% to 33%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

ANNUAL REPORT 2002/2003

The amount of taxation charged to the consolidated income statement represents:

	2003 HK$'000	2002 HK$'000
Hong Kong profits tax		
– current tax	**38**	200
– over-provision in prior years	**(68)**	–
Mainland China enterprise income tax		
– current tax	**511**	485
– over-provision in prior years	**(171)**	–
Deferred taxation *(Note 26)*	**1,495**	1,675
Shares of taxation attributable to:	**1,805**	2,360
– associates	**–**	–
– jointly controlled entities	**–**	1
	1,805	2,361

8 (Loss)/profit attributable to shareholders

(Loss)/profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of HK$626,000 (2002: HK$944,000).

9 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to shareholders of approximately HK$4,947,000 (2002: profit of HK$5,973,000) and the weighted average number of 690,047,989 (2002: 649,040,127) shares in issue during the year.

Diluted earnings per share is not presented as the outstanding share options and warrants during the years ended 30th April 2002 and 30th April 2003 were anti-dilutive.

10 Staff costs

	2003 **HK$'000**	2002 HK$'000
Wages, salaries and welfare	**85,213**	87,972
Unutilised annual leave	**608**	–
Pension costs – defined contribution plans *(Note 33)*	**3,362**	3,292
	89,183	91,264

11 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to directors of the Company during the year are as follows:

	2003 **HK$'000**	2002 HK$'000
Directors' fees		
– independent non-executive directors	**600**	600
– non-executive director	**300**	300
Other emoluments for executive directors		
– basic salaries, allowances and other benefits in kind	**5,451**	4,136
– contributions to pension schemes	**285**	227
	6,636	5,263

11 Directors' and senior management's emoluments (Continued)

(a) Directors' emoluments (Continued)

The emoluments of the directors fell within the following bands:

	Number of directors	
	2003	2002
Executive directors		
Nil to HK$1,000,000	**6**	4
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	8	6
Non-executive director/Independent non-executive directors		
Nil to HK$1,000,000	**3**	3

No directors waived any emoluments during the year (2002: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

(b) Five highest paid individuals

	2003	2002
	HK$'000	HK$'000
Basic salaries and allowances	**4,299**	4,201
Contributions to pension schemes	**230**	248
	4,529	4,449

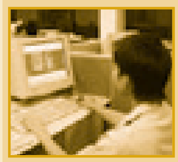
The five individuals whose emoluments were the highest in the Group for the year include five (2002: four) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining individual in 2002 fell within the following band:

	Number of individuals	
	2003	2002
Nil to HK$1,000,000	**–**	1

12 Intangible assets

	Goodwill (i) HK$'000	Distribution right HK$'000	Total HK$'000
Cost:			
Beginning of year	–	3,200	3,200
Acquisition of subsidiaries	10,022	–	10,022
End of year	10,022	3,200	13,222
Accumulated amortisation and impairment losses:			
Beginning of year	–	1,422	1,422
Amortisation charge	1,793	1,067	2,860
Provision for impairment losses (ii)	8,229	711	8,940
End of year	10,022	3,200	13,222
Net book value:			
End of year	–	–	–
Beginning of year	–	1,778	1,778



Notes:

(i) On 4th June 2002, CEC-Technology Limited ("CEC-Technology"), a wholly-owned subsidiary of the Company, acquired the entire issued share capital of Good Signal Holdings Limited ("Good Signal"), a company incorporated in the British Virgin Islands, and the benefit of a loan of HK$9,367,720 advanced to Good Signal from Mr. Chen Guo Luan, an independent third party, at an aggregate consideration of HK$8,320,000 by way of the issue of 32,000,000 new shares of the Company at HK$0.26 per new share to satisfy the consideration of acquisition pursuant to an agreement entered between the Company and Mr. Chen Guo Luan on 14th May 2002. The aggregate cost of the acquisition was recorded at HK$9,760,000 and the 32,000,000 new shares of the Company were recorded at HK$0.305 per new share, being the closing price of the Company's share as quoted on the Stock Exchange on 4th June 2002. The excess of consideration paid over the fair value of the assets acquired amounting to approximately HK$9,727,000 was recorded as goodwill. Good Signal has an effective indirect equity interest of 12.5% in the registered capital of 上海圖王科技有限公司 (Shanghai Signking Science & Technology Co., Ltd.), which is a company incorporated in Mainland China whose principal operation is the provision of information technology services.

On 5th March 2003, CEC-Technology acquired 51% equity interest in Sun-iOMS Technology Holdings Limited ("Sun-iOMS Technology"), a company incorporated in the British Virgin Islands, at a total consideration of HK$255,000 by way of subscription of new shares in Sun-iOMS Technology. Accordingly, CEC-Technology has an effective indirect interest of 51% in Sun-iOMS Technology's two subsidiaries. The excess of consideration paid over the fair value of net liabilities acquired amounting to approximately HK$295,000 was recorded as goodwill. The principal operation of the Sun-iOMS Technology group is the provision of information technology services.

12 Intangible assets (Continued)

Notes: (Continued)

(ii) As at 30th April 2003, the directors assessed the recoverability of the carrying value of (i) the goodwill arising from the acquisition of subsidiaries as mentioned in Note 12(i); and (ii) the distribution right. As a result of this assessment, the Group determined to provide for impairment losses of HK$8,940,000, which, in addition to the amortisation already charged, reduced the carrying value of the intangible assets to HK$Nil as at 30th April 2003.

13 Fixed assets

	Land and buildings	**Machinery**	**Furniture and equipment**	**Motor vehicles**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:					
Beginning of year	74,130	520,393	48,647	5,696	648,866
Additions	1,399	21,121	3,625	564	26,709
Disposals	–	(470)	(215)	(168)	(853)
Acquisition of subsidiaries *(Note 31(d))*	–	–	417	–	417
Translation adjustments	3	681	(9)	(53)	622
End of year	75,532	541,725	52,465	6,039	675,761
Accumulated depreciation:					
Beginning of year	–	124,602	31,986	3,266	159,854
Charge for the year	2,258	47,454	5,402	742	55,856
Disposals	–	(231)	(178)	(149)	(558)
Acquisition of subsidiaries *(Note 31(d))*	–	–	32	–	32
Translation adjustments	–	82	42	(16)	108
End of year	2,258	171,907	37,284	3,843	215,292
Net book value:					
End of year	73,274	369,818	15,181	2,196	460,469
Beginning of year	74,130	395,791	16,661	2,430	489,012

13 Fixed assets (Continued)

The analysis of the cost or valuation is as follows:

	Land and buildings HK$'000	Machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	1,402	541,725	52,465	6,039	601,631
At 2002 valuation	74,130	–	–	–	74,130
As at 30th April 2003	75,532	541,725	52,465	6,039	675,761
At cost	–	520,393	48,647	5,696	574,736
At 2002 valuation	74,130	–	–	–	74,130
As at 30th April 2002	74,130	520,393	48,647	5,696	648,866

The Group's interests in land and buildings are analysed as follows:

	2003 **HK$'000**	2002 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**8,436**	8,140
In Mainland China, held on:		
Leases of between 10 to 50 years	**64,321**	65,595
Leases of over 50 years	**517**	395
	73,274	74,130

Approximately HK$64,321,000 (2002: HK$65,595,000) of land and buildings located in Mainland China are held under land use rights for 50 years up to 2048, while approximately HK$517,000 (2002: HK$395,000) of land and buildings located in Mainland China are held under land use rights for 70 years up to 2072.

Approximately HK$7,910,000 (2002: HK$8,140,000) 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$64,400,000 (2002: HK$65,990,000) of land and buildings located in Mainland China were stated on replacement cost basis as at 30th April 2002 as determined by the same firm.

The carrying amount of land and buildings would have been HK$53,108,000 (2002: HK$55,159,000) had they been stated at cost less accumulated depreciation.

13 Fixed assets (Continued)

At 30th April 2003, the net book value of land and buildings pledged as security for the Group's banking facilities amounted to approximately HK$6,005,000 (2002: HK$6,190,000) (Note 34).

Certain machinery and motor vehicles were purchased under finance leases. Details of these assets are as follows:

	2003 HK$'000	2002 HK$'000
Cost	**73,903**	71,813
Less: Accumulated depreciation	**(18,811)**	(13,239)
Net book value	**55,092**	58,574

14 Investment in subsidiaries

	2003 HK$'000	2002 HK$'000
Unlisted shares/investments, at cost	**137,348**	137,348
Due from subsidiaries	**194,617**	205,530
	331,965	342,878

The following is a list of the subsidiaries as at 30th April 2003:

Name	**Place of incorporation/ operation**	**Principal activities**	**Particulars of issued and fully paid share capital/ registered capital**	**Interest held (a)**
Coils International Holdings Limited	British Virgin Islands	Investment holding	Ordinary US$10,000	100%
CEC-Coils Hong Kong Co., Limited	Hong Kong	Dormant	Ordinary HK$2	100%
			Non-voting deferred HK$1,000,000 (b)	100%
CEC-Coils Singapore Pte Ltd.	Singapore	Manufacture and sale of coils and other electronic components	Ordinary S$1,500,000	100%

14 Investment in subsidiaries (Continued)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and fully paid share capital/ registered capital	Interest held (a)
CEC-ECAP Limited	Hong Kong	Manufacture and sale of electrolytic capacitors	Ordinary HK$1,000,000	100%
CEC-Electric Co., Limited	Hong Kong	Dormant	Ordinary HK$2	100%
CEC-Smart Good Enterprises Limited	Hong Kong	Trading of electronic components	Ordinary HK$3,200,000	100%
CEC-Technology Limited	Hong Kong	Investment holding	Ordinary HK$10,000	100%
Coils Electronic Co., Limited	Hong Kong	Investment holding; manufacture and sale of coils and other electronic components	Ordinary HK$2	100%
			Non-voting deferred HK$14,000,000 (b)	–
Coils Investment (BVI) Limited	British Virgin Islands	Investment holding	Ordinary US$1	100%
CEC-Unitech Electronics Limited	Hong Kong	Dormant	Ordinary HK$10,000	100%
Jin Yuan Moulds Limited	Hong Kong	Investment holding	Ordinary HK$100	100%
CEC-Coils International Limited (formerly known as CEC-Chung Cheuk Electronics Limited)	Hong Kong	Dormant	Ordinary HK$200,000	100%
Xiamen Coils Electronic Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital HK$2,900,000	100%
Zhongshan Tonichi Ferrite Products Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital HK$81,600,000	100%

14 Investment in subsidiaries (Continued)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and fully paid share capital/ registered capital	Interest held (a)
Zhongshan Coils Metalwork Co., Ltd. (c)	Mainland China	Manufacture of coils	Registered capital US$66,185 (d)	100%
Zhongshan Coils Electronic Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US$2,587,557 (d)	100%
Kunshan CEC-Ferrite Manufacturing Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital HK$2,000,000	100%
Zhuhai Guozhong Electronic Co., Ltd. (c)	Mainland China	Dormant	Registered capital HK$723,232 (d)	100%
Qingdao Coils Electronic Co., Ltd. (c)	Mainland China	Dormant	Registered capital US$40,000 (d)	100%
Chongqing CEC-Technology Limited (c)	Mainland China	Provision of information technology services	Registered capital HK$500,000	100%
Nanjing Guo Zhong Magnetic Material Co., Ltd. (c)	Mainland China	Dormant	– (d)	100%
Good Signal Holdings Limited	British Virgin Islands	Investment holding	Ordinary US$100	100%
Sun-iOMS Technology Holdings Limited*	British Virgin Islands	Investment holding	Ordinary HK$500,000	51%
Sun-iOMS Development Limited*	British Virgin Islands	Dormant	Ordinary US$1	51%
Sun-iOMS (Hong Kong) Limited*	Hong Kong	Provision of information technology services	Ordinary HK$2	51%

* Subsidiaries not audited by PricewaterhouseCoopers. The aggregate assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 0.2% of the Group's total assets.

14 Investment in subsidiaries (Continued)

The amounts due from subsidiaries are unsecured, non-interest bearing and are not repayable within the next 12 months.

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 2003.

As at 30th April 2003, the Company had given guarantees to banks and financial institutions of approximately HK$264,818,000 (2002: HK$259,368,000) to secure banking and finance lease facilities of certain subsidiaries (Note 32(c)).

None of the subsidiaries had any loan capital in issue at any time during the year ended 30th April 2003.

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, Ms. Law Ching Yee and Ka Yan China Development (Holding) Company Limited, the intermediate holding company of the Company. Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of each of CEC-Coils Hong Kong Co., Limited and Coils Electronic Co., Limited exceeds HK$100,000,000,000,000, 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 the ordinary shares.

(c) Qingdao Coils Electronic Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 12 years up to September 2014.

Xiamen Coils Electronic Co., Ltd., Zhongshan Tonichi Ferrite Products Co., Ltd., Zhongshan Coils Metalwork Co., Ltd., Zhongshan Coils Electronic Co., Ltd. and Chongqing CEC-Technology Limited are wholly foreign owned enterprises established in Mainland China to be operated for 15 years up to December 2012, September 2008, February 2016, April 2016 and August 2017, respectively.

Kunshan CEC-Ferrite Manufacturing Co., Ltd. and Zhuhai Guozhong Electronic Co., Ltd. are wholly foreign owned enterprises established in Mainland China to be operated for 50 years up to August 2052 and September 2052, respectively.

Nanjing Guo Zhong Magnetic Material Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 30 years up to April 2033.

(d) Zhongshan Coils Metalwork Co., Ltd., Zhongshan Coils Electronic Co., Ltd., Zhuhai Guozhong Electronic Co., Ltd., Qingdao Coils Electronic Co., Ltd. and Nanjing Guo Zhong Magnetic Material Co., Ltd. were established with registered capital of US$3,000,000, US$8,000,000, HK$35,000,000, US$500,000 and US$2,780,000, respectively. As at 30th April 2003, the Group had outstanding commitments of approximately US$2,934,000, US$5,412,000, HK$34,277,000, US$460,000 and US$2,780,000, respectively, for capital contribution to these five subsidiaries.

ANNUAL REPORT 2002/2003

15 Investment in associates

	2003	2002
	HK$'000	HK$'000
Share of net assets	**4,193**	–

The following is a list of the associates as at 30th April 2003:

Name	**Place of incorporation/ operation**	**Principal activities**	**Particulars of issued share capital**	**Interest held indirectly**
Rentz Technologies Co., Ltd.	Taiwan	Manufacture and sale of machinery	Ordinary NT$45,000,000	40%
Signking Science Ltd.	British Virgin Islands	Investment holding	Ordinary US$10,000	50%

16 Investment in jointly controlled entities

	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	–	105
Share of undistributed post-acquisition results	–	(141)
Due from jointly controlled entities	–	908
	–	872

On 8th October 2002, Coils International Holdings Limited ("CIHL"), a wholly-owned subsidiary of the Company, acquired the remaining 50% equity interest in CEC-Coils International Limited (formerly known as CEC-Chung Cheuk Electronics Limited) at a total consideration of HK$100,000, which approximated the book value of the net assets acquired. Thereafter, that company became a wholly-owned subsidiary of the Company.

On 10th December 2002, CIHL disposed of all its 50% equity interest in Yat Chun Motor Car Services Limited to the remaining shareholder at a total consideration of HK$5,000. No gain or loss arose from the disposal.

17 Deposit with an associate

Deposit was paid to Rentz Technologies Co., Ltd., an associate of the Group, for construction of a production plant of the Group in Nanjing Economic and Technical Development Zone in Mainland China amounting to approximately HK$8,577,000 (2002: Nil). Refer to Note 32(a) for details of the Group's capital commitment.

18 Inventories

	2003 HK$'000	2002 HK$'000
Raw materials	**61,254**	41,623
Work-in-progress	**8,239**	16,572
Finished goods	**16,687**	14,550
	86,180	72,745
Less: Provision for slow-moving and obsolete inventories	**(2,424)**	(2,424)
	83,756	70,321

As at 30th April 2003, no inventories (2002: HK$4,256,000) were carried at net realisable value.

As at 30th April 2003, certain inventories were held under trust receipts bank loans of HK$63,214,000 (2002: HK$54,985,000).

19 Trade receivables

The aging analysis of trade receivables (consolidated) is as follows:

	2003 HK$'000	2002 HK$'000
Current	**52,393**	27,527
Overdue by 0 – 1 month	**9,472**	9,937
Overdue by 1 – 2 months	**3,879**	3,284
Overdue by 2 – 3 months	**5,923**	842
Overdue by more than 3 months	**8,922**	2,218
	80,589	43,808
Less: Provision for bad and doubtful debts	**(2,909)**	(1,808)
	77,680	42,000

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.

20 Investment

	2003 HK$'000	2002 HK$'000
Guaranteed return fund, at quoted market value	**7,939**	7,370

As at 30th April 2003, the Group's investment was pledged as collateral for the Group's banking facilities (Note 34).

21 Bank balances and cash

As at 30th April 2003, the Group's bank deposits of approximately HK$24,983,000 (2002: HK$35,847,000) were pledged as collateral for the Group's banking facilities (Note 34).

As at 30th April 2003, approximately HK$8,032,000 (2002: HK$2,723,000) of the Group's cash and bank balances were denominated in Renminbi and kept in Mainland China. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange promulgated by the government of Mainland China.

22 Short-term bank borrowings

	2003 HK$'000	2002 HK$'000
Bank overdrafts	**28,528**	20,370
Short-term bank loans	**56,057**	13,675
Trust receipts bank loans	**63,214**	54,985
	147,799	89,030

Refer to Note 34 for details of the Group's banking facilities.

23 Trade payables

The aging analysis of trade payables (consolidated) is as follows:

	2003 HK$'000	2002 HK$'000
Current	**29,248**	25,386
Overdue by 0 – 1 month	**9,565**	7,525
Overdue by 1 – 2 months	**4,840**	3,112
Overdue by 2 – 3 months	**2,656**	2,344
Overdue by more than 3 months	**5,567**	3,229
	51,876	41,596

24 Long-term bank loans, secured

As at 30th April 2003, the Group's long-term bank loans are repayable as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**42,996**	44,798	**20,000**	20,000
In the second year	**74,936**	43,820	**55,000**	20,000
In the third to fifth year	**17,926**	90,829	**–**	55,000
	135,858	179,447	**75,000**	95,000
Less: Current portion	**(42,996)**	(44,798)	**(20,000)**	(20,000)
	92,862	134,649	**55,000**	75,000

Refer to Note 34 for details of the Group's banking facilities.

25 Finance lease obligations

Finance lease obligations (consolidated) are repayable as follows:

	2003	2002
	HK$'000	HK$'000
Within one year	**15,346**	16,414
In the second year	**6,214**	10,493
In the third to fifth year	**2,370**	7,877
	23,930	34,784
Less: Future finance charges on finance leases	**(1,217)**	(3,172)
	22,713	31,612

The present value of finance lease obligations is as follows:

	2003	2002
	HK$'000	HK$'000
Within one year	**14,487**	14,552
In the second year	**5,929**	9,671
In the third to fifth year	**2,297**	7,389
	22,713	31,612
Less: Current portion	**(14,487)**	(14,552)
	8,226	17,060

26 Deferred taxation

Deferred taxation is calculated in full on timing differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

The movement in deferred taxation is as follows:

	2003 **HK$'000**	2002 HK$'000
Beginning of year	**14,937**	13,262
Provision for net timing differences *(Note 7)*	**95**	1,675
Deferred taxation resulting from an increase in tax rate *(Note 7)*	**1,400**	–
End of year	**16,432**	14,937

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

	2003 **HK$'000**	2002 HK$'000
Accelerated depreciation allowances of fixed assets	**25,428**	26,276
Cumulative tax losses carried forward of certain subsidiaries	**(8,617)**	(10,989)
General provisions	**(379)**	(350)
	16,432	14,937

ANNUAL REPORT 2002/2003

As at 30th April 2003, the Group had unprovided deferred tax liabilities of approximately HK$3,308,000 (2002: 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 directors and the Group's management are of the opinion that the related land and buildings are held for the long-term for own use 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 2003.

27 Share capital

Movements in share capital are as follows:

	2003		2002	
	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	**661,028,811**	**66,103**	528,027,108	52,803
Issue of new shares *(Note)*	**32,000,000**	**3,200**	20,588,235	2,059
Issue of shares upon exercise of warrants	**–**	**–**	1,050,000	105
Bonus issue	**–**	**–**	105,815,421	10,581
Issue of shares pursuant to scrip dividend scheme	**–**	**–**	5,548,047	555
End of year	**693,028,811**	**69,303**	661,028,811	66,103

Note:

On 4th June 2002, the Company issued 32,000,000 new shares to an independent third party for acquisition of a subsidiary (see Note 12).

ANNUAL REPORT 2002/2003

28 Reserves

Movements in reserves are as follows:

	Share premium HK$'000	Capital reserve HK$'000	Subscription right reserve HK$'000	Property revaluation reserve HK$'000	Mainland China statutory reserve HK$'000	Cumulative translation adjustments HK$'000	Retained profits HK$'000	Total HK$'000	Proposed final dividends HK$'000
Group									
As at 1st May 2001	24,490	13,934	17,454	17,476	–	(234)	140,304	213,424	5,280
Bonus issue	(10,581)	–	–	–	–	–	–	(10,581)	–
Premium arising from issue of shares pursuant to the scrip dividend scheme	3,196	–	–	–	–	–	–	3,196	–
Proceeds from exercise of warrants	514	–	–	–	–	–	–	514	–
Premium arising from issue of shares on exercise of warrants	240	–	(240)	–	–	–	–	–	–
Premium arising from issue of new shares	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									
– scrip dividends	–	–	–	–	–	–	–	–	(3,751)
– cash dividends	–	–	–	–	–	–	(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	–
As at 1st May 2002	29,561	13,934	17,214	21,066	–	(138)	146,266	227,903	–
Premium arising from issue of new shares *(Note 27)*	6,560	–	–	–	–	–	–	6,560	–
Share issue expense	(3)	–	–	–	–	–	–	(3)	–
Loss for the year	–	–	–	–	–	–	(4,947)	(4,947)	–
Transfer from retained profits to Mainland China statutory reserve	–	–	–	–	137	–	(137)	–	–
Translation adjustments	–	–	–	–	–	1,443	–	1,443	–
As at 30th April 2003	36,118	13,934	17,214	21,066	137	1,305	141,182	230,956	–

28 Reserves (Continued)

Retained profits consist:

	2003	2002
	HK$'000	HK$'000
Company	**2,995**	3,621
Subsidiaries	**138,111**	142,786
Associates	**76**	–
Jointly controlled entities	**–**	(141)
	141,182	146,266

	Share premium	**Contributed surplus**	**Subscription right reserve**	**Retained profits**	**Total**	**Proposed final dividends**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Company						
As at 1st May 2001	24,490	131,338	17,454	4,576	177,858	5,280
Bonus issue	(10,581)	–	–	–	(10,581)	–
Premium arising from issue of shares pursuant to the scrip dividend scheme	3,196	–	–	–	3,196	–
Proceeds from exercise of warrants	514	–	–	–	514	–
Premium arising from issue of shares on exercise of warrants	240	–	(240)	–	–	–
Premium arising from issue of new shares	11,941	–	–	–	11,941	–
Share issue expense	(239)	–	–	–	(239)	–
Loss for the year	–	–	–	(944)	(944)	–
Dividends paid						
– scrip dividends	–	–	–	–	–	(3,751)
– cash dividends	–	–	–	(11)	(11)	(1,529)
As at 30th April 2002	29,561	131,338	17,214	3,621	181,734	–
As at 1st May 2002	29,561	131,338	17,214	3,621	181,734	–
Premium arising from issue of new shares (*Note 27*)	6,560	–	–	–	6,560	–
Share issue expense	(3)	–	–	–	(3)	–
Loss for the year	–	–	–	(626)	(626)	–
As at 30th April 2003	36,118	131,338	17,214	2,995	187,665	–

28 Reserves (Continued)

Notes:

(a) Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders subject to 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.

(b) In accordance with the laws and regulations of Mainland China, the Group's subsidiaries in Mainland China are required to set aside certain portion of their retained profits to a statutory reserve account. The general reserve fund can only be used to make up losses incurred, increase registered capital or used for collective welfare of employees.

29 Warrants

As at 30th April 2003, 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 carrying subscription rights of HK$1.475 for every 10 units of warrants entitle the holders thereof to subscribe in cash for 90,546,938 new shares in the Company at an adjusted subscription price of HK$0.49 per new share (subject to adjustment). During the year ended 30th April 2003, no new share (2002: 1,050,000) was issued as a result of the exercise of the subscription rights attaching to the warrants (2002: 4,200,000 units).

30 Share options

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") announced certain amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in relation to share option scheme on 23rd August 2001, which came into effect on 1st September 2001. At the annual general meeting of the Company held on 26th September 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") with rules in compliance with the requirements of the amended Listing Rules and the termination of the share option scheme adopted by the Company on 26th October 1999 (the "Old Scheme").

The Old Scheme

Under the Old Scheme, the board of 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 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 on the five trading days immediately preceding the date of offer of the options or (ii) the nominal value of the shares, whichever is higher.

In view of the termination of the Old Scheme on 26th September 2002, no further options can be offered under the Old Scheme. However, in all other respects the provisions of the Old Scheme shall remain in full force and all outstanding options granted under the Old Scheme prior to such termination shall continue to be valid and exercisable pursuant to the Old Scheme until their respective expiry dates.

30 Share options (Continued)

The New Scheme

Under the New Scheme, the Company may grant options to any full-time employees and executive directors of the Company or any of its subsidiaries (including non-executive directors of the Company or any of its subsidiaries and independent non-executive directors of the Company) to subscribe for shares in the Company. The total number of shares available for issue upon exercise of all options to be granted under the New Scheme and other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company as at the date of approval of the New Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. The subscription price per share will be determined by the board of directors, and will not be less than the highest of (i) the closing price of the Company's share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's share as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of grant. No option was granted under the New Scheme during the year ended 30th April 2003.

Movements in share options granted under the Old Scheme during the year were as follows:

			Number of shares under options			
Date of grant	Subscription price per share	Exercisable period	Beginning of year	Exercised during the year	Lapsed during the year	End of year
21st September 2000	HK$1.02	From 22nd September 2002 to 21st January 2005	14,108,776	–	–	14,108,776
1st November 2000	HK$0.75	From 1st November 2002 to 28th February 2005	34,740,000	–	(1,080,000)	33,660,000
			48,848,776	–	(1,080,000)	47,768,776

31 Consolidated cash flow statement

(a) Reconciliation of (loss)/profit before taxation to net cash inflow from operating activities

	2003 **HK$'000**	2002 HK$'000
(Loss)/profit before taxation	**(3,042)**	8,435
Interest income	**(341)**	(1,031)
Interest expense	**18,223**	22,295
Depreciation of fixed assets	**55,856**	50,958
Amortisation of distribution right	**1,067**	1,066
Amortisation of goodwill	**1,793**	–
Provision for impairment loss on intangible assets	**8,940**	–
Loss on disposal of fixed assets	**119**	10
Deficit on revaluation of properties	**–**	69
Share of profits less losses of associates	**(76)**	–
Share of profits less losses of jointly controlled entities	**(140)**	138
Unrealised (gain)/loss on investment	**(569)**	430
Increase in inventories	**(13,404)**	(11,559)
Increase in trade receivables	**(35,152)**	(11,220)
Increase in bills receivable	**(583)**	–
Decrease/(increase) in prepayments, deposits and other current assets	**758**	(2,161)
Increase in trade payables	**10,169**	18,169
Decrease in bills payable	**(1,730)**	(9,581)
Increase in accruals and other payables	**6,533**	841
Hong Kong profits tax paid	**(23)**	(137)
Hong Kong profits tax refunded	**68**	5
Mainland China enterprise income tax paid	**(776)**	(485)
Net cash inflow from operating activities	**47,690**	66,242

ANNUAL REPORT 2002/2003

31 Consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Share capital and share premium HK$'000	Subscription right reserve HK$'000	Short-term bank borrowings HK$'000	Long-term bank loans HK$'000	Finance lease obligations HK$'000	Minority interests HK$'000	Total HK$'000
As at 1st May 2001	77,293	17,454	76,728	84,518	82,237	5	338,235
Issue of shares pursuant to the scrip dividend scheme	3,751	–	–	–	–	–	3,751
Issue of new shares for cash	14,000	–	–	–	–	–	14,000
Share issue expense	(239)	–	–	–	–	–	(239)
Exercise of warrants for cash	619	–	–	–	–	–	619
Premium arising from issue of shares on exercise of warrants	240	(240)	–	–	–	–	–
New short-term bank borrowings	–	–	68,660	–	–	–	68,660
Repayment of short-term bank borrowings	–	–	(76,728)	–	–	–	(76,728)
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	68,660	179,447	31,612	–	392,597
Issue of new shares	9,760	–	–	–	–	–	9,760
Share issue expense	(3)	–	–	–	–	–	(3)
New short-term bank borrowings	–	–	119,271	–	–	–	119,271
Repayment of short-term bank borrowings	–	–	(68,660)	–	–	–	(68,660)
New long-term bank loans	–	–	–	7,000	–	–	7,000
Repayment of long-term bank loans	–	–	–	(50,589)	–	–	(50,589)
Inception of finance leases	–	–	–	–	9,451	–	9,451
Repayment of capital element of finance leases	–	–	–	–	(18,350)	–	(18,350)
Acquisition of subsidiaries	–	–	–	–	–	(39)	(39)
Minority interests' share in net profit of subsidiaries	–	–	–	–	–	100	100
As at 30th April 2003	105,421	17,214	119,271	135,858	22,713	61	400,538

ANNUAL REPORT 2002/2003

31 Consolidated cash flow statement (Continued)

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements for approximately HK$9,451,000 (2002: HK$12,194,000) in respect of new machinery.

(d) Purchase of subsidiaries

	2003 HK$'000
Net liabilities assumed	
Investment in an associate	33
Fixed assets	385
Trade receivables	528
Prepayments, deposits and other current assets	244
Bank balances and cash	256
Trade payables	(111)
Accruals and other payables	(1,381)
Minority interests	39
	(7)
Goodwill	10,022
Consideration	10,015
Satisfied by	
Issue of shares	9,760
Cash	255
	10,015

Analysis of the net cash inflow in respect of the purchase of subsidiaries:

	2003 HK$'000
Bank balances and cash acquired	256
Cash consideration	(255)
Net cash inflow in respect of the purchase of subsidiaries	1

(e) Purchase of additional interest in a jointly controlled entity

	2003 HK$'000
Net assets acquired	
Inventories	31
Bank balances and cash	220
Due to group companies	(148)
Taxation payable	(3)
	100
Satisfied by cash	100

ANNUAL REPORT 2002/2003

31 Consolidated cash flow statement (Continued)

(e) Purchase of additional interest in a jointly controlled entity (Continued)

Analysis of the net cash inflow in respect of the purchase of a jointly controlled entity:

	2003
	HK$'000
Bank balances and cash acquired	**220**
Cash consideration	**(100)**
Net cash inflow in respect of the purchase of additional interest in a jointly controlled entity	**120**

32 Commitments and contingent liabilities

(a) Capital commitments

	Group	
	2003	2002
	HK$'000	HK$'000
Contracted but not provided for		
– construction of a production plant in Nanjing, Mainland China	**8,023**	–
– purchase of fixed assets	**1,872**	270
	9,895	270

(b) Operating leases commitments

As at 30th April 2003, the Group had future aggregate minimum lease payments in respect of rented premises under various non-cancellable operating leases as follows:

	Group		**Company**	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**2,133**	2,626	**–**	–
Later than one year and not later than five years	**1,971**	2,237	**–**	–
	4,104	4,863	**–**	–

(c) Contingent liabilities

	Group		**Company**	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Discounted bills with recourse	**–**	205	**–**	–
Factoring of trade receivables with recourse	**25,286**	36,618	**–**	–
Guarantees given to banks and financial institutions in respect of banking and finance lease facilities of its subsidiaries	**–**	–	**264,818**	259,368
	25,286	36,823	**264,818**	259,368

ANNUAL REPORT 2002/2003

33 Pension schemes

The Group had arranged for certain of its employees (including executive directors) in Hong Kong to participate in a defined contribution provident fund under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme"), which is 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 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.

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 at rates of approximately 10% to 28% of the basic salaries of its employees in Mainland China, and has no further obligation for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

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 2003, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK$3,362,000 (2002: HK$3,292,000), with no deduction of forfeited contributions (2002: HK$3,000). As at 30th April 2003, there were no material forfeitures available to offset the Group's future contributions.

34 Banking facilities and pledge of assets

As at 30th April 2003, the Group had aggregate banking facilities of approximately HK$539,426,000 (2002: HK$391,747,000) for overdrafts, loans, factoring of trade receivables and trade financing. Unused facilities as at the same date amounted to approximately HK$222,320,000 (2002: HK$68,786,000). These facilities were secured by:

(a) mortgages over certain of the Group's land and buildings with a net book value of approximately HK$6,005,000 (2002: HK$6,190,000) (Note 13);

34 Banking facilities and pledge of assets (Continued)

(b) pledge of the Group's investment of approximately HK$7,939,000 (2002: HK$7,370,000) (Note 20);

(c) pledges of the Group's bank deposits of approximately HK$24,983,000 (2002: HK$35,847,000) (Note 21); and

(d) corporate guarantees executed 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.

On 30th April 2003, the Company entered into a three-year transferable term loan facility agreement (the "Agreement") with Coils Electronic Co., Limited, the Company's wholly-owned subsidiary, as original guarantor and a group of banks for an aggregate amount of HK$165,000,000. Under the Agreement, the loan will be drawn down and applied as follows:

(a) prepay all of the Company's outstanding indebtedness, which amounted to HK$75,000,000, under a HK$100,000,000 term loan and revolving credit facility agreement dated 31st January 2002;

(b) develop a production plant in Nanjing, Mainland China; and

(c) the balance as general working capital of the Group.

Subsequent to 30th April 2003, the full amount of the loan under the Agreement had been drawn down by the Company in one lump sum on 30th May 2003.

35 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

During the year, the Group paid HK$8,577,000 to Rentz Technologies Co., Ltd., an associate, as deposit for construction of a production plant in Nanjing, Mainland China. The total contracted sum for the project amounts to approximately HK$16,600,000 (see Note 17 & Note 32).

36 Comparative figures

Certain comparative figures of the consolidated cash flow statement for the year ended 30th April 2002 have been reclassified to conform to current year's presentation due to the adoption of SSAP 15 (revised) – Cash flow statements. In addition, certain staff costs have been reclassified from cost of sales to general and administrative expenses to conform to current year's presentation.

37 Ultimate holding company

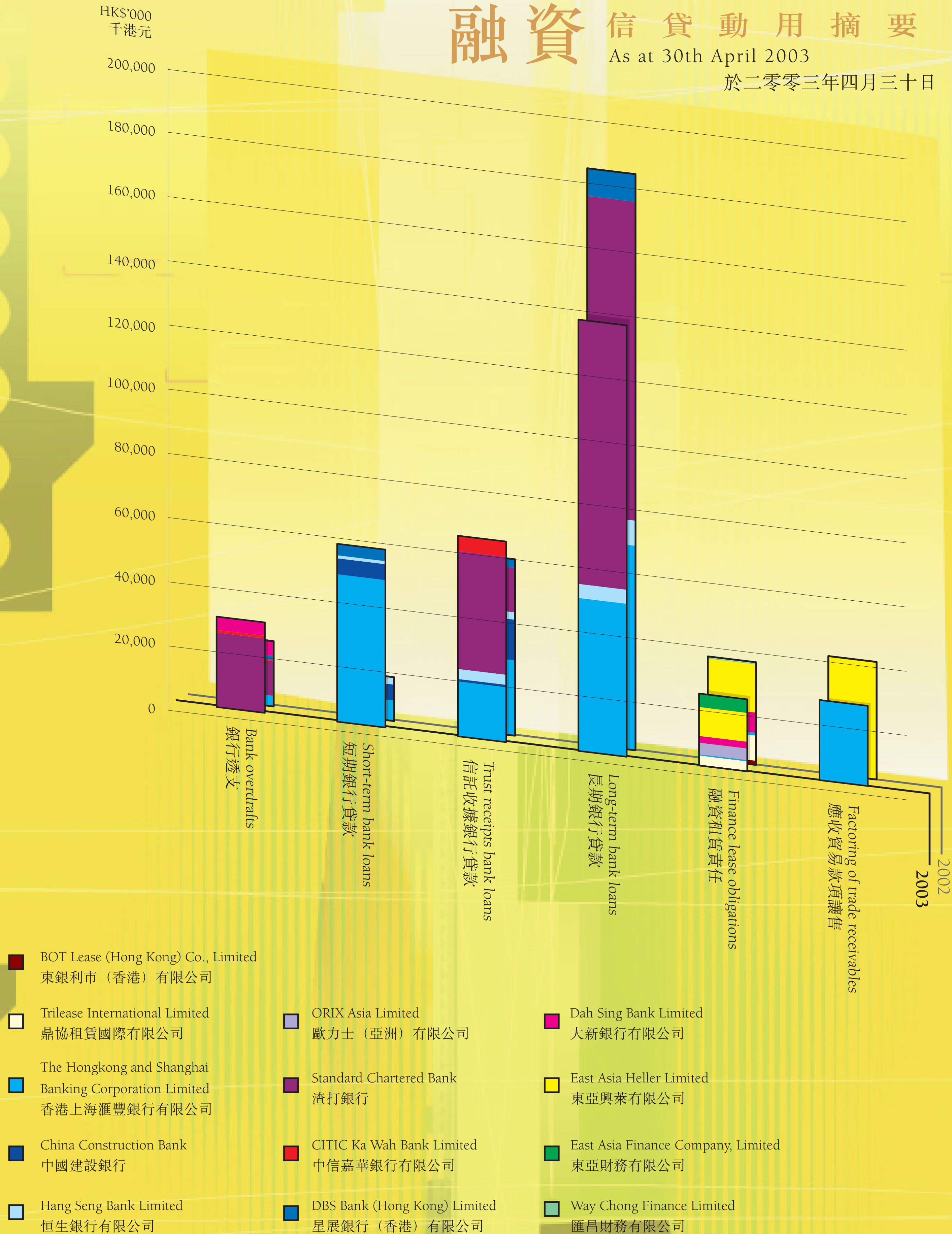
The directors regard Ka Yan China Investments Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company.

38 Approval of financial statements

The financial statements were approved by the board of directors on 14th August 2003.

Summary
of credit facilities utilisation
融資信貸動用摘要

As at 30th April 2003
於二零零三年四月三十日



香 港 九 龍 觀 塘 巧 明 街 110 號 興 運 工 業 大 廈 二 樓
2nd Floor, Hing Win Factory Building,110 How Ming Street, Kwun Tong, Kowloon, Hong Kong