



CEC 國際 控 股 有 限 公 司
CEC INTERNATIONAL HOLDINGS LIMITED

® (Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

ANNUAL REPORT 2004/2005 年 報



CEC

CORPORATE PROFILE

公司 簡介

CEC為一家增長迅速之優質電子元件生產商，以設計及生產各類線圈、鐵氧體材料、電感、變壓器、電源濾波器及電容器等為主。本集團始創於1979年，經過多年來不斷發展蛻變，至今已成為一大型國際供應商，客戶來自不同行業，包括電訊及資訊科技設備、數據網絡及電壓轉換技術、辦公室自動化設備、影音產品，以及家居電器及電子產品等。

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

CEC於1999年11月在香港聯合交易所有限公司上市，其宗旨為透過與客戶作緊密及積極之接觸，以快捷有效之方式提供最能滿足其需求之產品，從而提高股東之投資價值。CEC之主要財務目標為將財政資源投資於增長前景理想之市場，為股東帶來最高之長期投資回報。

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

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

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

Listed on The Stock Exchange of Hong Kong Limited since November 1999, CEC's goal is to maximize its 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, transformers, 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.

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Corporate Information

DIRECTORS

Executive Directors

Mr. Lam Wai Chun (*Chairman*)
Ms. Tang Fung Kwan (*Deputy
Chairman and Managing Director*)
Mr. Chua You Sing
Ms. Li Hong

Independent Non-executive Directors

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

AUDIT COMMITTEE

Dr. Tang Tin Sek (*Chairman*)
Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis

COMPANY SECRETARY

Ms. Li Lai Sheung *ACIS*

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co
Richards Butler
Appleby Spurling Hunter

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank
CITIC Ka Wah Bank Limited
Dah Sing Bank Limited
Hang Seng Bank Limited
Standard Chartered Bank
(Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
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

HEADQUARTERS IN MAINLAND CHINA

Li Xin Jie, Yong An Lu
Dong Feng Zhen
Zhongshan
Guangdong
Mainland China

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar
Butterfield Fund Services
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar

Computershare Hong Kong
Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

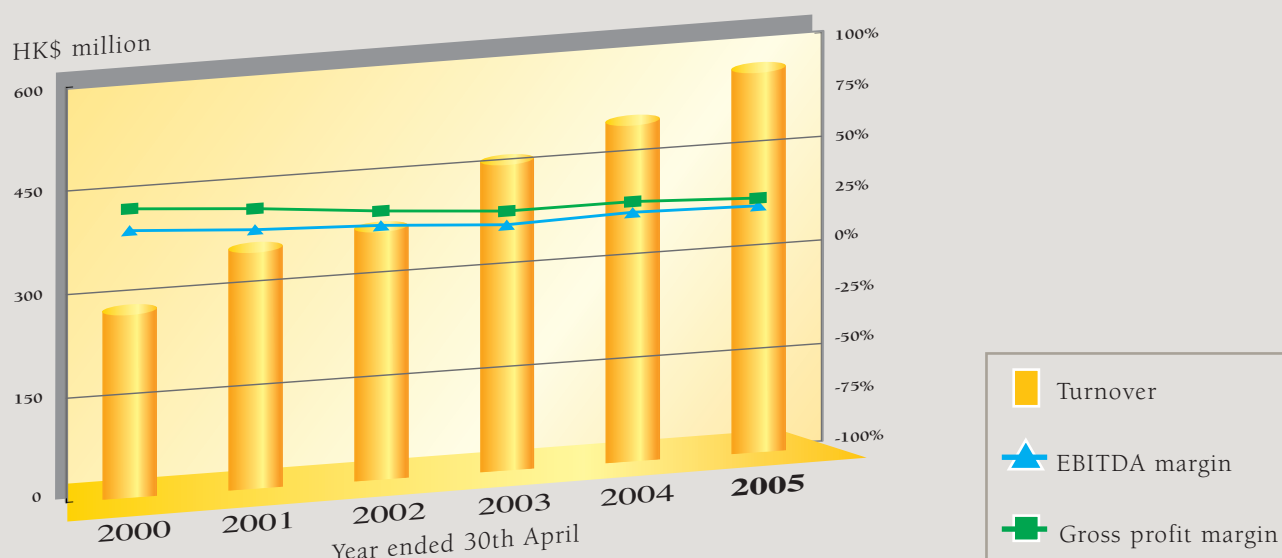
Websites: <http://www.ceccoils.com>
<http://www.0759.com>
<http://www.irasia.com/>
listco/hk/cecint

E-mail: info@ceccoils.com

Listed on The Stock Exchange
of Hong Kong Limited
Stock Code: 0759

Financial Highlights

Turnover, EBITDA margin and gross profit margin of the Group for the past 6 years



	As at 30th April/ Year ended 30th April		
	2005	2004	% Change
	HK\$'000	HK\$'000	
Turnover	554,291	491,663	+12.7
Profit attributable to shareholders	19,530	15,857	+23.2
Total assets	681,661	707,439	-3.6
Net tangible assets	334,958	313,762	+6.8
Per Share Data			
Basic earnings per share (HK cents)	2.82	2.29	+23.1
Net tangible assets per share (HK cents)	48.3	45.3	+6.6
Financial Ratios			
Gross profit margin (%)	22.6	25.1	-2.5
EBITDA margin (%)	18.8	19.9	-1.1
Current ratio	0.77	0.83	-7.2
Interest coverage ratio	7.78	5.73	+35.8
Gearing ratio	0.71	0.89	-20.2

Definitions

Basic earnings per share $\frac{\text{Profit attributable to shareholders}}{\text{Number of issued shares}}$

Net tangible assets per share $\frac{\text{Net tangible assets}}{\text{Number of shares as at end of year}}$

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

EBITDA margin (%) $\frac{\text{Operating profit plus depreciation and amortisation} \times 100\%}{\text{Turnover}}$

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

Interest coverage ratio $\frac{\text{Operating profit plus depreciation and amortisation}}{\text{Interest expense less interest income}}$

Gearing ratio $\frac{\text{Total borrowings}}{\text{Shareholders' equity}}$

Six-Year Financial Summary

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

RESULTS

	Year ended 30th April					
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	554,291	491,663	448,155	363,896	347,004	271,292
Cost of sales	(429,155)	(368,016)	(335,926)	(256,460)	(225,662)	(165,045)
Gross profit	125,136	123,647	112,229	107,436	121,342	106,247
Selling and distribution expenses	(12,007)	(11,397)	(13,866)	(12,445)	(11,332)	(10,278)
General and administrative expenses	(71,148)	(72,090)	(69,052)	(63,825)	(57,907)	(40,772)
Impairment loss on intangible assets	–	–	(8,940)	–	–	–
Other operating expenses	(2,688)	(1,406)	(5,747)	(1,329)	(356)	–
Operating profit	39,293	38,754	14,624	29,837	51,747	55,197
Interest income	211	156	341	1,031	2,422	1,864
Interest expense	(13,580)	(17,240)	(18,223)	(22,295)	(19,499)	(10,367)
Share of profits less losses of associates	(8)	(20)	76	–	–	–
Share of profits less losses of jointly controlled entities	–	–	140	(138)	(2)	–
Profit/(loss) before taxation	25,916	21,650	(3,042)	8,435	34,668	46,694
Taxation	(6,386)	(5,854)	(2,017)	(3,184)	(3,805)	(4,860)
Profit/(loss) after taxation but before minority interests	19,530	15,796	(5,059)	5,251	30,863	41,834
Minority interests	–	61	(100)	(101)	–	76
Profit/(loss) attributable to shareholders	19,530	15,857	(5,159)	5,150	30,863	41,910
Dividend	4,851	3,465	–	–	5,280	11,088

ASSETS AND LIABILITIES

	As at 30th April					
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Total assets	681,661	707,439	698,001	667,014	588,822	368,108
Total liabilities	(346,703)	(393,677)	(400,689)	(375,778)	(321,199)	(165,447)
Minority interests	–	–	(61)	–	(5)	–
Net assets	334,958	313,762	297,251	291,236	267,618	202,661

Management Discussion and Analysis

Dear Shareholders,

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

2004/2005 SUMMARY OF RESULTS

- Turnover climbed 12.7% to HK\$554,291,000 (2004: HK\$491,663,000);
- Profit attributable to shareholders was HK\$19,530,000 (2004: HK\$15,857,000);
- Basic earnings per share was HK2.82 cents (2004: HK2.29 cents);
- Proposed final dividend of HK0.7 cent (2004: HK0.5 cent) per share;
- Net cash inflow from operating activities increased by 21.3% to HK\$116,171,000 (2004: HK\$95,757,000); and
- Gross profit margin decreased by 2.5% to 22.6% (2004: 25.1%).

Management Discussion and Analysis

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

No interim dividend was declared for the year ended 30th April 2005 (2004: Nil).

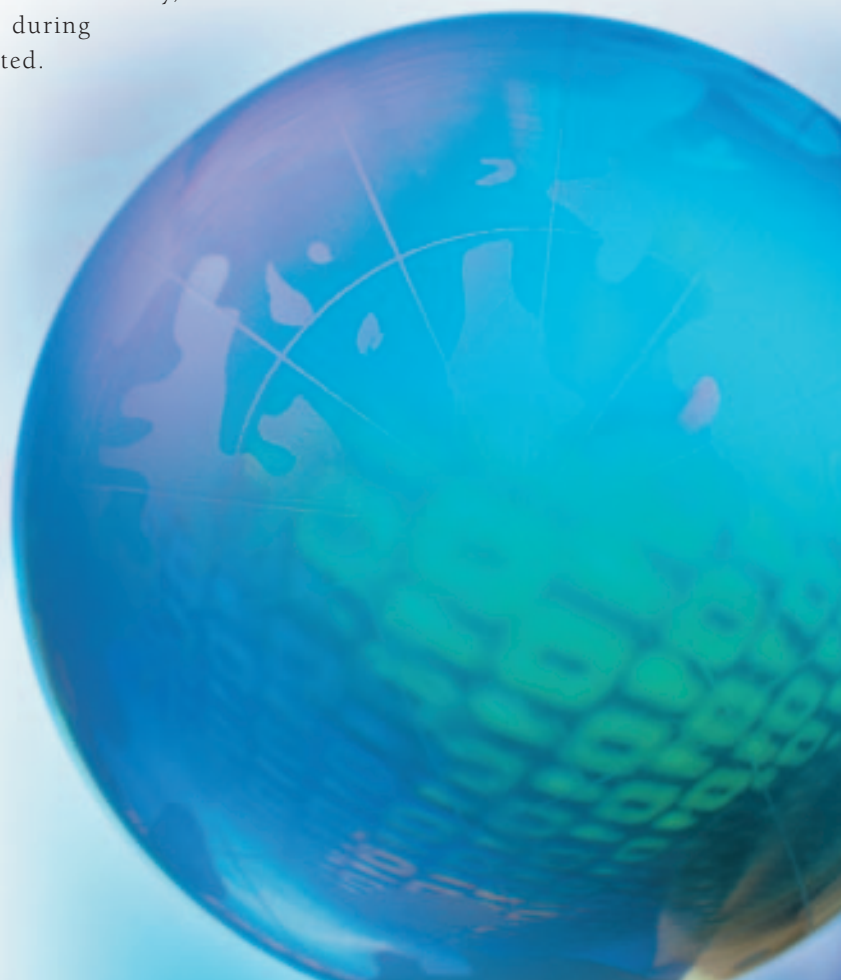
The Board has resolved to recommend the payment of a final dividend of HK0.7 cent (2004: HK0.5 cent) per share for the year ended 30th April 2005 (the “Proposed Final Dividend”) to shareholders whose names appear on the register of members of the Company on 23rd September 2005. The Proposed Final Dividend will be paid in cash with an option to receive new fully paid shares in lieu of cash in respect of part or all of their dividend entitlement (the “Scrip Dividend Scheme”).

A circular containing details of the Scrip Dividend Scheme, together with a form of election, will be sent to shareholders of the Company in due course. The issue of new shares under the Scrip Dividend Scheme (the “Scrip Shares”) is subject to the shareholders’ approval at the forthcoming Annual General Meeting of the Company to be held on 23rd September 2005 and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Scrip Shares. The dividend warrants and the share certificates in respect of the Scrip Dividend Scheme will be sent to shareholders on or before 24th October 2005.

In order to qualify for the Proposed Final Dividend, all transfer documents accompanied by the relevant share certificates 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, no later than 4:00 p.m. on Thursday, 15th September 2005. The register of members of the Company will be closed from Friday, 16th September 2005 to Friday, 23rd September 2005 (both dates inclusive), during which period no transfer of shares will be effected.

DIVIDEND POLICY

The Board has resolved to revise the dividend policy by setting the dividend payout ratio not exceeding 30% of the Group’s profit attributable to shareholders for each of the relevant financial year commencing from the next financial year to reward shareholders for their continued support.



Management Discussion and Analysis

BUSINESS REVIEW

Overview

During the year ended 30th April 2005, the Group's business posted a steady growth to record a turnover of HK\$554,291,000 (2004: HK\$491,663,000), achieving an increase of 12.7% over that of last year. Gross profit was HK\$125,136,000 (2004: HK\$123,647,000), with an increase of approximately 1.2%. Gross profit margin decreased to 22.6% (2004: 25.1%) as compared with last year. During the financial year, the Group has been implementing vigorous internal control to improve efficiency, and was dedicated to controlling sales, distribution and general and administrative expenses. The Group's operating profit and profit attributable to shareholders increased to HK\$39,293,000 (2004: HK\$38,754,000) and HK\$19,530,000 (2004: HK\$15,857,000) respectively, which have corroborated the effectiveness of the measures that the Group has taken. The Group's *earnings before interest, tax, depreciation and amortisation (EBITDA) climbed to HK\$103,945,000 (2004: HK\$97,939,000) as well.

* EBITDA: Operating profit plus depreciation and amortisation

	Turnover			
	2005		2004	
	HK\$'000	%	HK\$'000	%
Electronic components manufacturing	549,928	99.2	459,040	93.4
Others	4,363	0.8	32,623	6.6
	554,291	100.0	491,663	100.0

Endeavoring to be an electric coil sub-contracting manufacturer with competitiveness and expansibility

After two-odd years' business restructure and concentration on core business, the turnover of electronic components manufacturing segment for the financial year rose by 19.8% to HK\$549,928,000 (2004: HK\$459,040,000), which accounted for 99.2% (2004: 93.4%) of the Group's turnover. Although the electronic components manufacturing segment achieved a notable market growth for the financial year, the Group sees a still difficult business environment in the future and expects that the trend for its customers to outsource the electronic component manufacturing and to pursue lower production cost will prevail. The Group has positioned itself as an electric coil sub-contracting manufacturer and has been engaged in providing competitive coil processing and manufacturing services to its customers and major business partners.



Management Discussion and Analysis

The Group's Business Performance

Electronic components manufacturing segment

For the financial year, the turnover of electronic components manufacturing segment (including coils, coils-related accessories and capacitors), the Group's core business, reported HK\$549,928,000 (2004: HK\$459,040,000), which accounted for 99.2% (2004: 93.4%) of the Group's turnover. The gross profit of this core business rose to HK\$123,471,000 (2004: HK\$119,929,000) as compared with last year, with gross profit margin of 22.5% (2004: 26.1%). The decrease in gross profit margin was mainly attributable to the persistent high prices of raw materials and the increase in labour cost. Taking copper, nickel oxide and zinc oxide (being the raw materials required for manufacturing coils) as examples, based on the spot copper price, nickel price and zinc price as quoted on London Metal Exchange, these prices as at the financial year-end date have gone up by 21.7%, 49.4% and 24.7% respectively as compared with those as at the same date of last year. Although the Group has been reinforcing the control and improvement of the production flow and craft of coil products with a view to increasing the production yield and effectively lowering the unit cost of materials, the average costs of copper and metal oxide still rose by approximately 9.9% and 10.2% respectively during the financial year.

The Group produces a full range of electronic components, which are applicable globally to audio-visual, telecommunication, home electrical appliances, toys, computers, office equipment, automobiles, lighting facilities and power-supply devices, and provides tailor-made coil solutions for its customers. As the global electronic industry has been boosted by the generally favorable economic environment, various electronic consumer products have achieved desirable growth, which indirectly spurred the overall increase in the demand for electronic components.

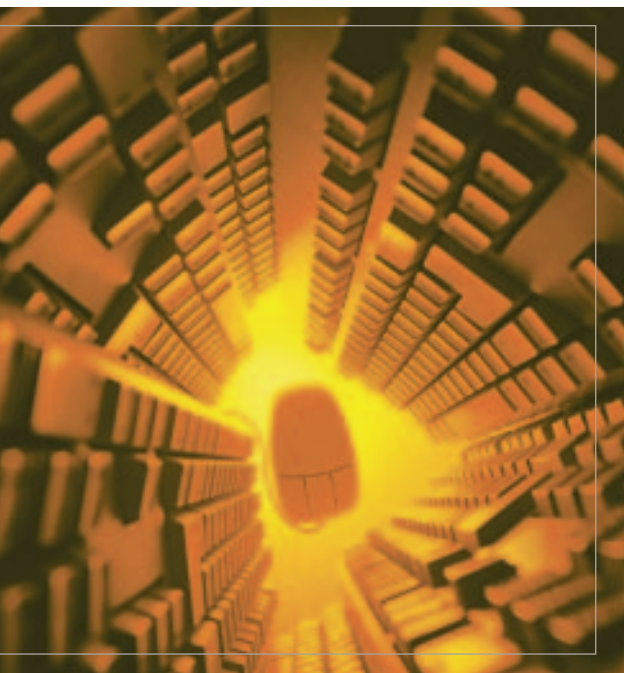
As predicted in the Group's annual report of last year, an increasing number of overseas customers have been opting to seek suppliers in Mainland China to furnish their purchases. Analysed by geographical location, the Group's sales recorded growth in all major overseas regions, particularly in Mainland China, South-east Asia and America. During the financial year, turnover from Mainland China rose by 66.4% to HK\$182,972,000 (2004: HK\$109,976,000). Turnover from other regions (including South-east Asia and America etc.) also increased to HK\$34,542,000 (2004: HK\$ 15,267,000).

Non-core Businesses

During the financial year, the Group continued its business policy formulated in the previous two years to focus on developing its core business, that is to concentrate its resources on the development of electronic components manufacturing segment, and to shrink the under-performing non-core businesses step by step. For the year ended 30th April 2005, the turnover of the Group's non-core businesses was HK\$4,363,000 (2004: HK\$32,623,000), down approximately 86.7% as compared with that of last year.



Management Discussion and Analysis



FINANCIAL REVIEW

Overview

For the year ended 30th April 2005, the Group's profit attributable to shareholders was HK\$19,530,000 (2004: HK\$15,857,000), whilst basic earnings per share was 2.82 cents (2004: 2.29 cents).

Financial Management

Funds Surplus and Liabilities

As at 30th April 2005, the Group's credit facilities granted from banks and financial institutions amounted to HK\$652,643,000 (2004: HK\$385,620,000), of which HK\$386,883,000 (2004: HK\$67,615,000) was remain unutilised. The increase in credit facilities was due to the 3-year transferable term loan and revolving credit facility agreement for an aggregate amount of HK\$243,000,000 entered into between the Company and a group of banks on 27th April 2005. The facility consists of a term loan of HK\$194,400,000, which is applied to prepay all of the Company's outstanding indebtedness under a HK\$165,000,000 transferable term loan facility agreement dated 30th April 2003 and the balance thereof and the

revolving credit facility for an aggregate amount of HK\$48,600,000 under the facility will be used as general working capital of the Group. The facility was drawn down in a lump sum on 30th May 2005. Apart from enhancing the Group's general working capital, the facility can improve the term structure of the Group's borrowings.

As at 30th April 2005, cash and bank deposits (denominated mainly in Hong Kong dollar, United States dollar, Renminbi) was HK\$68,649,000 (2004: HK\$49,564,000), up 38.5%. The banking facilities were secured by mortgages on the Group's certain land and buildings, pledges of the Group's bank deposits, investment securities, inventories and machineries, and corporate guarantees provided by the Company and its certain subsidiaries. In addition, the Group was required to meet certain restrictive financial covenants with the major banks. As at 30th April 2005, the Group could comply with such financial ratios, which indicates that the Group's financial position was satisfactory.

As at 30th April 2005, the Group's total borrowings was HK\$238,276,000 (2004: HK\$280,273,000), of which HK\$214,379,000 (2004: HK\$204,376,000) was current; and HK\$23,897,000 (2004: HK\$75,897,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. As at 30th April 2005, the Group's gearing ratio was *0.71 (2004: 0.89). The above-mentioned figures did not reflect the amount of the aforesaid facility drawn down in May 2005. Furthermore, the contingent liabilities at the same date was HK\$21,896,000 (2004: HK\$38,052,000), down 42.5%, all of which (2004: HK\$35,568,000) was factoring of trade receivables with recourse.

(*The ratio of (total borrowings) over (shareholders' equity))

Management Discussion and Analysis

Interest Expenses

For the year ended 30th April 2005, the Group's interest expenses was HK\$13,580,000 (2004: HK\$17,240,000), down 21.2% as compared with last year. The decline in interest expenses was mainly attributable to the Group's gradual repayment of bank borrowings. Accordingly, the total borrowings during the financial year continued to reduce. Another reason for this was that the banking interest rate in Hong Kong maintained at low level for most of the time of the financial year. However, starting from the fourth quarter of this financial year, both the prime rate and the inter-bank rate tended to ascend, which indicates that the Group will most probably face the soaring capital cost in future. Therefore, the Group will adopt an extremely prudent investment and finance policy.

Financial Resources and Capital Structure

For the year ended 30th April 2005, the Group's net cash inflow amounted to HK\$19,235,000 (2004: HK\$18,368,000), which mainly came from the continued increase in cash flow from operating activities. During the financial year, cash inflow from operating activities was HK\$116,171,000 (2004: HK\$95,757,000), with an increase of 21.3% over that of last year. Financing activities during the financial year refer mainly to the aforesaid 3-year transferable term loan and revolving credit facility agreement for an aggregate amount of HK\$243,000,000 entered into with a group of banks on 27th April 2005. The facility will improve the Group's debt structure and substantially increase cash inflow from financing activities, which will be reflected in the first quarter results made up to 31st July 2005. On the other hand, the capital expenditure on fixed assets for the financial year reduced to HK\$39,896,000 (2004: HK\$55,425,000) as compared with that of last year. It is expected that except for certain outlays to be incurred in equipment for manufacturing accessories and construction of infrastructure for the new plant in Zhongshan, new additions of other machineries will continue to shrink, thereby maintaining the Group's capital investment at lower level.

Cash Flow Summary

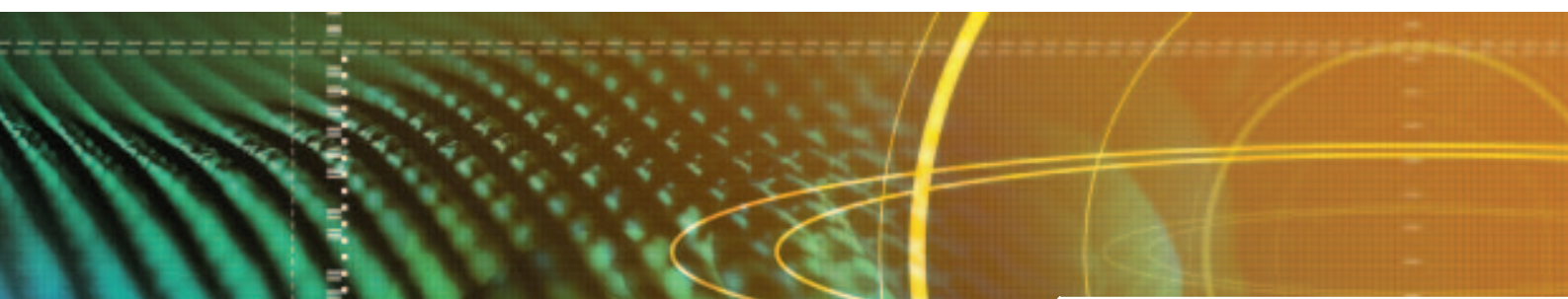
	2005 HK\$'000	2004 HK\$'000
Net cash inflow from operating activities	116,171	95,757
Net cash used in investing activities	(36,722)	(45,530)
Net cash used in financing activities	(59,891)	(31,449)
Exchange adjustment	(323)	(410)
Increase in cash and cash equivalents	19,235	18,368

Management Discussion and Analysis

In addition, the Group has adopted a more stringent market expansion strategy for the financial year. In order to utilise resources in a more effective way and to reduce the working capital locked up in inventories, the Group has been striving to control inventories and trade receivables. The effectiveness of internal control has revealed in the faster turnover rates: as at 30th April 2005, the Group has recorded shorter trade receivables turnover (before factoring), inventories turnover and trade payables turnover of 82 days, 60 days and 45 days (2004: 87 days, 83 days and 55 days) respectively.

Areas for improvement

In recent years, the Group has reported net current liabilities and a relatively low current ratio. As at 30th April 2005, the net current liabilities was HK\$68,202,000 (2004: HK\$49,275,000), whilst the current ratio was 0.77 (2004: 0.83). The adoption of prudent capital management by the Group will raise the working capital level in future.



The Group's fixed asset turnover ratio was also at a relatively low level. As at 30th April 2005, the said ratio was 1.24 (2004: 1.07), which indicates that it is required to improve the utilisation rate in assets. The Group will be devoted to improving the production flow and re-organising the unbalanced-matching of the existing production facilities so as to increase the relatively low ratio of the fixed asset turnover.

Charges on Assets

As at 30th April 2005, certain assets of the Group with an aggregate carrying value of HK\$51,674,000 (2004: HK\$69,671,000) were pledged to secure banking facilities and finance lease.

Exchange Risks

The Group's business is mainly conducted in Mainland China, Hong Kong and South-east Asia and the major revenue generating currencies and major currencies in purchase commitments are primarily denominated in Hong Kong dollar, Renminbi (RMB) and United States dollar. Since The People's Bank of China announced an appreciation of 2% of RMB against United States dollar at the end of July 2005, the Group's certain revenues and expenses denominated in RMB may be subject to significant impact arising from the fluctuations in RMB in the future, but the fluctuation in RMB has been only preliminary and mild for the time being. The settlement in RMB only accounted for approximately 13% in terms of the Group's turnover for the financial year. The payments for purchases and wages and salaries, which were settled in RMB, were approximately 43% and 79% respectively. Accordingly, there was no natural hedging arisen therefrom. Given the currency value of RMB appreciates to a great extent, the Group's profit performance would be adversely affected. However, the Board is of the view that it is not necessary for the Group to purchase any foreign exchange futures or options contract to hedge against exchange risks for the time being and will closely monitor the fluctuations in exchange rates of the currencies. The Group's borrowings are mainly settled in Hong Kong dollars or United States dollars. The Board believes that there is no substantial exchange risk.

Management Discussion and Analysis

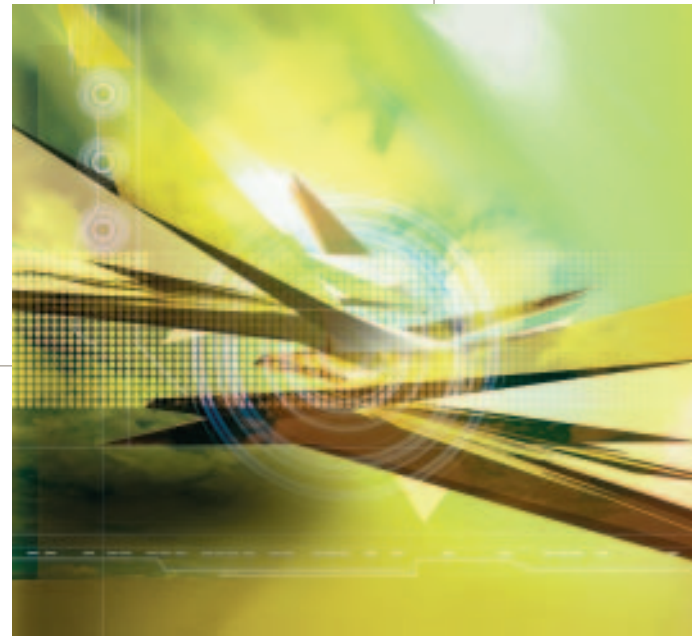
FUTURE PLAN AND PROSPECTS

The Group expects that the increasing capital cost and labour cost and the sustaining high prices of raw materials will continue to put a squeeze on the gross profit margin in the short-term, and the competition in electronic component industry will remain fierce in the future. In the face of severe difficulties in the future operating conditions, the Group contemplates to steadily evolving into an electric coil sub-contracting manufacturer with competitiveness and expansibility, as positioned itself. The focus of future development will be on improvement and trim of its cost structure. In addition, the Group will continue to strictly control the head count of each production unit and to streamline the staff structure. The Group will also continue to actively look for regions with lower labour costs to establish production facilities, such as the setting up of production lines in Gaozhou, Guangdong Province in this financial year. This allows the Group to move certain labour-intensive coil processing work to other regions with lower costs.

In light of the soaring labour cost and the related welfare expenses in Mainland China in past years, the Group's future capital expenditure plan will focus on making investment in automatic production. Automatic production has been directing the Group to achieve successful development since 1999. However, the persistent ultra-short life cycle of electronic products nowadays urges the specifications of electronic components to call for frequent changes. In view of this, the Group will be much more discreet when considering the possible plan for certain processes with automatic production. All the automatic production equipment must be of adequate compatibility, which can ensure that their useful life can attain the depreciation period as adopted by the Group; otherwise the Group will opt to give up the relevant investment in such equipment.

To relieve the pressure of sustaining high prices of raw materials, the Group will also offer its major suppliers highly competitive payment terms in the markets in return for obtaining the support from the suppliers in terms of price, discount and delivery term, in addition to the continued improvement of production flow and craft to reduce the material loss. Although this mutual beneficial policy with the suppliers will shorten the Group's trade payables turnover, but the Group will secure more competitive supplies as compared with those offered at present.

The Group intends to revise its vertical-integration strategy. Except certain under-supply materials and parts in the market, the Group will not consider any new investment plan of materials and parts. The Group will proactively establish supply-chain relationship with some quality material suppliers for yielding a bigger competitive edge. On the other hand, the Group also intends to identify some cost-effective processing contractors to outsource part of its production processes and to restructure certain coil product production units and materials and parts production units with less competitiveness for optimising the cost structure of the Group's manufacturing business.



Management Discussion and Analysis

For the sales and marketing promotion, the Group is forming sales and customers service teams comprising more high-calibre staff to further expand the customer network. The Group is prone to establish diversified customer profiles with a well-balanced combination of multi-industries engaging in multi-products in different regions. With this strategy, the Group expects that the sales business can have a more stable development in future for avoiding any hits that may arise from any fluctuations in a single market. On the other hand, the Group will continue its stringent control in credit management to assure that a low level of bad debt can be maintained in future and reasonable operating cash flow can be controlled.



The Group will continue the relatively effective management model in adopting localised Chinese style, which comprises major functional management centers with manufacturing, sales, finance, purchase, warehouse and quality assurance. The re-organization of China-focused Operating Model will expedite the integration of the Group's management talents and the all-out development of the core coil manufacturing business. On the other hand, the Group will strive to establish close partnership with top-notch enterprises in Mainland China in the belief that the introduction of outstanding business partners from Mainland China will be conducive to the Group's steady business development in the future.

In respect of production system and environmental protection, the Group has obtained the ISO 14001 Management System Certificate, which signifies a new stage for the Group's systemization of its environmental protection management. In addition, the Group has also established "Environment Management Promotion Committee" to review the environmental management standard for the plant at Zhongshan and to supervise the progress of its implementation. As to the directive

of the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) to be fully implemented in Europe in July 2006, the Group's products have come up with the standard of such regulations. The Group will put into resources to improve its environmental protection system and to provide training for the relevant qualified system personnel, so as to keep abreast of the international environmental protection development.

As to the human resources for production, the Group is facing the problems arising from the shortage of labour supply in Guangdong Province, including difficulties in recruiting new staff and retaining the existing staff. The Group expects that this shortage of labour will continue, which will make it more difficult for the Group to substantially boost its overall production capacity in future. Therefore, the Group has identified the labour market as one of the risk factors that can affect its future business growth and is studying a series of measures (including revision of employment terms and provision of excellent recreational facilities) to improve the living of staff with a view to reducing the Group's labour turnover for achieving a stable overall production capacity of the Group in future.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

The Group had approximately 6,800 employees as at 30th April 2005. The remuneration of the employees is determined by reference to market benchmark, individual performance and work experience, subject to periodic review, while bonus entitlement depends on the Group's results and employee's individual performance.

In short, the Group adopts a prudent approach in assessing its results and prospects for the next financial year. With the enormous investments made in the past few years and the motto of "customer-orientation", the Group will optimise the utilisation rate in assets to maximize the returns for the shareholders of the Company.

ACKNOWLEDGEMENTS

Finally, on behalf of the Board, I would like to express my thanks to all customers, suppliers and business partners of the Group who supported and trusted the Group during the year. Besides, I also extend my heartfelt gratitude to all shareholders and investors of the Company for their continued support to the Group, and the dedicated staff who contributed to the sustained growth of the Group during the year.

By Order of the Board

Lam Wai Chun

Chairman

Hong Kong, 15th August 2005

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. LAM Wai Chun, aged 46, 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 a founder of the Group and has over 34 years of experience in the coils manufacturing industry. He is responsible for formulating the Group's overall business strategies and overseeing corporate management. Mr. Lam is the sole director of Ka Yan China Development (Holding) Company Limited. Mr. Lam is also the brother-in-law of Mr. Law Hoo Shan, a director of Coils Electronic Co., Limited.

Ms. TANG Fung Kwan, aged 35, 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.

Ms. LI Hong, aged 36, was appointed as an executive director of the Company with effect from 1st May 2005. She is also a director and the general manager of Xiamen Coils Electronic Co., Ltd. and 南京國仲磁性材料製品有限公司 (Nanjing Guo Zhong Magnetic Material Co., Ltd.). Ms. Li is responsible for the overall management of the Group's business operation in Xiamen and Nanjing, and the marketing of the Group in Mainland China. She received a bachelor degree of English literature from Changchun Teacher's College, the Mainland China and a master of business administration from The University of Northern Virginia, the United States of America. She joined the Group in 1994.

Mr. CHUA You Sing, aged 57, was appointed as an executive director of the Company with effect from 1st May 2005. He has over 35 years' extensive experience in management and electronic manufacturing business. Mr. Chua is responsible for developing new plants of the Group in Mainland China. He is also a director of CEC-Unitech Electronics Limited. Mr. Chua joined the Group in 2005.

Independent Non-Executive Directors

Mr. AU Son Yiu, aged 59, 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 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 Hong Kong Clearing (1992-1994) and Ex-Council member of The Stock Exchange of Hong Kong Limited (1988-1994).

Directors and Senior Management Profile

Mr. LEE Wing Kwan, Denis, aged 60, 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) and the former council and general committee member of Hong Kong General Chamber of Commerce (1994-2002). He is also a former member of the Executive Committee of the Hong Kong Coalition of Service Industries. Mr. Lee is now a member of Trade and Industry Board of the HKSAR Government.

Dr. TANG Tin Sek, aged 46, 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. He is a Certified Public Accountant practising in Hong Kong and has over 24 years of experience in corporate finance, business advisory, financial management and auditing. Dr. Tang obtained a Bachelor of Science degree from The University of Hong Kong in 1980, a Master of Business Administration degree from The University of Sydney, Australia in 1990 and a Doctor of Accountancy degree from The Hong Kong Polytechnic University in 2004. He is also a member of The Chinese Institute of Certified Public Accountants, The Institute of Chartered Accountants in Australia and Chartered Association of Certified Accountants in the United Kingdom. Dr. Tang is an independent non-executive director of several companies listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Group Consultant

Mr. SAITO Misao, aged 69, is a former executive director and the Deputy Chairman of the Company appointed on 29th September 1999 and 4th October 1999 respectively (resigned both offices on 30th June 2003). Mr. Saito was appointed as a consultant of the Group in July 2003 and responsible for the Group's sales and marketing as well as product development. He has been admitted to the degree of Bachelor of Engineering in Electric Communication in the Tokyo Denki University, Japan in 1958 and has over 41 years of experience in the industry of manufacturing of coils and other electronic components. He has extensive experience in the international coil markets including Hong Kong and Japan.

Company Secretary

Ms. LI Lai Sheung, aged 41, 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 1999.

Group Financial Management

Ms. HO Wing Yi, aged 31, is the chief accountant and qualified accountant (as defined under the Listing Rules) of the Company. She is responsible for the Group's financial reporting and corporate finance functions and has over 7 years of experience in auditing in an international firm of certified public accountants. Ms. Ho has been admitted to the degree of Bachelor of Accountancy with Honours in The Polytechnic University of Hong Kong in 1996. She is also a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Ho joined the Group in 2003.

Directors and Senior Management Profile

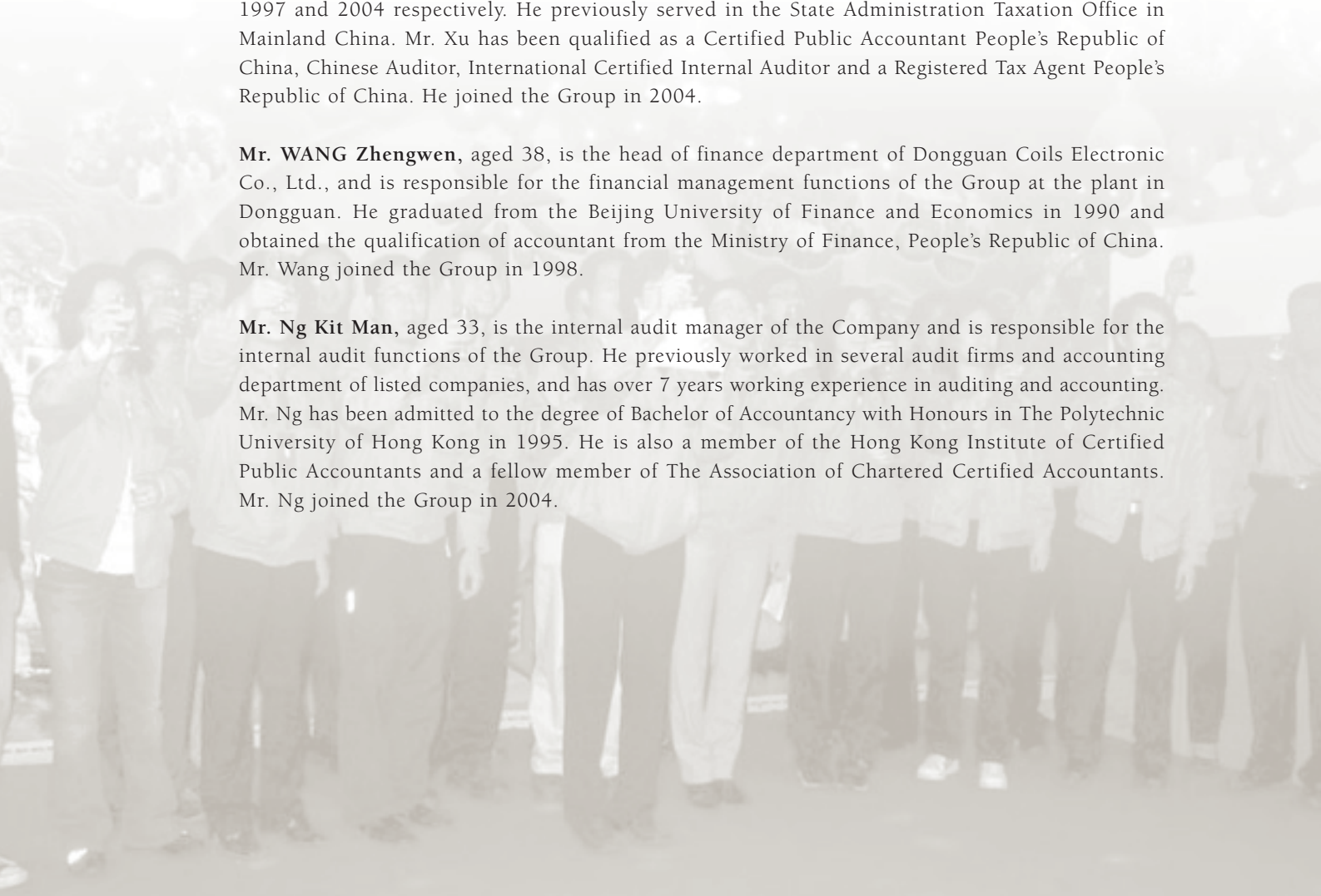
Ms. FU Shuk Yi, aged 27, is the financial controller of Coils Electronic Co., Limited. She is responsible for the Group's daily financial operation and treasury function in Hong Kong. Ms. Fu has over 3 years of experience in auditing in an international firm of certified public accountants. She has been admitted to the degree of Bachelor of Business Administration (Accountancy & Finance) with Honours in The University of Hong Kong in 2000. Ms. Fu is an associate member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Fu joined the Group in 2003.

Mr. YAU Hoi Sing, aged 28, is the head of accounting department of Coils Electronic Co., Limited. He is responsible for the financial management functions of the Group's operations in Hong Kong. Mr. Yau worked in an international firm of certified public accountants and other companies with over 3 years of audit and tax advisory experience. He has been admitted to the degree of Bachelor of Business Administration (Accountancy & Finance) with Honours in The University of Hong Kong in 2000. Mr. Yau is a member of the Hong Kong Institute of Certified Public Accountants and an associate member of The Association of Chartered Certified Accountants. Mr. Yau joined the Group in 2004.

Mr. XU Wenliang, aged 31, is the head of finance department of Coils Electronic (Zhong Shan) Co., Ltd and is responsible for the financial management functions of the Group's operations in Zhongshan's plants. Mr. Xu has been admitted Bachelor of Economics Degree and Master of Business Administration degree from Sun Yat-sen University, Guangdong Province, Mainland China, in 1997 and 2004 respectively. He previously served in the State Administration Taxation Office in Mainland China. Mr. Xu has been qualified as a Certified Public Accountant People's Republic of China, Chinese Auditor, International Certified Internal Auditor and a Registered Tax Agent People's Republic of China. He joined the Group in 2004.

Mr. WANG Zhengwen, aged 38, is the head of finance department of Dongguan Coils Electronic Co., Ltd., and is responsible for the financial management functions of the Group at the plant in Dongguan. He graduated from the Beijing University of Finance and Economics in 1990 and obtained the qualification of accountant from the Ministry of Finance, People's Republic of China. Mr. Wang joined the Group in 1998.

Mr. Ng Kit Man, aged 33, is the internal audit manager of the Company and is responsible for the internal audit functions of the Group. He previously worked in several audit firms and accounting department of listed companies, and has over 7 years working experience in auditing and accounting. Mr. Ng has been admitted to the degree of Bachelor of Accountancy with Honours in The Polytechnic University of Hong Kong in 1995. He is also a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Ng joined the Group in 2004.



Directors and Senior Management Profile

Production Management

Ms. WEI Yinjie, aged 37, is the head of production department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the overall production management of the Group's production facilities in Zhongshan's main plant. Ms. Wei has over 21 years of experience in coils manufacturing and inventory management. She joined the Group in 1984.

Mr. RAMAKRISHNA Subbaraya, aged 44, is the head of transformer production department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the production management of the Group's power-supply products in Zhongshan. He has been admitted to the degree of Bachelor of Engineering in Electrical Engineering in the Bangalore University, India, in 1983. Mr. Ramakrishna joined the Group in 2001.

Ms. Zeng Pingxin, aged 41, is a director of Tonichi Ferrite Co., Ltd. and is responsible for overseeing production management of the Group's production facilities in Zhongshan. She has over 22 years of experience in coils manufacturing and inventory management. Ms. Zeng joined the Group in 1982.

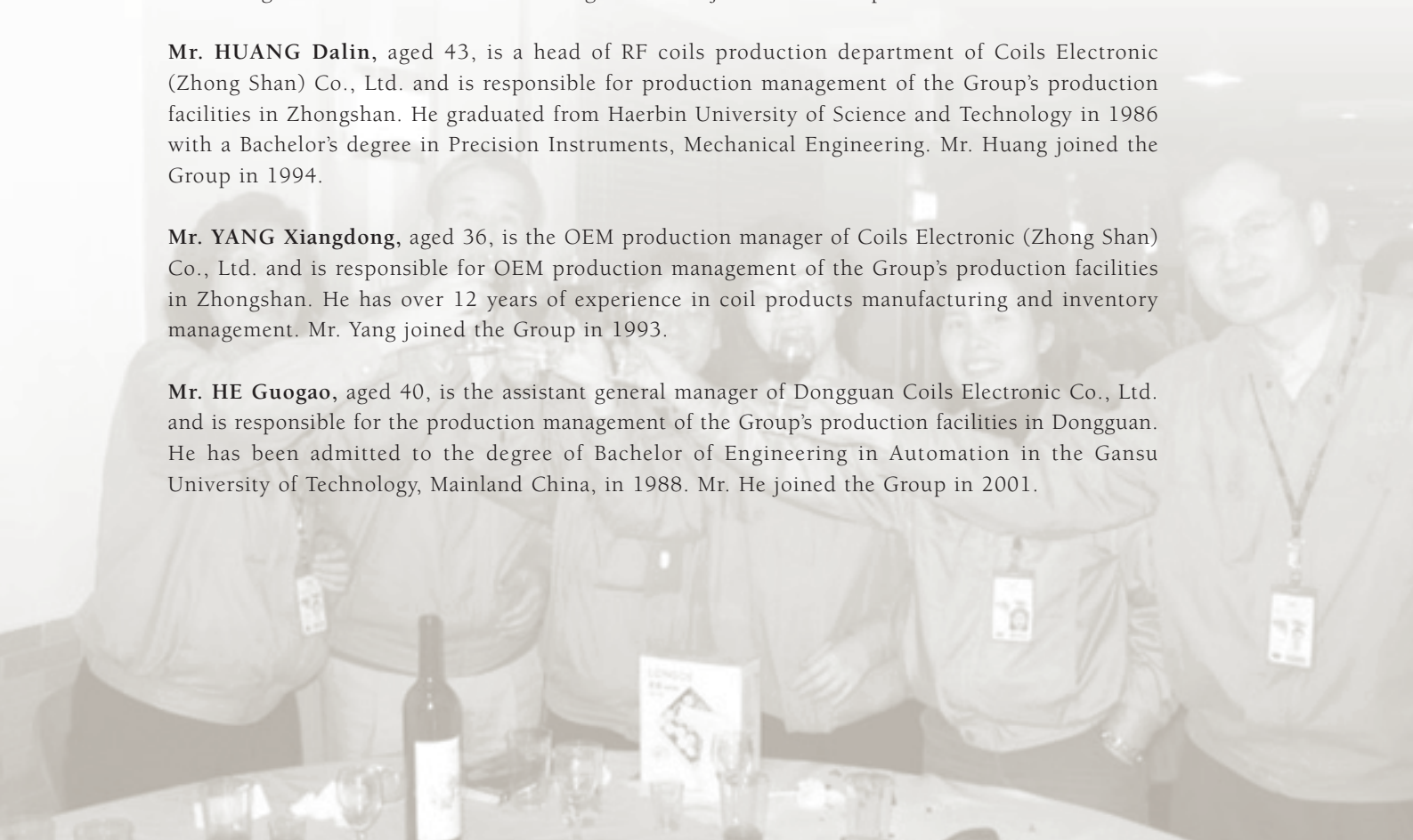
Ms. LAI Wanru, aged 33, is a director of Coils Electronic Co., Limited and is responsible for the general purchase, materials procurement and logistics management of the Group. She has over 15 years of experience in materials procurement, coils manufacturing as well as sales and marketing. Ms. Lai joined the Group in 1990.

Mr. ZHOU Yong, aged 34, is a director of Gaozhou Coils Electronic Co., Ltd. He is responsible for production, materials procurement and logistics management of the Group's production facilities in Gaozhou, Guangdong Province. He has over 11 years of experience in materials procurement, coils design as well as sales and marketing. Mr. Zhou joined the Group in 1993.

Mr. HUANG Dalin, aged 43, is a head of RF coils production department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for production management of the Group's production facilities in Zhongshan. He graduated from Haerbin University of Science and Technology in 1986 with a Bachelor's degree in Precision Instruments, Mechanical Engineering. Mr. Huang joined the Group in 1994.

Mr. YANG Xiangdong, aged 36, is the OEM production manager of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for OEM production management of the Group's production facilities in Zhongshan. He has over 12 years of experience in coil products manufacturing and inventory management. Mr. Yang joined the Group in 1993.

Mr. HE Guogao, aged 40, is the assistant general manager of Dongguan Coils Electronic Co., Ltd. and is responsible for the production management of the Group's production facilities in Dongguan. He has been admitted to the degree of Bachelor of Engineering in Automation in the Gansu University of Technology, Mainland China, in 1988. Mr. He joined the Group in 2001.



Directors and Senior Management Profile

Mr. Wang Xuehua, aged 32, is the manager of material procurement department of 南京國仲磁性材料製品有限公司 (Nanjing Guo Zhong Magnetic Material Co., Ltd.). He is responsible for the materials procurement functions of the Group's production facilities in Nanjing. Mr. Wang has been admitted to the degree of Bachelor of Engineering in the Nanjing Institute of Architectural and Civil Engineering (currently known as Nanjing University of Technology) in 1996 and the degree of Master of Industrial and Commercial Management from Nanjing Normal University in 2003. Mr. Wang joined the Group in 2003.

Mr. JIANG Pingyuan, aged 36, is a director of Kunshan CEC-Ferrite Manufacturing Co., Ltd. and is responsible for the production management of the Group's production facilities in Kunshan. Mr. Jiang joined the Group in 1993.

Mr. CHI Senthil Kumar, aged 36, is the head of magnetic material production department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the magnetic materials and accessories production management of the Group's production facilities in Zhongshan. He has been admitted to the degree of Bachelor of Ceramics Technology in the Indian Institute of Ceramics. Mr. Chi joined the Group in 2005.

Ms. LIU Haiping, aged 31, is the manager of production department of Xiamen Coils Electronic Co., Ltd. and is responsible for the production management of the Group's production facilities in Xiamen. She has been admitted to the degree of Bachelor of Measurement Technology and Instruments in the North China University of Technology in 1995. Ms. Liu joined the Group in 1999.

Sales Management

Mr. THATTI Suresh, aged 45, is a director of CEC-Coils Singapore Pte Ltd. and is responsible for the overall marketing development functions of the Group. He 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. Mr. Thatti joined the Group in 1999.

Ms. POH Po Leng, aged 36, is the assistant general manager of CEC-Coils Singapore Pte Ltd. and is responsible for the sales and marketing functions of the Group's business in Singapore. She previously worked in several prestigious Japanese electronic product manufacturers. Ms. Poh joined the Group in 2000.

Mr. SU Hsiu-Ming, aged 34, is a senior manager of the Taiwan Branch of Coils Electronic Co. Limited and is responsible for the sales and marketing function of the Group's business in Taiwan. He has been admitted to the diploma of Electro-optics Engineering in the National United University in 1993. Mr. Su joined the Group in 1997.

Ms. CHAN Chor Wah, Devona, aged 43, is a director of Coils Electronic Co. Limited and is responsible for the sales and marketing function of the Group's business. She has more than 21 years of working experience in operation and management of related field. Ms. Chan joined the Group in 1988.

Directors and Senior Management Profile

Ms. SHUM Sau Fong, aged 51, is a sales manager of Coils Electronic Co. Limited and is responsible for the general sales and marketing function of the Group's business. She has over 20 years of working experience in sales of electronic components. Ms. Shum joined the Group in 1993.

Ms. ZENG Jianling, aged 36, is a senior manager of customer service department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the sales support and customer service management function of the Group's business in Zhongshan. She has over 21 years of working experience in coils manufacturing, sales and marketing. Ms. Zeng joined the Group in 1983.

Ms. HUANG Shaobing, aged 27, is a manager of sales and customer service department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the sales and customer service management function of the Group's business in Zhongshan's main plant. She has over 7 years of working experience in materials of coil products procurement as well as sales and marketing. Ms. Huang joined the Group in 1998.

Quality Assurance Management

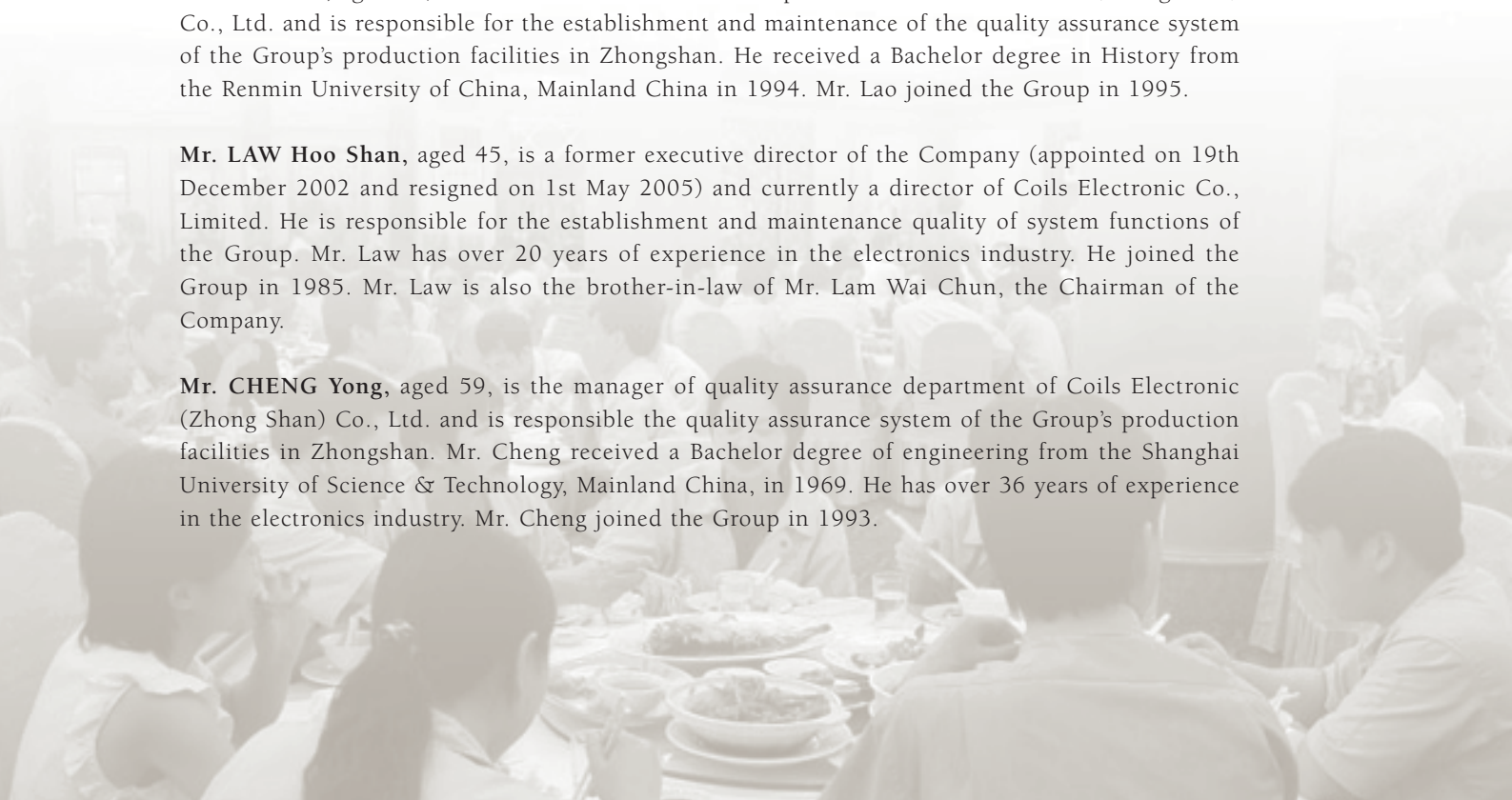
Mr. ZHAO Xiangqun, aged 43, is the head of quality assurance department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the quality assurance and system management of the Group's production facilities in Zhongshan. He has been admitted to the degree of Master of Science in Gravitational Physics in the Sun Yat-Sen University, Guangdong Province, Mainland China, in 1989. Mr. Zhao joined the Group in 2001.

Mr. HO Kwok Keung, aged 47, is a former executive director of the Company (appointed on 20th December 2002 and resigned on 14th August 2003) and currently a director of Coils Electronic Co., Limited. He is responsible for the management of quality assurance function of the Group's business in Hong Kong with over 29 years of experience in electronics and electrical industry. Mr. Ho joined the Group in 1996.

Mr. LAO Xin, aged 33, is the head of administration department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the establishment and maintenance of the quality assurance system of the Group's production facilities in Zhongshan. He received a Bachelor degree in History from the Renmin University of China, Mainland China in 1994. Mr. Lao joined the Group in 1995.

Mr. LAW Hoo Shan, aged 45, is a former executive director of the Company (appointed on 19th December 2002 and resigned on 1st May 2005) and currently a director of Coils Electronic Co., Limited. He is responsible for the establishment and maintenance quality of system functions of the Group. Mr. Law has over 20 years of experience in the electronics industry. 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. CHENG Yong, aged 59, is the manager of quality assurance department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible the quality assurance system of the Group's production facilities in Zhongshan. Mr. Cheng received a Bachelor degree of engineering from the Shanghai University of Science & Technology, Mainland China, in 1969. He has over 36 years of experience in the electronics industry. Mr. Cheng joined the Group in 1993.



Directors and Senior Management Profile

Mr. LEUNG Yiu Kei, aged 27, is the environmental system manager of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the environmental system management of the Group's production facilities in Zhongshan. He received a Bachelor degree of Accountancy with Honours in The Polytechnic University of Hong Kong in 2003. Mr. Leung joined the Group in 2003.

Engineering Technical Management

Mr. CAO Huizhong, aged 35, is the head of research and development department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for managing research and development of coils and transformer products of the Group. He has over 11 years of experience in research and development of coils and transformer products. Mr. Cao joined the Group in 1994.

Mr. LIU Kun, aged 29, is the research and development manager of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for research and development of coils and transformer products. He has been admitted to the degree of Bachelor of Engineering in South China University of Technology, Mainland China in 1999. Mr. Liu joined the Group in 2003.

Mr. HUANG Guoxiang, aged 35, is the head of research of magnetic material department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the research and quality inspection functions for magnetic materials. He 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. Mr. Huang joined the Group in 1994.

Ms. LAKSHMI Ramesh Shastry, aged 35, is the project head of power-supply products of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the research and development of the Group's power-supply products. Ms. Lakshmi joined the Group in 2001.

General Resources Management

Ms. MAI Shaoling, aged 41, is a director of Coils Electronic Co., Limited and is responsible for the general resources management of the Group's production facilities in Zhongshan. She has over 22 years of experience in administration. Ms. Mai joined the Group in 1983.

Mr. LI Jian, aged 33, is a manager of general resources management department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the administration management of the Group's production facilities in Zhongshan. He has been admitted to the degree of Bachelor of History in Archives in the Renmin University of China, Mainland China, in 1994. Mr. Li joined the Group in 1995.

Mr. CHEUNG Ming Yat, aged 29, is a special assistant to Managing Director of the Company and is responsible for the strategic analysis functions of the Group. He has been admitted to the degree of Bachelor of Finance with Honours in The University of Hong Kong in 1998. Mr. Cheung joined the Group in 1998.

Mr. LIU Man Wong, aged 26, is an analyst of the general resources management department of the Company and is responsible for the research and analysis functions of the Group. He has been admitted to the degree of Bachelor of Science with Honours in The Chinese University of Hong Kong in 2002. Mr. Liu joined the Group in 2003.

Directors and Senior Management Profile

Information Technology Management

Mr. HO Man Lee, aged 26, is the head of the information system department of Coils Electronic Co., Limited and is responsible for co-ordinating the Group's information technology development and application functions. Mr. Ho has been admitted to the degree of Bachelor of Computer Science with Honours in The University of Science and Technology, Hong Kong, in 2001. Mr. Ho joined the Group in 2001.

Mr. CHOW Tak Yeung, aged 24, is the project head of the software development department of Coils Electronic Co., Limited and is responsible for co-ordinating the Group's software development and maintenance functions. Mr. Chow has been admitted to the degree of Bachelor of Information Engineering with Honours in The Chinese University of Hong Kong in 2003. Mr. Chow joined the Group in 2003.

Mr. YU Xin, aged 31, is the head of application technology department of 重慶高雅科技有限公司 (Chongqing CEC-Technology Limited) and is responsible for leading the information technology development of the Group's business in Chongqing, Mainland China. He has been admitted to a degree of Bachelor in the Tsinghua University, Mainland China, in 1996. Mr. Yu joined the Group in 2002.

Mr. YU Lei, aged 29, is the head of information system department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for leading the information system and network management of Group's business in Zhongshan. He has over 12 years of experience in computer network system engineering, hardware infrastructure installation, testing and maintenance. Mr. Yu joined the Group in 1997.

Mr. CHUNG Wai Kin, aged 25, is the project head of the software development department of Coils Electronic Co., Limited. He is responsible for co-ordinating the Group's financial system development and maintenance functions. He has been admitted to the degree of Bachelor of Information Engineering with Honours in The Chinese University of Hong Kong in 2002. Mr. Chung joined the Group in 2003.



Report of the Directors

The directors submit their report together with the audited accounts for the year ended 30th April 2005.

Principal activities and geographical analysis of operations

The Company is an investment holding company. Its subsidiaries are principally engaged in design, development, manufacture and sale of a wide range of coils, capacitors, ferrite powder and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products. Details of the principal activities of subsidiaries are set out in note 14 to the accounts.

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

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 40.

No interim dividend was declared for the year ended 30th April 2005 (2004: Nil). The Board of Directors (the "Board") of the Company has resolved to recommend the payment of a final dividend of HK0.7 cent (2004: HK0.5 cent) per share for the year ended 30th April 2005 (the "Proposed Final Dividend") to shareholders whose names appear on the Company's register of members on 23rd September 2005. The Proposed Final Dividend will be paid in cash with an option to receive new fully paid shares in lieu of cash in respect of part or all of their dividend entitlement for the year ended 30th April 2005.

Reserves

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

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$942,550 (2004: HK\$220,000).

Fixed assets

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

Share capital

Details of the share capital of the Company are set out in note 27 to the accounts.

Distributable reserves

As at 30th April 2005, the Company's contributed surplus of approximately HK\$131,338,000 (2004: HK\$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained profits of approximately HK\$16,701,000 (2004: HK\$20,166,000) were available for distribution to the Company's shareholders.

Report of the Directors

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws and the Companies Act 1981 of 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 shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 30th April 2005.

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 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 as consideration for the grant of the option from the grantee to the Company. The full amount of the subscription price for shares must be paid upon exercise of an option.

Report of the Directors

Share options (Continued)

The Old Scheme (Continued)

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.
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. All the outstanding share options granted under the Old Scheme had lapsed during the year ended 30th April 2005 according to their respective expiry dates.

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

Date of grant	Vesting period	Exercisable period	Subscription price per share	Number of shares under options			
				Beginning of year	Exercised during the year	Lapsed during the year	End of year
<i>(i) Directors</i>							
<i>Mr. Lam Wai Chun</i>							
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	(1,322,698)	-
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	(1,322,698)	-
				2,645,396	-	(2,645,396)	-
<i>Ms. Tang Fung Kwan</i>							
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	(1,322,698)	-
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	(1,322,698)	-
				2,645,396	-	(2,645,396)	-
<i>Mr. Law Hoo Shan (resigned on 1st May 2005)</i>							
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	630,000	-	(630,000)	-
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	630,000	-	(630,000)	-
				1,260,000	-	(1,260,000)	-

Report of the Directors

Share options (Continued)

The Old Scheme (Continued)

Date of grant	Vesting period	Exercisable period	Subscription price per share	Number of shares under options			End of year
				Beginning of year	Exercised during the year	Lapsed during the year	
(ii) Employees							
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	(1,322,698)	-
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	(1,322,698)	-
				2,645,396	-	(2,645,396)	-
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	9,112,500	-	(9,112,500)	-
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	9,112,500	-	(9,112,500)	-
				18,225,000	-	(18,225,000)	-
				27,421,188	-	(27,421,188)	-

The New Scheme

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

- 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.
- The participants include:
 - any full-time employees of the Company or its subsidiary, including executive directors; and
 - any non-executive directors of the Company or its subsidiary, including independent non-executive directors of 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 total number of shares available for issue under the New Scheme as at 15th August 2005, the date of this annual report, was 69,302,881, representing approximately 10% of the issued share capital of the Company.

Report of the Directors

Share options (Continued)

The New Scheme (Continued)

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 shares at the date of each grant), is subject to the prior approval by the shareholders of the Company in general meeting.

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 as consideration for the grant of the option 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 2005, no option was granted under the New Scheme (2004: Nil).

Report of the Directors

Directors

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

Executive directors

Mr. Lam Wai Chun	<i>(Chairman)</i>
Ms. Tang Fung Kwan	<i>(Deputy Chairman and Managing Director)</i>
Mr. Chua You Sing	<i>(appointed on 1st May 2005)</i>
Ms. Li Hong	<i>(appointed on 1st May 2005)</i>
Mr. Huang Kong	<i>(Deputy Managing Director, resigned on 6th December 2004)</i>
Mr. Law Hoo Shan	<i>(resigned on 1st May 2005)</i>

Independent non-executive directors

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

Pursuant to Bye-law 87(1) of the Company's Bye-laws, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that the Chairman of the board and/or the managing director of the Company shall not, whilst holding his office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire each year. Pursuant to the said Bye-laws 87(1), Dr. Tang Tin Sek will retire by rotation at the forthcoming annual general meeting of the Company. In view of good corporate governance practices, Mr. Lam Wai Chun, Chairman of the Company, and Ms. Tang Fung Kwan, the Deputy Chairman and Managing Director of the Company, will voluntarily retire from their offices at the forthcoming annual general meeting of the Company notwithstanding that they are not required by the Company's Bye-laws to do so.

Accordingly, Mr. Lam Wai Chun, Ms. Tang Fung Kwan and Dr. Tang Tin Sek will retire at the forthcoming annual general meeting of the Company, and will, being eligible, offer themselves for re-election.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Ms. Li Hong and Mr. Chua You Sing will hold office until the forthcoming annual general meeting of the Company and will, being eligible, offer themselves for re-election.

The term of office of each Independent Non-Executive Director is for the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

The Company has received from each independent non-executive director an annual written confirmation of his independence pursuant to rule 3.13 of Chapter 3 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company still considers such directors to be independent.

Report of the Directors

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 16 to 23 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. This service agreement is exempt from the shareholders' approval requirement pursuant to rule 13.69 of the Listing Rules.

Ms. Tang Fung Kwan entered into a service agreement with the Company on 30th April 2005, which was amended by a supplemental agreement to service agreement dated 3rd August 2005, for a term of two years commencing on 1st May 2005 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.

Each of Ms. Li Hong and Mr. Chua You Sing, entered into a service agreement with the Company on 30th April 2005 for a term of two years, each commencing on 1st May 2005 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. On 30th April 2005, Ms. Li Hong also entered into an employment contract on 30th April 2005, which was amended by the supplemental agreement to employment contract dated 30th April 2005, with Xiamen Coils Electronic Co., Ltd., an indirect wholly-owned subsidiary of the Company, for a term of two years commencing from 1st May 2005 regarding her employment as general manager until terminated by either party giving to the other a 30 days' prior written notice before its expiration.

Mr. Law Hoo Shan entered into a service agreement with the Company on 14th August 2003 for a term of two years, 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. As at the date of this Annual Report, Mr. Law Hoo Shan has ceased to act as director of the Company due to resignation with effect from 1st May 2005.

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.

Report of the Directors

Interests of directors and chief executives in securities

As at 30th April 2005, 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 Issuers were as follows:

(a) Shares of the Company

	Number of shares of HK\$0.10 each				Total interests	Percentage of issued share capital
	Family interests	Personal interests (Note 2)	Corporate interests (Note 3)	Trusts and similar interests (Note 3)		
Mr. Lam Wai Chun	404,008,996 (Note 3)	11,832,000	404,008,996 (Note 3)	404,008,996 (Note 3)	415,840,996 (Note 3)	60.00%
Ms. Tang Fung Kwan	-	3,502,611	-	-	3,502,611	0.51%
Mr. Law Hoo Shan (resigned on 1st May 2005)	-	546,751	-	-	546,751	0.08%
Mr. Au Son Yiu	-	4,200,000	-	-	4,200,000	0.60%
Dr. Tang Tin Sek	-	1,414,000	-	-	1,414,000	0.20%

Notes:

- All the above interests in the shares of the Company were long positions.
- Personal interests were interests held by the relevant directors as beneficial owners.
- 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 immediate family members. 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 415,840,996 shares in the total interests column for Mr. Lam Wai Chun was arrived at after eliminating the duplications.

Report of the Directors

Interests of directors and chief executives in securities (Continued)

(b) Shares of associated corporation(s) 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 4 and 5)	7,500,000	6,000,000	500,000	14,000,000	100%

Notes:

4. 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.
5. 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 3 to sub-paragraph (a) 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.
6. All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held by Mr. Lam Wai Chun were long positions.
7. Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

Save as disclosed above, as at 30th April 2005, 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 Issuers.

Report of the Directors

Directors' rights to acquire shares or debentures

Other than the share option schemes as mentioned above, at no time during the year ended 30th April 2005 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company 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 2005, 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 interests 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:

Substantial shareholders (as defined in the Listing Rules)

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Ms. Law Ching Yee	415,840,996 (Note 2)	–	–	–	60.00%
Ka Yan China Development (Holding) Company Limited	–	–	–	404,008,996 (Notes 2 and 3)	58.30%
Ka Yan China Investments Limited	–	404,008,996 (Notes 2 and 3)	–	–	58.30%
HSBC International Trustee Limited	–	–	404,008,996 (Notes 3 and 4)	–	58.30%

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%

Report of the Directors

Interests of shareholders discloseable under the SFO (Continued)

Notes:

1. All the above interests in 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 immediate family members. 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 held by her spouse, Mr. Lam Wai Chun, for the purpose of the SFO.
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.

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interests (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 30th April 2005.

Management contracts

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

Major suppliers and customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	10%
– five largest suppliers combined	30%

Sales

– the largest customer	15%
– five largest customers combined	49%

At 30th April 2005, Toko, Inc., a shareholder holding more than 5% of the Company's issued share capital, had a beneficial interest in one of the Group's five largest customers and suppliers.

Save as disclosed above, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest suppliers or customers.

Report of the Directors

Disclosure pursuant to rule 13.20 of the Listing Rules

Pursuant to rule 13.20 of the Listing Rules, the details of the Group's trade receivables, which exceeded 8% of the Company's market capitalisation (the percentage ratio as defined under the Listing Rules) as at 30th April 2005 are set out below:

The total trade receivables due to the Group from Nanjing Feijin Magnetic Products Co., Ltd. amounted to approximately HK\$11,799,000.

The above-mentioned trade receivables were interest-free and unsecured with credit period of 90 days, and all of which arose in the ordinary course of business of the Group.

Disclosure pursuant to rule 13.21 of the Listing Rules

In accordance with the disclosure requirements of rule 13.21 of the Listing Rules, the Company makes the following disclosures in relation to the details of the 2003 Agreement (as defined below), the Facility Letter (as defined below) and 2005 Agreement (as defined below), which includes conditions relating to specific performance of the controlling shareholder of the Company:—

- (a) 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 ("Coils"), an indirect wholly-owned subsidiary of the Company, as original guarantor, and a group of banks.

Under the provisions of 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"), 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.

Report of the Directors

Disclosure pursuant to rule 13.21 of the Listing Rules (Continued)

If the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2003 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2003 Facility, together with accrued interest, and all other amounts accrued and outstanding under all finance documents (including the 2003 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2003 Facility shall immediately become payable on demand.

As at 30th April 2005, the aggregate outstanding loan under the 2003 Facility was approximately HK\$55,000,000.

All the outstanding indebtedness under the 2003 Agreement has been prepaid in May 2005.

- (b) On 30th July 2004, Coils accepted an offer of (i) a documentary credit plus trust receipt facility plus invoice financing – import facility of up to HK\$20,000,000 (the “First Facility”) and (ii) a 2-year term loan facility of up to HK\$20,000,000 (the “Second Facility”, together with the First Facility, the “Facilities”) under a facility letter dated 28th July 2004 (the “Facility Letter”) issued by a bank in Hong Kong (the “Bank”). The Company (as corporate guarantor) also countersigned the Facility Letter and has provided a guarantee and indemnity up to the extent of HK\$40,000,000 and accrued interest and default interest thereon and all other costs and expenses to secure the Facilities. The Facilities shall be subject to periodical review as the Bank deems fits and at the Bank’s sole and absolute discretion. The Facilities shall expire and be repayable forthwith as and when the Bank has given Coils notice of termination.

Under the provisions of the Facility Letter, there are conditions, among other things, that (1) Mr. Lam and Ka Yan shall remain the beneficial owners, together, of the largest proportion of the issued share capital of the Company at all times and, Mr. Lam and Ka Yan shall not sell, transfer, assign, encumber or dispose of all or part of their respective beneficial shareholdings in the Company and (2) the aggregate beneficial shareholdings of Mr. Lam and Ka Yan shall not fall below 35% of the issued share capital of the Company throughout the life of the Facilities. Should there be any breach of such conditions, the Bank shall have the right to demand for repayment of all outstanding amounts due by Coils under the Facilities.

As at 30th April 2005, the aggregate outstanding loan under the Facilities was approximately HK\$22,634,000.

- (c) On 27th April, 2005, the Company (as borrower) entered into a 3-year transferable term loan and revolving credit facility agreement (the “2005 Agreement”) for an aggregate amount of HK\$243,000,000 (the “2005 Facility”) with a group of banks and Coils and CEC-Coils Singapore Pte Ltd., being two indirect wholly-owned subsidiaries of the Company (collectively, as original guarantors). The 2005 Facility consist of (1) a term loan for an aggregate amount of HK\$194,400,000 and (2) a revolving credit facility for an aggregate amount of HK\$48,600,000.

Report of the Directors

Disclosure pursuant to rule 13.21 of the Listing Rules (Continued)

Under the provisions of the 2005 Agreement, it would be an event of default, inter alia, if Mr. Lam, the Chairman of the Company and a controlling shareholder of the Company, ceases to be the Chairman of the Company or ceases to be involved actively in the management and business of the Group. If the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2005 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2005 Facility, together with accrued interest, and all other amounts accrued and outstanding under all finance documents (including the 2005 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2005 Facility shall immediately become payable on demand.

As at 30th April 2005, the 2005 Facility has not yet been drawn down by the Company.

Audit Committee

The Audit Committee of the Company presently comprises the three independent non-executive directors. One of the independent non-executive directors is a Certified Public Accountant practising in Hong Kong with substantial experience in corporate finance, auditing and financial management. Regular meetings have been held by the Audit Committee since its establishment and it meets at least twice each financial year. The Audit Committee met six times during the year ended 30th April 2005.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Annual Report for the year ended 30th April 2005.

Corporate Governance

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") set out in Appendix 14 to the Listing Rules, which was in force prior to 1st January 2005 and remains applicable to the accounting periods commencing before 1st January 2005, throughout the year ended 30th April 2005, except that the independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws. The Company will report on its compliance with the Code on Corporate Governance Practices, which replaced the Code and has become effective for accounting periods commencing on or after 1st January 2005, in accordance with the applicable regulatory requirements in due course.

Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions for the year ended 30th April 2005. Following specific enquiry by the Company, all of the directors (including the resigned director, Mr. Huang Kong, but excluding those directors appointed with effect from 1st May 2005) confirmed compliance with the required standard set out in the Model Code at the applicable times for the period from 1st May 2004 to 30th April 2005.

Report of the Directors

Public float

As at 15th August 2005, the latest practicable date, based on information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained the prescribed amount of public float as required under the Listing Rules during the year ended 30th April 2005 and up to the date of this report.

Summary financial information

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

Auditors

The accounts of the Company have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board
LAM WAI CHUN
Chairman

Hong Kong, 15th August 2005

Report of the Auditors



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
CEC INTERNATIONAL HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 40 to 83 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

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

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion 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 Institute of Certified Public 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 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 2005, and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15th August 2005

Consolidated Income Statement

For the year ended 30th April 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	3	554,291	491,663
Cost of sales		(429,155)	(368,016)
Gross profit		125,136	123,647
Selling and distribution expenses		(12,007)	(11,397)
General and administrative expenses		(71,148)	(72,090)
Other operating expenses		(2,688)	(1,406)
Operating profit	5	39,293	38,754
Interest income	3	211	156
Interest expense	6	(13,580)	(17,240)
Share of losses of associates		(8)	(20)
Profit before taxation		25,916	21,650
Taxation	7	(6,386)	(5,854)
Profit after taxation but before minority interests		19,530	15,796
Minority interests		–	61
Profit attributable to shareholders	8	19,530	15,857
Dividend	9	4,851	3,465
Earnings per share			
– Basic	10	2.82 cents	2.29 cents
– Diluted	10	N/A	N/A

Balance Sheets

As at 30th April 2005

	Notes	Group		Company	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Non-current assets					
Fixed assets	13	436,342	457,213	–	–
Investment in subsidiaries	14	–	–	308,923	367,333
Investment in associate	15	25	33	–	–
Investment securities	16	8,580	–	–	–
Deposit for acquisition of land use rights	17	6,254	4,764	–	–
Total non-current assets		451,201	462,010	308,923	367,333
Current assets					
Inventories	18	56,762	83,973	–	–
Trade receivables	19	97,632	92,258	–	–
Bills receivable		88	2,181	–	–
Prepayments, deposits and other receivables		6,053	8,402	–	–
Other investments	20	1,192	8,580	–	–
Tax recoverable		84	471	–	–
Pledged bank deposits	21	24,879	25,058	–	–
Bank balances and cash	21	43,770	24,506	25	2
Total current assets		230,460	245,429	25	2
Current liabilities					
Short-term bank borrowings	22	(211,791)	(198,359)	(55,000)	(55,000)
Trade payables	23	(46,401)	(59,288)	–	–
Bills payable		(5,212)	(2,890)	–	–
Accruals and other payables		(26,089)	(25,730)	(488)	(410)
Finance lease obligations, current portion	25	(2,588)	(6,017)	–	–
Taxation payable		(6,581)	(2,420)	–	–
Total current liabilities		(298,662)	(294,704)	(55,488)	(55,410)
Net current liabilities		(68,202)	(49,275)	(55,463)	(55,408)
Total assets less current liabilities		382,999	412,735	253,460	311,925

Balance Sheets

As at 30th April 2005

	Notes	Group		Company	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Non-current liabilities					
Long-term bank loans, non-current portion	24	(22,406)	(72,926)	–	(55,000)
Finance lease obligations, non-current portion	25	(1,491)	(2,971)	–	–
Deferred taxation	26	(24,144)	(23,076)	–	–
Total non-current liabilities		(48,041)	(98,973)	–	(55,000)
Net assets		334,958	313,762	253,460	256,925
Capital and reserves					
Share capital	27	69,303	69,303	69,303	69,303
Reserves					
Proposed final dividend	28	4,851	3,465	4,851	3,465
Others	28	260,804	240,994	179,306	184,157
Shareholders' equity		334,958	313,762	253,460	256,925

LAM WAI CHUN
Chairman

TANG FUNG KWAN
Deputy Chairman

Consolidated Statement of Changes in Equity

For the year ended 30th April 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Total equity, beginning of year		313,762	297,251
Surplus of revaluation of properties, net of taxation		5,800	–
Exchange differences arising on translation of the accounts of foreign subsidiaries and associates	28	(669)	654
Net gains not recognised in the consolidated income statement		5,131	654
Profit attributable to shareholders	28	19,530	15,857
Dividend		(3,465)	–
Total equity, end of year		334,958	313,762

Consolidated Cash Flow Statement

For the year ended 30th April 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Net cash inflow generated from operations	30(a)	119,768	95,747
Hong Kong profits tax paid		(1,586)	(67)
Hong Kong profits tax refunded		39	18
Overseas income tax paid		(2,050)	(301)
Overseas income tax refunded		-	384
Share of taxation attributable to an associate		-	(24)
Net cash inflow from operating activities		116,171	95,757
Investing activities			
Purchase of fixed assets		(34,689)	(38,862)
Disposal of fixed assets		3,561	146
Purchase of investment properties		(3,782)	(2,291)
Disposal of investment properties		480	480
Purchase of other investments		(1,192)	(8,580)
Interest received		211	156
Increase in deposit for acquisition of land use rights		(1,490)	(4,764)
Disposal of other investment		-	8,260
Decrease/(increase) in pledged bank deposits		179	(75)
Net cash used in investing activities		(36,722)	(45,530)
Financing activities	30(b)		
Dividend paid to shareholders		(3,465)	-
New short-term bank borrowings		425,250	398,695
Repayment of short-term bank borrowings		(426,248)	(409,952)
New long-term bank loans		48,400	165,000
Repayment of long-term bank loans		(84,519)	(152,996)
Repayment of capital element of finance lease obligations		(6,029)	(14,956)
Interest paid		(13,280)	(17,240)
Net cash used in financing activities		(59,891)	(31,449)
Translation adjustments		(323)	(410)
Increase in cash and cash equivalents		19,235	18,368
Cash and cash equivalents, beginning of year		9,097	(9,271)
Cash and cash equivalents, end of year		28,332	9,097
Analysis of cash and cash equivalents:			
Bank balances and cash		43,770	24,506
Bank overdrafts		(15,438)	(15,409)
		28,332	9,097

Notes to the Accounts

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 design, development, manufacture and sale of a wide range of coils, capacitors, ferrite powder and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products.

2 Principal accounting policies

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention except that investment properties and investments held as current assets are stated at fair value and certain land and buildings are stated at valuations.

Recently issued accounting standards

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 30th April 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs have a significant impact on its results of operations and financial position.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts 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 of 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.

Notes to the Accounts

2 Principal accounting policies (Continued)

(b) Group accounting (Continued)

(i) Consolidation (Continued)

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.

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

Gain or loss on 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 and which was not previously charged or recognised in the consolidated income statement. 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.

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

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

(ii) 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. 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.

Notes to the Accounts

2 Principal accounting policies (Continued)

(b) Group accounting (Continued)

(iii) *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 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.

(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/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.

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) *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.

Notes to the Accounts

2 Principal accounting policies (Continued)

(c) Intangible assets (Continued)

(ii) *Research and development costs (Continued)*

All research and development costs for the years ended 30th April 2004 and 2005 have been expensed as no expenditure met the criteria for deferral.

(iii) *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.

(d) Fixed assets

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are included in the balance sheet at their open market value on the basis of an annual valuation by qualified valuers. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the income statement.

Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less in which case depreciation is provided on the carrying amount over the remaining term of the lease.

(ii) *Land and buildings*

Land and buildings other than investment properties 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.

Notes to the Accounts

2 Principal accounting policies (Continued)

(d) Fixed assets (Continued)

(iii) *Construction-in-progress*

Construction-in-progress is fixed assets under construction. The amount is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the construction.

(iv) *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.

(v) *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.

(vi) *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.

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.

Notes to the Accounts

2 Principal accounting policies (Continued)

(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 in securities

(i) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognized as an expense in the income statement. This impairment loss is written back to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Other investments

Other investments are carried at fair 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 other investments, representing the difference between the net sales proceeds and the carrying amount, are recognised in the income statement as they arise.

Notes to the Accounts

2 Principal accounting policies (Continued)

(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.

(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, cash investments with maturity of three months or less from date of investment 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 schemes are expensed as incurred.

Notes to the Accounts

2 Principal accounting policies (Continued)

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(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 accounts. 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 accounts 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.

Revenue from rental income is recognised on a straight-line basis over the lease term.

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

Notes to the Accounts

2 Principal accounting policies (Continued)

(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.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash and exclude income tax assets. Segment liabilities comprise operating liabilities and exclude income tax 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 revenue

Revenues recognised during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Turnover		
Sale of goods	552,777	487,953
Provision of information technology services	1,032	3,499
Rental income	482	211
	554,291	491,663
Other revenue		
Interest income	211	156
Total revenue	554,502	491,819

Notes to the Accounts

4 Segment information

(a) Primary segments

During the year, the directors of the Company re-classified certain segmental information. Coils manufacturing, capacitors manufacturing and ferrite powder manufacturing were combined and classified as “Electronic components manufacturing”. Besides, information technology services, electronic components trading and others, being the non-core business, were combined and classified as “Others”. Certain comparative figures of segmental information for the year ended 30th April 2004 have been re-classified to conform to current year’s presentation. An analysis by business segment is set out as follows:

	Electronic components manufacturing		Others		Eliminations		Total	
	2005 HK\$'000	2004 HK\$'000 (restated)	2005 HK\$'000	2004 HK\$'000 (restated)	2005 HK\$'000	2004 HK\$'000 (restated)	2005 HK\$'000	2004 HK\$'000
Turnover								
External sales	549,928	459,040	4,363	32,623	-	-	554,291	491,663
Intersegment sales	816	3	2,833	1,097	(3,649)	(1,100)	-	-
	550,744	459,043	7,196	33,720	(3,649)	(1,100)	554,291	491,663
Operating results								
Operating profit/(loss)	39,663	39,785	(370)	(1,031)	-	-	39,293	38,754
Interest income	211	156	-	-	-	-	211	156
Interest expense	(13,552)	(17,130)	(28)	(110)	-	-	(13,580)	(17,240)
Share of losses of associates							(8)	(20)
Profit before taxation							25,916	21,650
Taxation							(6,386)	(5,854)
Profit after taxation but before minority interests							19,530	15,796
Minority interests							-	61
Profit attributable to shareholders							19,530	15,857
Other information								
Segment assets	674,147	700,496	7,430	6,472	-	-	681,577	706,968
Unallocated assets							84	471
Total assets							681,661	707,439
Segment liabilities	314,857	366,470	1,121	1,711	-	-	315,978	368,181
Unallocated liabilities							30,725	25,496
Total liabilities							346,703	393,677
Capital expenditures	36,046	53,016	3,850	2,409	-	-	39,896	55,425
Depreciation	64,573	58,776	79	409	-	-	64,652	59,185

Notes to the Accounts

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	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	239,967	270,428	12,454	19,525	125,227	151,822	7,455	4,761
Mainland China	182,972	109,976	21,663	10,554	518,209	527,546	28,775	50,656
Taiwan	45,656	39,784	(396)	11	15,883	9,781	-	-
Europe	26,983	33,807	552	1,896	-	-	-	-
Singapore	24,171	22,401	4,313	6,840	22,342	18,290	3,666	8
Others	34,542	15,267	707	(72)	-	-	-	-
Total	554,291	491,663	39,293	38,754	681,661	707,439	39,896	55,425

Notes to the Accounts

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2005 HK\$'000	2004 HK\$'000
Crediting		
Gain on disposals of other investment	–	321
Gain on disposals of investment properties	50	42
Gross rental income	482	211
Less: outgoings	(173)	(59)
Net rental income	309	152
Charging		
Advertising and promotion costs	881	761
Auditors' remuneration	880	798
Cost of inventories sold	427,078	365,304
Depreciation		
– owned fixed assets	62,952	57,055
– fixed assets held under finance leases	1,700	2,130
Loss on disposals of an associate	–	83
Loss on disposals of fixed assets	355	29
Net exchange losses	824	2,790
Operating lease rental on rented premises	3,255	3,060
Provision for/Write off of bad and doubtful debts	1,412	2,009
Provision for other receivables	2,100	–
Provision for slow moving and obsolete inventories	570	119
Research and development costs	2,558	1,615
Staff costs (including directors' emoluments) (Note 11)	127,364	106,313

6 Interest expense

	2005 HK\$'000	2004 HK\$'000
Interest expense on		
– bank overdrafts and loans wholly repayable within five years	11,753	14,780
– factoring of trade receivables	1,529	1,592
– finance leases	298	868
	13,580	17,240

Notes to the Accounts

7 Taxation

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 7.5% to 33% (2004: 7.5% 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.

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

	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
– current tax	5,711	1,477
– under/(over) provision in prior years	276	(79)
Overseas taxation		
– current tax	1,684	796
– under-provision in prior years	432	–
Deferred taxation (<i>Note 26</i>)	(1,717)	3,636
	6,386	5,830
Share of taxation attributable to an associate	–	24
Total taxation charge	6,386	5,854

Notes to the Accounts

7 Taxation (Continued)

The reconciliation between the Group's actual tax charge and the amount which is calculated based on the statutory tax rate of Hong Kong is as follows:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	25,916	21,650
Calculated at a taxation rate of 17.5% (2004: 17.5%)	4,535	3,789
Effect of different taxation rates of subsidiaries and associates operating in respective jurisdictions	(501)	379
Tax effect on income not subject to taxation	(44)	(95)
Tax effect on income exempt from taxation due to tax holiday in Mainland China	(2,724)	(1,586)
Tax effect on expenses not deductible for taxation purposes	3,787	3,141
Utilisation of previously unrecognised tax losses	(29)	(72)
Under/(over) provision in prior years	708	(79)
Others	654	377
Total taxation charge	6,386	5,854

8 Loss attributable to shareholders

Net loss of HK\$300 (2004: loss of HK\$43,000) has been dealt with in the accounts of the Company.

9 Dividend

	2005 HK\$'000	2004 HK\$'000
Proposed final dividend of HK0.7 cent (2004: HK0.5 cent) per share	4,851	3,465

At a meeting of the board of directors (the "Board") of the Company held on 15th August 2005, the Board recommended a final dividend of HK0.7 cent per share for the year ended 30th April 2005 to be paid in cash with a scrip option at the election of shareholders whose names appear on the Company's register of members on 23rd September 2005. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 30th April 2006.

Notes to the Accounts

10 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of approximately HK\$19,530,000 (2004: HK\$15,857,000) and 693,028,811 (2004: 693,028,811) shares in issue during the year.

No information in respect of diluted earnings per share is presented as the exercise of the outstanding options and warrants (if any) for the years ended 30th April 2004 and 30th April 2005 would have no dilutive effect.

11 Staff costs

	2005 HK\$'000	2004 HK\$'000
Wages, salaries and welfare	118,783	100,522
Unutilised annual leave	401	433
Pension costs – defined contribution plans (<i>Note 32</i>)	8,180	5,358
	127,364	106,313

12 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:

	2005 HK\$'000	2004 HK\$'000
Directors' fees		
– independent non-executive directors	900	850
– non-executive director	–	50
Other emoluments for executive directors		
– basic salaries, allowances and other benefits in kind	2,668	4,249
– contributions to pension schemes	237	293
	3,805	5,442

Notes to the Accounts

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

(a) Directors' emoluments (Continued)

The emoluments of the directors fell within the following bands:

	Number of directors	
	2005	2004
Executive directors		
Nil to HK\$1,000,000	3	7
HK\$1,000,001 to HK\$1,500,000	1	1
	4	8
Independent non-executive directors		
Nil to HK\$1,000,000	3	3

No directors waived any emoluments during the year (2004: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

The remuneration of each of the directors (including independent non-executive directors) for the year ended 30th April 2005 is set out below:

	Fees HK\$'000	Basic salaries and allowances HK\$'000	Employer's contribution for pension schemes HK\$'000	2005	2004
				Total HK\$'000	Total HK\$'000
Mr. Lam Wai Chun	-	968	97	1,065	1,065
Ms. Tang Fung Kwan	-	720	72	792	792
Mr. Huang Kong (resigned on 6th December 2004)	-	380	8	388	612
Mr. Law Hoo Shan (resigned on 1st May 2005)	-	600	60	660	660
Dr. Tang Tin Sek	300	-	-	300	300
Mr. Au Son Yiu	300	-	-	300	300
Mr. Lee Wing Kwan, Denis	300	-	-	300	300
Mr. Ho Kwok Keung (resigned on 14th August 2003)	-	-	-	-	190
Mr. Chiu Chan, Charles (resigned on 21st January 2004)	-	-	-	-	452
Mr. Lam Wing Kin, Sunny (resigned on 21st February 2004)	-	-	-	-	537
Mr. Saito Misao (resigned on 30th June 2003)	-	-	-	-	234
	900	2,668	237	3,805	5,442

Notes to the Accounts

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2004: five) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining two (2004: nil) individuals during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries, allowances and other benefits in kind	908	–
Contributions to pension schemes	79	–
	987	–

The emoluments fell within the following band:

	Number of individuals	
	2005	2004
Emolument bands		
Nil to HK\$1,000,000	2	–

Notes to the Accounts

13 Fixed assets

	2005						2004	
	Investment properties	Construction in progress	Land and buildings	Machinery	Furniture and equipment	Motor vehicles	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:								
Beginning of year	2,083	724	76,348	589,296	55,360	7,343	731,154	675,761
Additions	3,782	1,233	977	27,872	4,705	1,327	39,896	55,425
Disposals	(430)	-	(758)	(4,159)	(200)	(1,112)	(6,659)	(1,649)
Transfer	715	(678)	(381)	344	-	-	-	-
Revaluation	520	-	2,458	-	-	-	2,978	-
Translation adjustments	-	(5)	(119)	(105)	65	(14)	(178)	1,617
End of year	6,670	1,274	78,525	613,248	59,930	7,544	767,191	731,154
Accumulated depreciation:								
Beginning of year	-	-	3,745	223,030	42,899	4,267	273,941	215,292
Charge for the year	-	-	1,903	55,990	5,807	952	64,652	59,185
Disposals	-	-	(35)	(1,000)	(150)	(1,078)	(2,263)	(1,036)
Revaluation	-	-	(5,607)	-	-	-	(5,607)	-
Translation adjustments	-	-	(6)	67	72	(7)	126	500
End of year	-	-	-	278,087	48,628	4,134	330,849	273,941
Net book value:								
End of year	6,670	1,274	78,525	335,161	11,302	3,410	436,342	457,213
Beginning of year	2,083	724	72,603	366,266	12,461	3,076	457,213	460,469

Notes to the Accounts

13 Fixed assets (Continued)

The analysis of the cost or valuation as at 30th April 2005 and 30th April 2004 is as follows:

	Investment properties HK\$'000	Construction in progress HK\$'000	Land and buildings HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	-	1,274	-	613,248	59,930	7,544	681,996
At valuation	6,670	-	78,525	-	-	-	85,195
As at 30th April 2005	6,670	1,274	78,525	613,248	59,930	7,544	767,191

	Investment properties HK\$'000	Construction in progress HK\$'000	Land and buildings HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	-	724	2,448	589,296	55,360	7,343	655,171
At valuation	2,083	-	73,900	-	-	-	75,983
As at 30th April 2004	2,083	724	76,348	589,296	55,360	7,343	731,154

The Group's interests in the properties (including investment properties) are analysed as follows:

	2005 HK\$'000	2004 HK\$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	16,920	10,053
In Mainland China, held on:		
Leases of between 10 to 50 years	67,537	64,127
Leases of over 50 years	738	506
	85,195	74,686

Investment properties are located in Hong Kong and were stated at open market value as at 30th April 2005 as determined by Castores Magi Surveyors Limited, independent qualified valuers.

Notes to the Accounts

13 Fixed assets (Continued)

The Group leased out its investment properties under operating leases, for an initial period of one to three years, with an option to renew on renegotiated terms. During the year, gross rental income received from investment properties amounted to approximately HK\$482,000 (2004: HK\$211,000). As at 30th April 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2005 HK\$'000	2004 HK\$'000
Not later than one year	449	250
Later than one year and not later than five years	132	139
	581	389

Approximately HK\$67,537,000 (2004: HK\$64,127,000) of land and buildings located in Mainland China are held under land use rights for 50 years up to 2048, while approximately HK\$738,000 (2004: HK\$506,000) of land and buildings located in Mainland China are held under land use rights for 70 years up to 2072.

Approximately HK\$10,250,000 (2004: HK\$7,681,000) of land and buildings located in Hong Kong were stated at open market value as at 30th April 2005 (date of last valuation) as appraised by Castores Magi Surveyors Limited, independent qualified valuers. Approximately HK\$68,275,000 (2004: HK\$63,271,000) of land and buildings located in Mainland China were stated on replacement cost basis as at 30th April 2005 as appraised by the same firm. The revaluation surplus net of applicable deferred taxes was credited to reserves in shareholders' equity (Note 28).

The carrying amount of land and buildings would have been approximately HK\$50,921,000 (2004: HK\$52,531,000) if stated at cost less accumulated depreciation.

At 30th April 2005, the net book value of land and buildings pledged as security for the Group's banking facilities amounted to approximately HK\$7,640,000 (2004: HK\$5,821,000) (Note 33).

At 30th April 2005, the net book value of certain machinery and motor vehicles purchased under finance leases amounted to approximately HK\$10,575,000 (2004: HK\$30,212,000).

At 30th April 2005, the Group's construction-in-progress with net book value of approximately HK\$1,233,000 was built on land in which the Group is in the process of obtaining the relevant land use right certificate.

Notes to the Accounts

14 Investment in subsidiaries

	2005 HK\$'000	2004 HK\$'000
Unlisted shares/investments, at cost	137,348	137,348
Due from subsidiaries	171,575	229,985
	308,923	367,333

The following is a list of the subsidiaries as at 30th April 2005:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and fully paid share capital/ registered capital	Interest held (a)
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%
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%
CEC-Unitech Electronics Limited	Hong Kong	Dormant	Ordinary HK\$10,000	100%

Notes to the Accounts

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)
重慶高雅科技有限公司 (Chongqing CEC-Technology Limited) (c)	Mainland China	Provision of information technology services	Registered capital HK\$500,000	100%
Coils Electronic Co., Limited	Hong Kong	Investment holding; manufacture and sale of coils and other electronic components	Ordinary HK\$2 Non-voting deferred HK\$14,000,000 (b)	100% –
Coils Electronic (Zhong Shan) Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$7,597,063 (d)	100%
Coils International Holdings Limited	British Virgin Islands	Investment holding	Ordinary US\$10,000	100%
Coils Investment (BVI) Limited	British Virgin Islands	Investment holding	Ordinary US\$1	100%
Coils Property Management Limited	Hong Kong	Property investment holding	Ordinary HK\$200,000	100%
Dongguan Coils Electronic Co. Ltd.(c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$200,000 (d)	100%
Gaozhou Coils Electronic Co. Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$128,440 (d)	100%
Good Signal Holdings Limited	British Virgin Islands	Investment holding	Ordinary US\$100	100%
Jin Yuan Moulds Limited	Hong Kong	Dormant	Ordinary HK\$100	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%

Notes to the Accounts

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)
南京國仲磁性材料製品 有限公司 (Nanjing Guo Zhong Magnetic Material Co., Ltd.) (c)	Mainland China	Manufacture and sale of ferrite powder	Registered capital US\$2,780,000	100%
Qingdao Coils Electronic Co., Ltd. (c)	Mainland China	Dormant	Registered capital US\$40,000 (d)	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%
Tonichi Ferrite Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital HK\$81,600,000	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 Coils Metalwork Co., Ltd. (c)	Mainland China	Manufacture of coils	Registered capital US\$753,774 (d)	100%
珠海國仲電子材料 有限公司 (Zhuhai Guozhong Electronic Co., Ltd.) (c)	Mainland China	Dormant	Registered capital HK\$723,232 (d)	100%

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 2005.

As at 30th April 2005, the Company had given guarantees to banks and financial institutions of approximately HK\$214,839,000 (2004: HK\$207,536,000) to secure banking and finance lease facilities of certain subsidiaries (*Note 31(c)*).

Notes to the Accounts

14 Investment in subsidiaries (Continued)

None of the subsidiaries had any loan capital in issue at any time during the year ended 30th April 2005 (2004: Nil).

Notes:

- (a) The shares in Coils International Holdings Limited are held directly by the Company. The shares in other subsidiaries are held indirectly.
- (b) The non-voting deferred shares in 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, whereas 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. Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of each of Coils Electronic Co., Limited and CEC-Coils Hong Kong 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) 重慶高雅科技有限公司(Chongqing CEC-Technology Limited), Coils Electronic (Zhong Shan) Co., Ltd., Dongguan Coils Electronic Co. Ltd., Gaozhou Coils Electronic Co. Ltd., Tonichi Ferrite Co., Ltd., Xiamen Coils Electronic Co., Ltd. and Zhongshan Coils Metalwork Co., Ltd. are wholly foreign owned enterprises established in Mainland China to be operated for 15 years up to August 2017, April 2016, December 2019, November 2018, September 2008, December 2012 and February 2016, respectively.

Kunshan CEC-Ferrite Manufacturing Co., Ltd. and 珠海國仲電子材料有限公司(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.

南京國仲磁性材料製品有限公司(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.

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.

All subsidiaries established in Mainland China have financial accounting year end dated on 31st December in accordance with the local statutory requirements, which is not coterminous with the Group. The accompanying consolidated accounts of the Group were prepared based on the accounts of these subsidiaries for the twelve months ended 30th April 2005.

- (d) Coils Electronic (Zhong Shan) Co.,Ltd., Dongguan Coils Electronic Co. Ltd., Gaozhou Coils Electronic Co. Ltd., Qingdao Coils Electronic Co., Ltd., Zhongshan Coils Metalwork Co., Ltd. and Zhuhai Guozhong Electronic Co., Ltd. were established with registered capital of US\$8,000,000, US\$700,000, US\$500,000, US\$500,000, US\$3,000,000 and HK\$35,000,000 respectively. As at 30th April 2005, the Group had outstanding commitments of approximately US\$403,000, US\$500,000, US\$372,000, US\$460,000, US\$2,246,000 and HK\$34,277,000 respectively, for capital contribution to these six subsidiaries.

Notes to the Accounts

15 Investment in associate

	2005 HK\$'000	2004 HK\$'000
Share of net assets	25	33

The following are the details of the associate as at 30th April 2005:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Interest held Indirectly
Signking Science Ltd.	British Virgin Islands	Investment holding	Ordinary US\$10,000	50%

16 Investment securities

	2005 HK\$'000	2004 HK\$'000
Guaranteed return fund	8,580	—

As at 30th April 2005, the Group's guaranteed return refund was pledged as collateral for the Group's banking facilities (*Note 33*).

17 Deposit for acquisition of land use rights

During the two years ended 30th April 2004 and 2005, the Group paid deposits with aggregate amount of approximately HK\$6,254,000 (2004:HK\$4,764,000) for acquisition of land use right of certain land in Zhongshan, Mainland China. As at 30th April 2005, the Group was still in the process of obtaining the relevant land use right certificate for the land.

Notes to the Accounts

18 Inventories

	2005	2004
	HK\$'000	HK\$'000
Raw materials	39,707	62,983
Work-in-progress	4,526	8,712
Finished goods	15,642	14,821
	59,875	86,516
Less: Provision for slow-moving and obsolete inventories	(3,113)	(2,543)
	56,762	83,973

As at 30th April 2005, no inventories (2004: Nil) were carried at net realisable value.

As at 30th April 2004 and 30th April 2005, certain inventories were held under trust receipts bank loans.

19 Trade receivables

The aging analysis of trade receivables is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current	86,812	78,954
Overdue by 0 – 1 month	7,075	7,048
Overdue by 1 – 2 months	1,635	2,648
Overdue by 2 – 3 months	2,413	2,961
Overdue by more than 3 months	2,727	3,686
	100,662	95,297
Less: Provision for bad and doubtful debts	(3,030)	(3,039)
	97,632	92,258

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

Notes to the Accounts

20 Other investments

	2005 HK\$'000	2004 HK\$'000
Equity securities:		
– listed in Hong Kong, at market value	1,192	–
Guaranteed return fund	–	8,580
	1,192	8,580

21 Cash and bank balances

As at 30th April 2005 the Group's bank deposits of approximately HK\$24,879,000 (2004: HK\$25,058,000) were pledged as collateral for the Group's banking facilities (*Note 33*).

As at 30th April 2005, approximately HK\$6,386,000 (2004: HK\$4,465,000) of the Group's cash and bank balances were denominated in Renminbi and kept in Mainland China. The conversion of 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

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Bank overdrafts	15,438	15,409	–	–
Short-term bank loans	78,628	59,129	–	–
Trust receipts bank loans	28,388	48,885	–	–
Long-term bank loans, current portion (<i>Note 24</i>)	89,337	74,936	55,000	55,000
	211,791	198,359	55,000	55,000

As at 30th April 2005, approximately HK\$123,218,000 (2004: HK\$132,766,000) of the Group's short-term bank borrowings were secured loans. Please refer to *Note 33* for the details of pledge of assets.

Notes to the Accounts

23 Trade payables

The aging analysis of trade payables is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current	42,241	41,701
Overdue by 0 – 1 month	2,393	7,322
Overdue by 1 – 2 months	478	3,811
Overdue by 2 – 3 months	177	1,311
Overdue by more than 3 months	1,112	5,143
	46,401	59,288

24 Long-term bank loans

As at 30th April 2005, the Group's long-term bank loans are repayable as follows:

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	89,337	74,936	55,000	55,000
In the second year	12,231	71,545	–	55,000
In the third to fifth year	10,175	1,381	–	–
	111,743	147,862	55,000	110,000
Less: Current portion (<i>Note 22</i>)	(89,337)	(74,936)	(55,000)	(55,000)
	22,406	72,926	–	55,000

As at 30th April 2005, approximately HK\$31,326,000 (2004: HK\$36,726,000) of the Group's long-term bank loans were secured loans. Approximately HK\$19,337,000 (2004: HK\$18,801,000) of the secured loans were current portion. Please refer to Note 33 for the details of pledge of assets.

Notes to the Accounts

25 Finance lease obligations

Finance lease obligations are repayable as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	2,726	6,333
In the second year	937	2,486
In the third to fifth year	660	670
	4,323	9,489
Less: Future finance charges on finance leases	(244)	(501)
	4,079	8,988

The present value of finance lease obligations is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	2,588	6,017
In the second year	875	2,368
In the third to fifth year	616	603
	4,079	8,988
Less: Current portion	(2,588)	(6,017)
	1,491	2,971

Notes to the Accounts

26 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The movement of the net deferred tax liabilities is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Beginning of year	23,076	19,440
Deferred taxation		
– (credited)/charged to income statement (<i>Note 7</i>)	(1,717)	3,636
– charged to equity	2,785	–
End of year	24,144	23,076

Deferred tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 30th April 2005, the Group has unrecognised tax losses of approximately HK\$1,026,000 (2004: HK\$719,000). These tax losses have no expiry date.

Movement of the deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax assets	Provisions		Tax losses		Total	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of year	840	801	1,847	6,994	2,687	7,795
(Charged)/credited to income statement	(8)	39	(326)	(5,147)	(334)	(5,108)
End of year	832	840	1,521	1,847	2,353	2,687

Notes to the Accounts

26 Deferred taxation (Continued)

Deferred tax liabilities	Accelerated depreciation allowances		Property revaluation		Total	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of year	22,144	23,616	3,619	3,619	25,763	27,235
Credited to income statement	(2,051)	(1,472)	–	–	(2,051)	(1,472)
Charged to equity	–	–	2,785	–	2,785	–
End of year	20,093	22,144	6,404	3,619	26,497	25,763

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2005	2004
	HK\$'000	HK\$'000
Deferred tax liabilities	24,144	23,076

27 Share capital

Movements in share capital are as follows:

	2005 & 2004	
	Number of shares	Nominal value HK\$'000
Authorised shares of HK\$0.10 each	1,000,000,000	100,000
Issued and fully-paid shares of HK\$0.10 each		
Beginning of year and end of year	693,028,811	69,303

Notes to the Accounts

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	Investment property revaluation reserve HK\$'000	Mainland China statutory reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group									
At 1st May 2003	36,118	13,934	17,214	17,447	-	137	1,305	141,793	227,948
Profit for the year	-	-	-	-	-	-	-	15,857	15,857
Transfer from subscription right reserve to retained profits	-	-	(17,214)	-	-	-	-	17,214	-
Transfer from retained profits to Mainland China statutory reserve	-	-	-	-	-	953	-	(953)	-
Translation adjustments	-	-	-	-	-	-	654	-	654
At 30th April 2004	36,118	13,934	-	17,447	-	1,090	1,959	173,911	244,459
Representing:									
2004 final dividend proposed								3,465	
Others								170,446	
Retained profits as at 30th April 2004								173,911	
At 1st May 2004	36,118	13,934	-	17,447	-	1,090	1,959	173,911	244,459
Profit for the year	-	-	-	-	-	-	-	19,530	19,530
2004 final dividend	-	-	-	-	-	-	-	(3,465)	(3,465)
Surplus on revaluation of properties	-	-	-	5,280	520	-	-	-	5,800
Transfer from retained profits to Mainland China statutory reserve	-	-	-	-	-	2,478	-	(2,478)	-
Translation adjustments	-	-	-	-	-	-	(669)	-	(669)
At 30th April 2005	36,118	13,934	-	22,727	520	3,568	1,290	187,498	265,655
Representing:									
2005 final dividend proposed								4,851	
Others								182,647	
Retained profits as at 30th April 2005								187,498	

Notes to the Accounts

28 Reserves (Continued)

Retained profits comprised:

	2005 HK\$'000	2004 HK\$'000
Company	16,701	20,166
Subsidiaries	170,805	153,745
Associate	(8)	–
	187,498	173,911

	Share premium HK\$'000	Contributed Surplus HK\$'000	Subscription right reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company					
At 1st May 2003	36,118	131,338	17,214	2,995	187,665
Transfer from subscription right reserve to retained profits	–	–	(17,214)	17,214	–
Loss for the year	–	–	–	(43)	(43)
At 30th April 2004	36,118	131,338	–	20,166	187,622
Representing:					
2004 final dividend proposed				3,465	
Others				16,701	
Retained profits as at 30th April 2004				20,166	
At 1st May 2004	36,118	131,338	–	20,166	187,622
2003/2004 final dividend	–	–	–	(3,465)	(3,465)
At 30th April 2005	36,118	131,338	–	16,701	184,157
Representing:					
2005 final dividend proposed				4,851	
Others				11,850	
Retained profits as at 30th April 2005				16,701	

Notes to the Accounts

28 Reserves (Continued)

Notes:

- (a) Under the Companies Act 1981 of Bermuda (as amended), a company shall not declare or pay a dividend, or make a distribution out of contributed surplus unless 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 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 requirement of the amended Listing Rules and termination of the share option scheme adopted by the Company on 26th October 1999 (the "Old Scheme"). The principal terms of the Old Scheme are set out under the sub-paragraph headed "The Old Scheme" in the section headed "Share options" in the directors' report for the year ended 30th April 2005.

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 under the New Scheme was granted during the year ended 30th April 2005 (2004: Nil).

Notes to the Accounts

29 Share options (Continued)

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

Date of grant	Subscription price per share	Exercisable period	Number of shares under options			End of year
			Beginning of year	Exercised during the year	Lapsed during the year	
21st September 2000	HK\$1.02	22nd September 2003 to 21st January 2005	7,936,188	-	(7,936,188)	-
1st November 2000	HK\$0.75	1st November 2003 to 28th February 2005	19,485,000	-	(19,485,000)	-
			27,421,188	-	(27,421,188)	-

30 Consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash inflow generated from operations

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	25,916	21,650
Interest income	(211)	(156)
Interest expense	13,580	17,240
Depreciation of fixed assets	64,652	59,185
Loss on disposal of fixed assets	405	29
Gain on disposal of investment properties	(50)	(42)
Loss on disposal of an associate	-	83
Share of losses of associates	8	20
Gain on disposal of other investment	-	(321)
Operating profit before working capital changes	104,300	97,688
Decrease/(increase) in inventories	27,211	(217)
Increase in trade receivables	(5,374)	(14,578)
Decrease/(increase) in bills receivable	2,093	(1,598)
Decrease in prepayments, deposits and other receivables	2,349	1,311
(Decrease)/increase in trade payables	(12,887)	7,412
Increase in bills payable	2,322	2,230
(Decrease)/increase in accruals and other payables	(246)	3,499
Net cash inflow generated from operations	119,768	95,747

Notes to the Accounts

30 Consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Share capital and share premium	Subscription right reserve	Short-term bank borrowings	Long-term bank loans	Finance lease obligations	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st May 2003	105,421	17,214	119,271	135,858	22,713	61	400,538
Transfer from subscription right reserve to retained profits	-	(17,214)	-	-	-	-	(17,214)
New short-term bank borrowings	-	-	398,695	-	-	-	398,695
Repayment of short-term bank borrowings	-	-	(409,952)	-	-	-	(409,952)
New long-term bank loans	-	-	-	165,000	-	-	165,000
Repayment of long-term bank loans	-	-	-	(152,996)	-	-	(152,996)
Inception of finance leases	-	-	-	-	1,231	-	1,231
Repayment of capital element of finance leases	-	-	-	-	(14,956)	-	(14,956)
Minority interests' share in net loss of subsidiaries	-	-	-	-	-	(61)	(61)
At 30th April 2004	105,421	-	108,014	147,862	8,988	-	370,285
New short-term bank borrowings	-	-	425,250	-	-	-	425,250
Repayment of short-term bank borrowings	-	-	(426,248)	-	-	-	(426,248)
New long-term bank loans	-	-	-	48,400	-	-	48,400
Repayment of long-term bank loans	-	-	-	(84,519)	-	-	(84,519)
Inception of finance leases	-	-	-	-	1,120	-	1,120
Repayment of capital element of finance leases	-	-	-	-	(6,029)	-	(6,029)
At 30th April 2005	105,421	-	107,016	111,743	4,079	-	328,259

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements of approximately HK\$1,120,000 (2004: HK\$1,231,000) in respect of new machinery.

Notes to the Accounts

31 Commitments and contingent liabilities

(a) Capital commitments

	Group	
	2005 HK\$'000	2004 HK\$'000
Contracted but not provided for		
– construction of a production plant in Zhongshan, Mainland China	11,672	–
– purchase of a piece of land in Zhongshan, Mainland China	1,464	2,954
– purchase of properties in Hong Kong	1,377	–
– purchase of other fixed assets	29	42
	14,542	2,996

The Company had no capital commitment as at 30th April 2005. (2004: Nil)

(b) Operating lease commitments

As at 30th April 2005, the Group had future aggregate minimum lease payments in respect of rented premises under various non-cancellable operating leases as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Not later than one year	1,359	2,552	–	–
Later than one year and not later than five years	576	818	–	–
	1,935	3,370	–	–

(c) Contingent liabilities

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Discounted bills with recourse	–	2,484	–	–
Factoring of trade receivables with recourse	21,896	35,568	–	–
Guarantees given to banks and financial institutions in respect of banking and finance lease facilities of the subsidiaries	–	–	214,839	207,536
	21,896	38,052	214,839	207,536

Notes to the Accounts

32 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 13% 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 2005, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK\$8,180,000 (2004: HK\$5,358,000), with no deduction of forfeited contributions (2004: Nil). As at 30th April 2005, there were no material forfeitures available to offset the Group’s future contributions.

Notes to the Accounts

33 Banking facilities and pledge of assets

As at 30th April 2005, the Group had aggregate banking facilities of approximately HK\$652,643,000 (2004: HK\$385,620,000) for overdrafts, loans, factoring of trade receivables and trade financing. Unused facilities as at the same date amounted to approximately HK\$386,883,000 (2004: HK\$67,615,000). As at 30th April 2005, approximately HK\$135,207,000 (2004: HK\$150,691,000) of the total used facilities were secured by:

- (a) mortgages over certain of the Group's land and buildings with net book value of approximately HK\$7,640,000 (2004: HK\$5,821,000) (Note 13);
- (b) pledge of the Group's investment securities of approximately HK\$8,580,000 (2004: HK\$8,580,000) (Notes 16 and 20);
- (c) pledges of the Group's bank deposits of approximately HK\$24,879,000 (2004: HK\$25,058,000) (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.

34 Related party transaction

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.

Particulars of a related party transaction during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Construction cost paid to Rentz Technologies Co. Ltd., a former associate of the Group, in respect of construction of a production plant in Nanjing, Mainland China	-	9,023

35 Ultimate holding company

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

36 Approval of accounts

The accounts were approved by the board of directors on 15th August 2005.

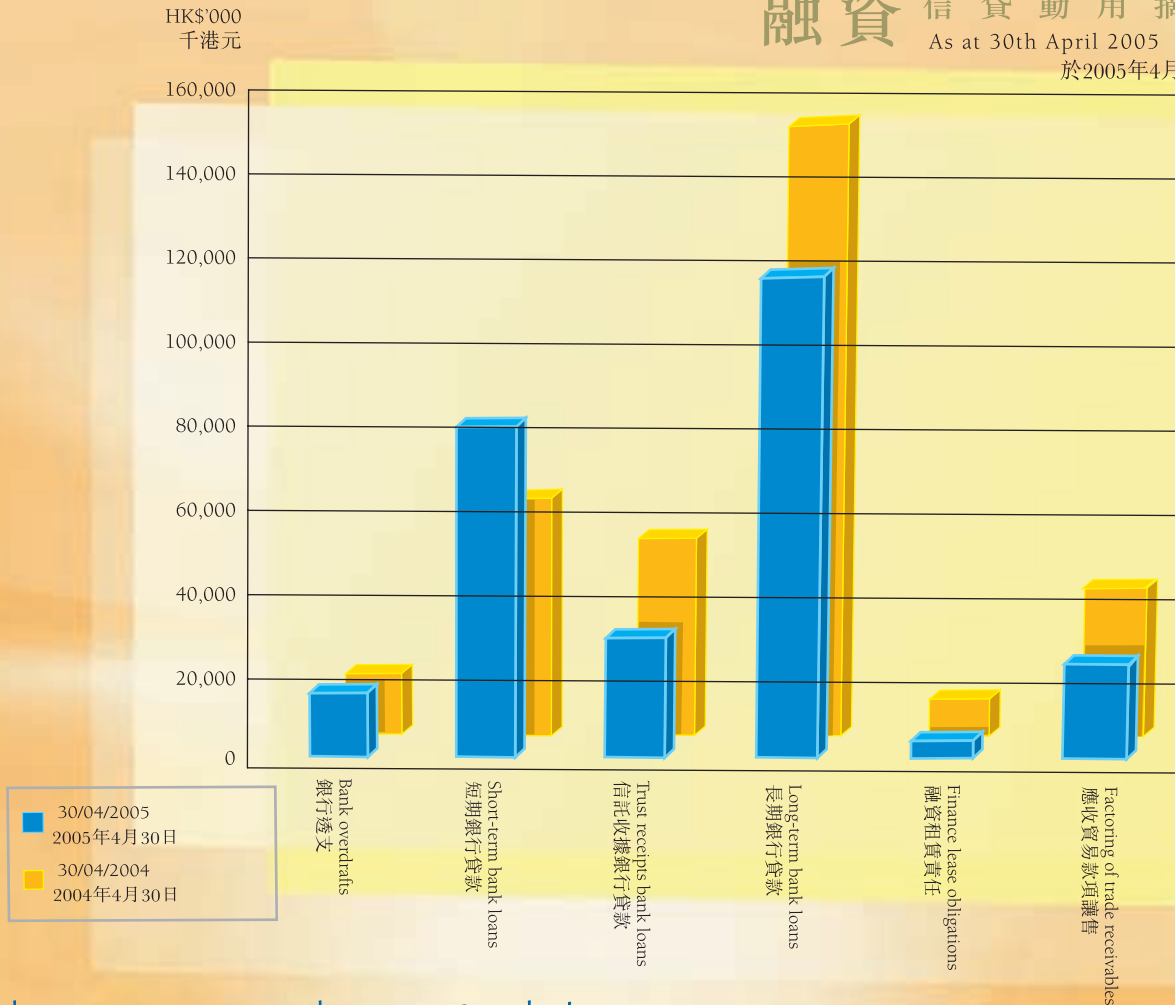
Summary

of credit facilities utilisation

融資 信貸動用摘要

As at 30th April 2005

於2005年4月30日



Purchase, turnover and wages & salaries by settlement currency

for the year ended 30th April 2005

截至2005年4月30日止12個月，

根據清算貨幣劃分的採購、銷售及工資和薪金

