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)

(Stock Code 股份代號：0759)

ANNUAL REPORT 2005/2006年報

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.

Contents

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
Mr. Goh Gen Cheung *(appointed on 1 December 2005)*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Au Son Yiu *(Chairman)*
Dr. Tang Tin Sek
Mr. Lee Wing Kwan, Denis
Mr. Goh Gen Cheung
Ms. Tang Fung Kwan

COMPANY SECRETARY

Ms. Li Lai Sheung

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

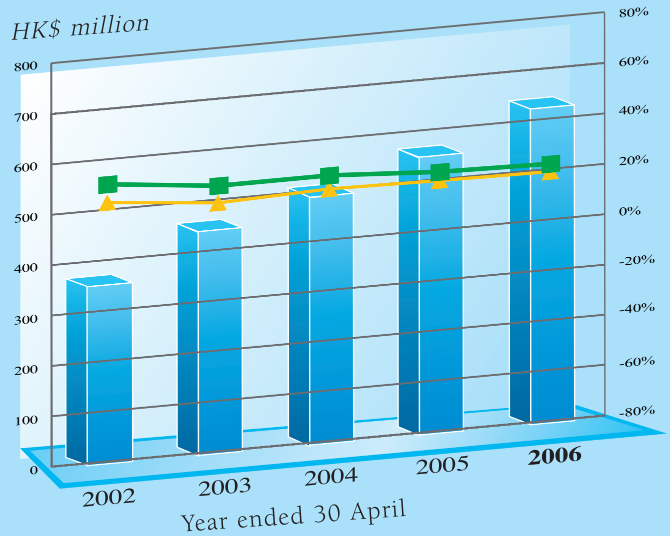
E-mail: info@ceccoils.com

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 5 years



	As at 30 April/ Year ended 30 April 2006 HK$'000	2005 HK$'000 (restated)	% Change
Turnover	**618,561**	554,291	+11.6
Profit attributable to equity holders of the Company	**23,296**	20,001	+16.5
Total assets	**721,667**	654,057	+10.3
Net tangible assets	**340,976**	313,758	+8.7
Per Share Data			
Basic earnings per share (HK cents)	**3.30**	2.89	+14.2
Net tangible assets per share (HK cents)	**47.6**	45.3	+5.1
Financial Ratios			
Gross profit margin (%)	**21.9**	22.7	-0.8
EBITDA margin (%)	**18.8**	19.2	-0.4
Current ratio	**1.10**	0.77	+0.33
Interest coverage ratio	**7.33**	7.99	-8.3
Gearing ratio	**0.80**	0.76	+5.3

Definitions

Basic earnings per share $= \dfrac{\text{Profit attributable to equity holders of the Company}}{\text{Weighted average number of issued shares}}$

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

Gross profit margin (%) $= \dfrac{\text{Gross profit x 100\%}}{\text{Turnover}}$

EBITDA margin (%) $= \dfrac{\text{Operating profit plus depreciation and amortisation less interest income x 100\%}}{\text{Turnover}}$

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

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

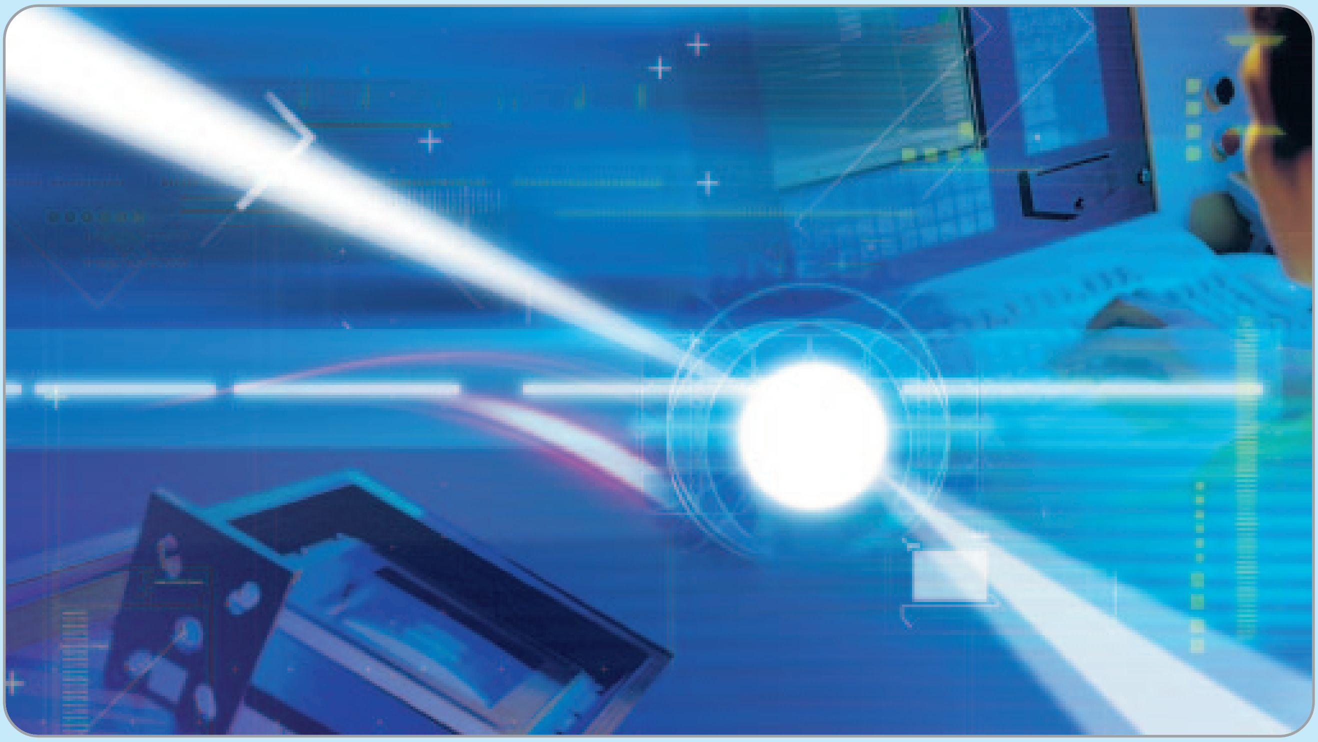
Gearing ratio $= \dfrac{\text{Total borrowings}}{\text{Total equity}}$

Five-Year Financial Summary

The results, assets and liabilities of the Group for the last five financial years are as follows:

	2006	2005	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	(restated)	(restated)	(restated)
Profit/(loss) attributable to:					
– Equity holders	**23,296**	20,001	16,267	(4,588)	5,722
– Minority interests	**–**	–	61	(100)	(101)
	23,296	20,001	16,328	(4,688)	5,621
Total assets	**721,667**	654,057	687,429	678,462	647,946
Total liabilities	**(380,691)**	(340,299)	(390,058)	(397,070)	(372,159)
	340,976	313,758	297,371	281,392	275,787

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 seventh annual report of the Company since the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 15 November 1999.

2005/2006 SUMMARY OF RESULTS

– Turnover climbed 11.6% to HK$618,561,000 (2005: HK$554,291,000);

– Profit attributable to equity holders of the Company was HK$23,296,000 (2005: HK$20,001,000);

– Basic earnings per share was HK3.30 cents (2005: HK2.89 cents);

– Proposed final dividend of HK0.9 cent (2005: HK0.7 cent) per share;

– Net cash inflow from operating activities decreased by 51% to HK$56,947,000 (2005: HK$116,171,000); and

– Gross profit margin decreased by 0.8% to 21.9% (2005: 22.7%).

Management Discussion and Analysis

DIVIDEND

No interim dividend was declared for the year ended 30 April 2006 (2005: Nil).

The Board has resolved to recommend the payment of a final dividend of HK0.9 cent (2005: HK0.7 cent) per share for the year ended 30 April 2006 to shareholders whose names appear on the register of members of the Company on 27 September 2006.

The proposed final dividend of HK0.9 cent per share, the payment of which is subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on Wednesday, 27 September 2006, is to be payable on Tuesday, 10 October 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 September 2006 to Wednesday, 27 September 2006 (both dates inclusive), during which period no transfer of shares will be effected. 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 Wednesday, 20 September 2006.

Management Discussion and Analysis

BUSINESS REVIEW

Overview

During the year ended 30 April 2006, the Group's core business posted a steady growth to record a total turnover of HK$618,561,000 (2005: HK$554,291,000), achieving an increase of 11.6% over that of last year. Gross profit was HK$135,753,000 (2005: HK$125,607,000), with an increase of approximately 8.1% compared with last year. Gross profit margin was 21.9% (2005: 22.7%), down 0.8% as compared with last year. In respect of the profit performance, the Group's operating profit, profit attributable to equity holders of the Company and earnings before interest, tax, depreciation and amortization ("EBITDA") reported HK$49,969,000 (2005: HK$42,663,000), HK$23,296,000 (2005: HK$20,001,000) and HK$116,196,000 (2005: HK$106,633,000) respectively, among which non-recurring income attributable to the resale of investment properties, revaluation of properties and dividend income was HK$3,964,000 (2005: Nil). Excluding this non-recurring income, profit attributable to equity holders of the Company was HK$19,332,000 (2005: HK$20,001,000).

	Turnover			
	2006		2005	
	HK$'000	*%*	*HK$'000*	*%*
Electronic components manufacturing	**617,093**	**99.8**	549,928	99.2
Others	**1,468**	**0.2**	4,363	0.8
	618,561	**100.0**	554,291	100.0

The Group's Business Performance

Electronic components manufacturing segment

For the year, the turnover of electronic components manufacturing segment (including coils, coils-related accessories and capacitors), the Group's core business, reported HK$617,093,000 (2005: HK$549,928,000), which accounted for 99.8% (2005: 99.2%) of the total turnover, and represented an increase of approximately 12.2% compared with last year. Such increase in turnover was mainly due to the desirable production growth in various electrical consumer products, including audio-visual, telecommunication, home electrical appliances, toys, computers, office equipment, automobiles, lighting facilities and power-supply devices.

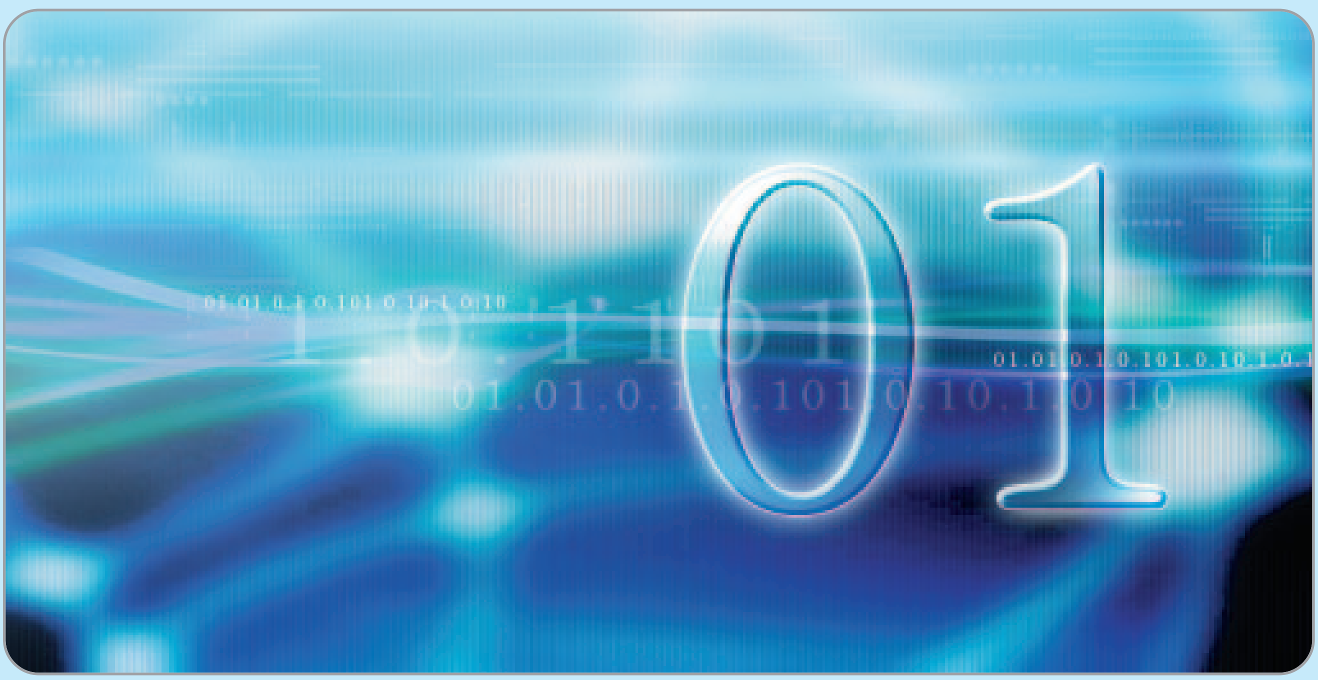
Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

During the year, the notable and persistent increase in the prices of the raw materials, the staff cost in Mainland China and the energy cost of the Group exerted tremendous pressure on the cost of the Group. Accordingly, the Group has continued to implement a series of measures to improve efficiency for enhancing overall productivity during the year. As a result, the gross profit of the Group's core business for the year amounted to HK$135,242,000 (2005: HK$123,941,000). However, the heavy cost pressure put a squeeze on the gross profit margin, which rendered its core business decrease by 0.6% to 21.9% (2005: 22.5%) as compared with last year.

The persistent surge of the prices of raw materials remained the biggest challenge to the Group. The prices of the Group's major raw materials, including copper required for manufacturing coils and various metals like nickel, zinc, manganese and iron required for manufacturing magnetic materials, all showed extraordinary fluctuation during the year, in particular, the rise of copper price. Based on the quoted prices on London Metal Exchange, the price for copper was approximately US$2,600 per ton in June 2004 while it rose to approximately US$3,500 in June 2005, and it once reached over US$8,600 per ton at the beginning of 2006. The prices of zinc and nickel also recorded a tremendous rise of approximately 251.6% and 65.8% respectively during the year.

The labour market in Mainland China has been in shortage during the year. The remuneration of the management personnel and factory workers has continued to rise as a result of the rapid economic growth in Mainland China. Difficulty in recruitment and high labour turnover rate are common in the Guangdong province. During the year, the Group made appropriate remuneration



Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

evaluation and adjustments for employees of different ranks, driving the remuneration of the employees of the Group up approximately 13.7% as compared with that of last year. The increase in overall remuneration was mainly due to the rises in both the number and remuneration of the employees. Meanwhile, the Group has allocated more resources on employee benefits in areas including catering, staff quarters and recreation, which further pushed up the overall cost of human resources.

FINANCIAL REVIEW

Overview

For the year ended 30 April 2006, the Group's profit attributable to equity holders of the Company was HK$23,296,000 (2005: HK$20,001,000), whilst basic earnings per share was HK3.30 cents (2005: HK2.89 cents).

Financial Management

Funds Surplus and Liabilities

As at 30 April 2006, the Group's credit facilities granted from banks amounted to HK$430,131,000 (2005: HK$652,643,000), of which HK$158,751,000 (2005: HK$386,883,000) remained unutilised. The total credit facilities of last financial year included a 3-year transferable term loan and revolving credit facility agreement dated 27 April 2005 for an aggregate amount of HK$243,000,000, which was wholly drawn down in May 2005.

As at 30 April 2006, the Group's cash and bank balance (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$73,008,000 (2005: HK$68,649,000), up 6.3% as compared with last year. The banking facilities amounting to HK$271,380,000 were secured by mortgages on the Group's certain land and buildings, pledges of the Group's bank deposits, available-for-sale financial assets and machinery, and corporate guarantees provided by the Company and its certain subsidiaries. In addition, the Group is required to comply with certain restrictive financial covenants with the major financing banks. As at 30 April 2006, the Group could comply with such financial covenants.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

As at 30 April 2006, the Group's total borrowings granted from banks and financial institutions amounted to HK$271,321,000 (2005: HK$238,276,000), of which HK$183,956,000 (2005: HK$214,379,000) was current and HK$87,365,000 (2005: HK$23,897,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. As at 30 April 2006, the Group's gearing ratio* was 0.80 (2005: 0.76). The Group will endeavour to prudently take measures to control its financial resources and proactively reduce its financial leverage ratio in order to achieve a more stable business development in the future. In addition, the Group did not have any contingent liabilities (2005: HK$21,896,000) as at the same date.

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

Interest Expenses

For the year ended 30 April 2006, the Group's interest expenses amounted to HK$16,938,000 (2005: HK$13,580,000), up 24.7% as compared with last year. The rise in interest expenses was mainly attributable to the gradual rise in Hong Kong interbank offer rate and several increases in prime rate during the year, which led to a rise of approximately 2% in the Group's average interest rate of borrowings as compared with that of last year. Since the cycle of interest rate hike is still uncertain, the Group will endeavour to reduce all kinds of expenditure with a view to reducing the impact of the expenditure of the future interest expenses on the Group's overall performance.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Financial Resources and Capital Structure

For the year ended 30 April 2006, the Group's net cash inflow was reduced to HK$15,721,000 (2005: HK$19,235,000). During the financial year, net cash inflow from operating activities was reduced significantly to HK$56,947,000 (2005: HK$116,171,000), which was mainly due to the higher utilisation of working capital as a result of turnover increase. The net cash inflow from financing activities was HK$2,776,000 (2005: outflow of HK$59,891,000). The increase in net cash inflow from financing activities was mainly attributable to the draw-down of the aggregate amount of HK$243,000,000 under the 3-year transferable term loan and revolving credit facility agreement in May 2005.

For the year ended 30 April 2006, net cash outflow from investing activities increased to HK$46,461,000 (2005: HK$36,722,000), the capital expenditure of which was mainly utilised in

the construction of a new manufacturing plant in Zhongshan amounting to approximately HK$10,986,000 (2005: HK$1,233,000) with an aim of providing basic infrastructure for the expansion of the Group's Zhongshan main plant in the next five years. The purchase of machinery and equipment for enhancing production capacity amounted to HK$28,678,000 (2005: HK$32,577,000). The properties purchased in Hong Kong, which amounted to approximately HK$8,615,000 (2005: HK$4,681,000), were mainly the other flats in the same industrial building where the Hong Kong headquarters of the Group is situated. The purpose of the investment is to provide areas reserved for business development by the Hong Kong headquarters of the Group in the next ten years.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Cash Flow Summary

	2006	2005
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**56,947**	116,171
Net cash outflow from investing activities	**(46,461)**	(36,722)
Net cash inflow/(outflow) from financing activities	**2,776**	(59,891)
Exchange adjustment	**2,459**	(323)
Increase in cash and cash equivalents	**15,721**	19,235

After the Group had drawn down the syndicated loan for an aggregate amount of HK$243,000,000 in May 2005, current ratio for the financial year was improved. As at 30 April 2006, the net current assets was HK$29,254,000 (2005: net current liabilities of HK$68,202,000), whilst the current ratio was 1.10 (2005: 0.77).

Charges on Assets

As at 30 April 2006, certain assets of the Group with an aggregate carrying value of HK$41,356,000 (2005: HK$48,596,000) were pledged to secure banking facilities and finance lease of the Group.

Exchange Risks

The Group's business is mainly conducted in Mainland China, Hong Kong and South-east Asia. The major revenue currencies are primarily denominated in Hong Kong dollar ("HKD"), Renminbi ("RMB") and United States dollar ("USD"); whilst the major currencies in purchase commitments

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

are primarily denominated in HKD, RMB, USD and Japanese Yen. HKD and RMB are the major revenue currency and cost currency. Thus, the cumulative appreciation of over 3% in RMB against USD during the period from July 2005 to April 2006 posed a significant challenge on the Group's business. 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, but will closely monitor the fluctuations in exchange rates of the currencies. The Group's borrowings are mainly settled in Hong Kong dollars. The Board believes that there is no substantial exchange risk.

EMPLOYEES

The Group had approximately 7,900 (2005: 6,800) employees as at 30 April 2006. The salaries of the employees are maintained at competitive levels determined by reference to their academic qualification, working experience, professional or licensing qualification, job skill and market benchmark. The overall salary level of the Group is reviewed periodically, taking into consideration factors such as competitive market position and market practice. Discretionary bonuses are granted based on the operating results of the Group and the performance of individuals. Other employee benefits include pension scheme and medical insurance. Under the share option scheme of the Company, options may be granted to eligible employees to subscribe for shares in the Company.

The Group also emphasizes the promotion of on-the-job training and continuing education of its employees at all levels. Subsidies on training and education are provided to its employees with different levels for enhancing their knowledge and job or professional skills, which can yield the Group's competitive advantage.

FUTURE PROSPECTS

Research and development in applied material and industrial process management are becoming the Group's future high-priority tasks, as the Group believes that applied material and industrial process management are the key to lower production cost. The Group will focus its resources on those areas in setting up specific research and development centre, recruiting more relevant technicians and investing in a series of facilities, equipment and tools for research and development.

The Group has carried on its consolidation project in the Zhongshan main plant during the year. Two brand new factory premises with a total gross floor area of approximately 19,800 square meters have been completed, while the manufacturing workshop is

FUTURE PROSPECTS *(continued)*

under installation. The Group expects a more roomy production environment, equipped with production lines to align with other facilities for achieving a smoother production flow, in the future. The Group intends to integrate and restructure those under-performing subsidiaries, branches and plants in other regions so as to improve the operational effectiveness of the Group as a whole.

During the year, one of the Group's customers with long-established relationship had business suspension. The Group continues to adopt a more prudent credit management policy in the future so as to reduce bad debts to a greater extent.

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, 15 August 2006

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. LAM Wai Chun, aged 47, was appointed as an executive director of the Company with effect from 29 September 1999, and the Chairman of the Company with effect from 4 October 1999. Mr. Lam is a founder of the Group and has over 35 years of experience in the coils manufacturing industry. Mr. Lam is the sole director of Ka Yan China Development (Holding) Company Limited.

Ms. TANG Fung Kwan, aged 36, was appointed as an executive director of the Company with effect from 29 September 1999, and the Managing Director and Deputy Chairman of the Company with effect from 5 May 2003 and 1 August 2003 respectively. She is also a member of the Remuneration Committee of the Company. She 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. Ms. Tang joined the Group in 1993.

Ms. LI Hong, aged 37, was appointed as an executive director of the Company with effect from 1 May 2005. She is also a director and the general manager of Xiamen Coils Electronic Co., Ltd. and is responsible for the overall management of the Group's business operation in Xiamen and the marketing of the Group in Mainland China. Ms. Li 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. Ms. Li joined the Group in 1994.

Mr. CHUA You Sing, aged 58, was appointed as an executive director of the Company with effect from 1 May 2005. He has over 36 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 60, was appointed as an independent non-executive director of the Company with effect from 29 September 1999 and is a member of the Audit Committee and the chairman of Remuneration Committee of the Company. Mr. Au has extensive experience in the securities industry. He is a director of The Association of Former Council Members of The Stock Exchange of Hong Kong Limited and The Institute of Securities Dealers Limited as well as a consultant to Dao Heng Securities Limited. He is also an independent non-executive director of Frankie Dominion International Limited, Texwinca Holdings Limited and Chun Wo Holdings Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited. In addition, Mr. Au is the Ex-Deputy Chairman of Hong Kong Clearing (1992-1994), Ex-Council member of the Stock Exchange of Hong Kong Limited (1988-1994) and was a member of the Election Committee for the financial services subsector election for the 1998 Legislative Council.

Directors and Senior Management Profile

Mr. LEE Wing Kwan, Denis, aged 61, was appointed as an independent non-executive director of the Company with effect from 29 September 1999 and is a member of the Audit Committee and the Remuneration Committee of the Company. 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 a member of Trade and Industry Board of the HKSAR Government.

Dr. TANG Tin Sek, aged 47, was appointed as an executive director of the Company with effect from 29 September 1999, and has been re-designated as a non-executive director and an independent non-executive director of the Company with effect from 1 January 2000 and 3 June 2003 respectively. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Dr. Tang is a Certified Public Accountant practising in Hong Kong and a partner of Terence Tang & Partners. He has over 25 years' experience in corporate finance, business advisory, financial management and auditing. He is also a member of The Chinese Institute of Certified Public Accountants, the Institute of Chartered Accountants in Australia and The Chartered Association of Certified Accountants in the United Kingdom. He 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. Dr. Tang is also an independent non-executive director of Sinochem Hong Kong Holdings Limited, New Smart Holdings Limited, INNOMAXX Biotechnology Group Limited and Frankie Dominion International Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited.

Mr. Goh Gen Cheung, aged 59, was appointed as an independent non-executive director of the Company with effect from 1 December 2005 and is a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Goh has over 30 years of treasury, finance and banking experience. He is an associate member of The Hong Kong Institute of Bankers and obtained a Master's degree in Business Administration from the University of East Asia, Macau in 1987. Mr. Goh is also an independent non-executive director of Shinhint Acoustic Link Holdings Limited, Peaktop International Holdings Limited, Karce International Holdings Company Limited, China Flavors and Fragrances Company Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited, and Standard Bank Asia Limited.

SENIOR MANAGEMENT

Production Management

Ms. MAI Shaoling, aged 42, is a senior manager of general resources management department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the general resources management of the Group's production facilities in Zhongshan. She has over 23 years of experience in administration. Ms. Mai joined the Group in 1992.

Ms. WEI Yinjie, aged 38, 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 the Zhongshan main plant. She has over 22 years of experience in coils manufacturing and inventory management. Ms. Wei joined the Group in 1992.

Directors and Senior Management Profile

Mr. JIANG Wenjie, aged 33, is the head of production department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the production management of magnetic materials of the Group's production facilities in the Zhongshan main plant. Mr. Jiang joined the Group in 1992.

Mr. ZHOU Yong, aged 35, is a director of Gaozhou Coils Electronic Co., Limited and is responsible for administration, production, materials procurement and logistics management of the Group's production facilities in Gaozhou. He has over 12 years of experience in materials procurement, coils design as well as sales and marketing. Mr. Zhou joined the Group in 1993.

Mr. JIANG Pingyuan, aged 37, is a director of Kunshan CEC-Ferrite Manufacturing Co., Ltd. and is responsible for the overall production management of the Group's production facilities in Kunshan. Mr. Jiang joined the Group in 1993.

Engineering Technical Management

Mr. ZHAO Xiangqun, aged 44, is a manager 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 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. Hoo Yeuk Lai, aged 28, is a manager of electronic lighting product development department of Coils Electronic Co., Limited and is responsible for managing research and development of electronic lighting products of the Group. He has been admitted to the degree of Doctor of Philosophy in Electrical Engineering in The Hong Kong Polytechnic University in 2005. Mr. Hoo joined the Group in 2005.

Sales Management

Mr. THATTI Suresh, aged 46, is a director of CEC-Coils Singapore Pte Ltd. and is responsible for the sales and marketing functions of the Group's business in India. 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 37, is the deputy general manager of sales department 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 35, is the general 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. ZENG Jianling, aged 38, is a senior manager of sales and 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 22 years of working experience in coils manufacturing, sales and marketing. Ms. Zeng joined the Group in 1991.

Directors and Senior Management Profile

Ms. Wong Sin Kam, aged 44, is the deputy general manager of sales department of Coils Electronic Co., Limited and is responsible for the sales function of the Group's business in Hong Kong. She has over 24 years of working experience in related field. Ms. Wong joined the Group in 1990.

Financial Management

Ms. HO Wing Yi, aged 32, is the chief accountant and qualified accountant (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company and is responsible for the Group's financial reporting and corporate finance functions. She worked in an international firm of certified public accountants and has over 7 years of experience in auditing. Ms. Ho has been admitted to the degree of Bachelor of Accountancy with Honours in The Hong Kong Polytechnic University 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.

Ms. FU Shuk Yi, aged 28, is the head of capital management department of the Company and the financial controller of Coils Electronic Co., Limited. She is responsible for the Group's daily financial operation and treasury function. She worked in an international firm of certified public accountants and has over 3 years of experience in auditing. Ms. Fu has been admitted to the degree of Bachelor of Business Administration (Accountancy & Finance) with Honours in The University of Hong Kong in 2000. She is a member of the Hong Kong Institute of Certified Public Accountants and an associate member of The Association of Chartered Certified Accountants. Ms. Fu joined the Group in 2003. Ms. Fu is also the spouse of Mr. Yau Hoi Sing, a senior manager of investment management department of the Company.

Mr. YAU Hoi Sing, aged 29, is a senior manager of investment management department of the Company and is responsible for the investment management functions of the Group. He worked in an international firm of certified public accountants and other companies and has over 3 years of audit and tax advisory experience. Mr. Yau has been admitted to the degree of Bachelor of Business Administration (Accountancy & Finance) with Honours in The University of Hong Kong in 2000. He 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. Yau is also the spouse of Ms. Fu Shuk Yi, the head of capital management department of the Company.

Administration Management

Ms. LI Lai Sheung, aged 42, is the company secretary of the Company. She is an associate member of The Hong Kong Institute of Chartered Secretaries. Ms. Li joined the Group in 1999.

Mr. CHAN Yuk Lun, aged 38, is a director of Coils Electronic Co., Limited and is responsible for the logistic management functions of the Group. He has been admitted to the degree of Master of Business Administration in The Open University of Hong Kong in 2005. Mr. Chan joined the Group in 1992.

Mr. CHEUNG Ming Yat, aged 30, 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.

Directors and Senior Management Profile

Mr. HO Man Lee, aged 27, is a senior manager of the administration department of Coils Electronic Co., Limited and is responsible for the administration and personnel management functions of the Group's business in Hong Kong. Mr. Ho has been admitted to the degree of Bachelor of Computer Science with Honours in The Hong Kong University of Science and Technology in 2001. Mr. Ho joined the Group in 2001.

Information Technology Management

Mr. CHUNG Wai Kin, aged 26, is a senior manager 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. Chung 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 2002.

Mr. YU Xin, aged 32, 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.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company believes that good corporate governance is not only in the interest of the Company and its shareholders as a whole, but also increasingly important for maintaining and promoting investor confidence. The Board is responsible for ensuring a high quality of corporate governance maintained. The Company has applied the principles and complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 30 April 2006, except the following deviations:

1. Under Code Provision A.1.7, there should be procedure agreed by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

   In June 2005, the Board approved and adopted the normal procedure to be applied for written request from directors to seek independent professional advice at the Company's expense.

2. Under Code Provision A.2.1, the division of responsibilities between the Chairman and chief executive officer should be clearly established and set out in writing.

   In July 2005, the division of responsibilities between the Chairman and Managing Director of the Company was clearly established in writing.

3. Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

   All the independent non-executive directors of the Company have not been appointed for a specific term, but are subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company.

   At the Annual General Meeting of the Company held on 23 September 2005 ("2005 AGM"), amendments to the Bye-laws of the Company were approved to require every director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years, or in any event, no later than the third annual general meeting of the Company after he was last elected or re-elected (i.e. the term of appointment of each director is effectively three years). The Company considers that sufficient measure has been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

4. Under Code Provision A.5.4, the Board should establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for relevant employees in respect of their dealings in the securities of the Company.

   Written guidelines incorporating certain crucial rules of the Model Code were established for relevant employees of the Group in respect of their dealings in the securities of the Company. In July 2005, a model code for securities transactions by relevant employees on no less exacting terms than the Model Code was adopted by the Board. Such code will be issued to relevant employees of the Group as and when appropriate.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES *(continued)*

5. Under Code Provisions B.1.4 and C.3.4, the Company should make available the terms of reference of the Remuneration Committee and the Audit Committee on its website respectively.

   In August 2005, the terms of reference of the Remuneration Committee and the Audit Committee were posted on the Company's website.

6. Under Code Provision D.1.2, the Company should formalise the functions reserved to the Board and those delegated to the management.

   In July 2005, the practice for the Board's functions and the delegation to the management was formalised.

7. Under Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting.

   The Chairman of the Board did not attend 2005 AGM due to illness. The Managing Director of the Company, who took the chair of 2005 AGM, and all other members of the Board (including the chairman of each of the Audit Committee and Remuneration Committee) attended the 2005 AGM to answer questions at 2005 AGM.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code at the applicable times for the period from 1 May 2005 to 30 April 2006.

BOARD OF DIRECTORS

The Board currently comprises four executive directors, namely Mr. Lam Wai Chun (Chairman), Ms. Tang Fung Kwan (Deputy Chairman and Managing Director), Mr. Chua You Sing and Ms. Li Hong; and four independent non-executive directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek, Mr. Lee Wing Kwan, Denis and Mr. Goh Gen Cheung (who joined the Board on 1 December 2005), representing half of the Board and including one with appropriate professional qualifications, accounting and related financial management expertise required under rule 3.10(2) of the Listing Rules. Prior to 1 December 2005, the number of independent non-executive directors represented more than one-third of the Board. The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company considers that all independent non-executive directors are independent. To the best knowledge of the directors, the members of the Board have no financial, business, family or other material/relevant relationship with each other.

In accordance with the Company's Bye-laws, one-third of the directors shall retire from office by rotation at each annual general meeting and their re-election is subject to a vote of shareholders. Every director is subject to retirement by rotation at least once every three years no later than the third annual general meeting of the Company after he was last elected or re-elected.

BOARD OF DIRECTORS *(continued)*

The Board determines the objectives, strategies and policies of the Group. In addition, the Board monitors and controls operating and financial performance in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the Managing Director and the management of the Group under the supervision of the executive directors of the Company. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, financial objectives, dividend policy, changes in accounting policies, material acquisition and disposal of assets, investments and capital projects, banking facilities, provision of guarantees and indemnities, determination and adoption of documents (including the publication of reports and statements to shareholders) that are required by the Company's constitutional documents, statutes and other applicable regulations and monitoring the compliance with corporate governance practices and applicable laws and regulations as well as the financial covenants imposed by banks.

With the support of the executive directors and the management of the Group, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate information, which are complete and reliable, in a timely manner. Each of the directors keeps abreast of his/her responsibility as a director of the Company and of the conduct, business activities and development of the Company. Important updates are provided to directors when necessary to ensure that they are aware of the business and regulatory environment in which the Group conducts its business.

The Board meets regularly to review the financial and operating performance of the Group each financial year. The directors may attend Board meetings in person or by way of telephone or other electronic means of communication in accordance with the Company's Bye-laws. During the year ended 30 April 2006, eight Board meetings were held and the individual attendance of each director is set out below:

Directors	**Number of meetings attended/held**
Executive Directors	
Lam Wai Chun *(Chairman)*	8/8
Tang Fung Kwan *(Deputy Chairman and Managing Director)*	8/8
Chua You Sing	8/8
Li Hong	7/8
Independent Non-Executive Directors	
Au Son Yiu	8/8
Tang Tin Sek	8/8
Lee Wing Kwan, Denis	8/8
Goh Gen Cheung *(appointed on 1 December 2005)*	2/8*

* *The director attended the aforesaid meetings held after his appointment.*

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lam Wai Chun is the Chairman of the Board and Ms. Tang Fung Kwan, the Deputy Chairman and Managing Director of the Company, is the chief executive officer described in Appendix 14 to the Listing Rules. The role of the Chairman and the Managing Director are segregated and not performed by the same individual. The primary role of the Chairman is responsible for the leadership of the Board and for ensuring that the Board functions effectively. Supported by the executive directors and the senior management, the primary role of the Managing Director is responsible for running the business of the Group and leading the management in implementing strategies approved by the Board. Their respective responsibilities are clearly established in writing.

NON-EXECUTIVE DIRECTORS

All the four non-executive directors are independent and have not been appointed for a specific term, but are subject to retirement by rotation at annual general meetings at least once every three years in accordance with the Bye-laws of the Company. Amendments to the Bye-laws of the Company were approved at 2005 AGM to require every director to retire by rotation no later than the third annual general meeting of the Company after he was last elected or re-elected. This means that the specific term of appointment of a director cannot exceed three years.

REMUNERATION OF DIRECTORS

The Board established a Remuneration Committee on 18 March 2005 with written terms of reference, which is available on the Company's website (www.0759.com), dealing with the duties (containing the minimum specific duties as set out in the Code) and authority. The principal duties of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy and structure for all remuneration and fees of directors of the Company and senior management of the Group, to determine the specific remuneration packages of all executive directors of the Company and senior management, including benefits in kind, pension rights and compensation payments, and to make recommendations to the Board of the remuneration of non-executive directors of the Company.

The Board, with the advice from the Remuneration Committee, formulated the employee emolument policy of the Group on the basis of their merit, qualification and competence. In determining the emolument of directors of the Company and senior management, the Remuneration Committee takes into consideration factors such as salaries or fees paid by comparable companies, time commitment and responsibilities of the directors and senior management, employment conditions elsewhere in the Group, desirability performance-based remuneration, the operating results of the Group, individual performance and prevailing market conditions. The director's fee of independent non-executive directors is subject to the approval of the Company's shareholders at the annual general meeting.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out under the section headed "Share option scheme" on page 29 to 30.

REMUNERATION OF DIRECTORS *(continued)*

During the year ended 30 April 2006, the work performed by the Remuneration Committee includes approving the remuneration (including the relevant service agreements and supplemental agreement, if any) of executive director and key executives, reviewing the structure of remuneration, remuneration policy and remuneration policy statement, approving the remuneration package and the limit of salary increase of the senior management and staff medical insurance plan offered to the executive directors and senior management, making recommendations to the Board of the directors' fees of independent non-executive directors and approving the establishment of staff training committee of a subsidiary. No director has taken part in any discussion about his/her own remuneration.

The Remuneration Committee currently comprises five members including one executive director, namely Ms. Tang Fung Kwan, and four independent non-executive directors, namely Mr. Au Son Yiu (Chairman of the Remuneration Committee), Dr. Tang Tin Sek, Mr. Lee Wing Kwan, Denis and Mr. Goh Gen Cheung.

During the year ended 30 April 2006, the Remuneration Committee met four times and the individual attendance of each member is set out below:

Members	**Number of meetings attended/held**
Au Son Yiu *(Chairman)*	4/4
Tang Tin Sek	4/4
Lee Wing Kwan, Denis	4/4
Goh Gen Cheung *(appointed on 1 December 2005)*	2/4*
Tang Fung Kwan	4/4

* *The member attended the aforesaid meetings held after his appointment.*

NOMINATION OF DIRECTORS

The Company has not set up a nomination committee for the time being. The Board reviews its composition to ensure the Board has a balance of knowledge and experience appropriate for the requirements of the business of the Group. The Board is responsible for selection and approval of candidates for appointment as directors to the Board. Candidates are sought through referral and internal promotion. Candidates to be nominated as directors of the Company are based on independence, qualification, knowledge, industry experience, personal skills, integrity, personal ethics and time commitment assessed by all the directors. During the year ended 30 April 2006, a Board meeting was held for the appointment of Mr. Goh Gen Cheung as new director proposed for its approval after the assessment of selection criteria made by all the directors. All the directors (except Ms. Li Hong), namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Mr. Chua You Sing, Mr. Au Son Yiu, Dr. Tang Tin Sek and Mr. Lee Wing Kwan, Denis, attended the Board meeting.

AUDITORS' REMUNERATION

During the year ended 30 April 2006, the fees paid/payable to the external auditors of the Company, PricewaterhouseCoopers, amounted to approximately HK$1,150,000 for statutory audit services and approximately HK$234,200 for non-audit services (comprising tax and other services) rendered to the Group.

Corporate Governance Report

AUDIT COMMITTEE

The Board established the Audit Committee in September 1999 with written terms of reference (containing the minimum specific duties as set out in the Code) is available on the Company's website (www.0759.com). The Audit Committee currently comprises four independent non-executive directors, namely Dr. Tang Tin Sek (Chairman of the Audit Committee), Mr. Au Son Yiu, Mr. Lee Wing Kwan, Denis and Mr. Goh Gen Cheung. The Chairman of the Audit Committee has the appropriate professional qualifications and extensive experience in auditing and financial management matters. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual report of the Company for the year ended 30 April 2006.

The principal duties of the Audit Committee are to review and oversee the Group's financial reporting system, internal control procedures, risk management, internal and external audit functions, to review the Group's financial information and to oversee the relationship with external auditors.

Regular meetings have been held by the Audit Committee since its establishment. The Audit Committee meets at least twice a financial year under its terms of reference. During the year under review, the Audit Committee discharged its duties by reviewing the audit findings, system of internal control of the Group, internal audit schedule, internal audit report on the effectiveness of internal control, the independence and objectivity of the Company's external auditors and the financial reporting matters (including announcements, financial reports and accounts relating to the quarterly, interim and annual results of the Company before submission to the Board for approval, the accounting principles and practices adopted by the Group and compliance), approving the engagement letter and projected audit fee of the Company's external auditors and discussing with the Company's external auditors the nature and scope of the audit.

During the year ended 30 April 2006, the Audit Committee held six meetings and the individual attendance of each member is set out below:

Members	**Number of meetings attended/held**
Tang Tin Sek *(Chairman)*	6/6
Au Son Yiu	6/6
Lee Wing Kwan, Denis	6/6
Goh Gen Cheung *(appointed on 1 December 2005)*	2/6*

* *The member attended the aforesaid meetings held after his appointment.*

Corporate Governance Report

INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of internal control and for reviewing its effectiveness. The Board, through the Audit Committee, regularly reviews the findings of the internal audit report on the effectiveness of the internal control of the Group.

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, provide reliable financial reporting and ensure compliance with applicable laws and regulations.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view and are prepared in accordance with statutory requirements and applicable accounting standards with appropriate accounting policies applied on consistent basis, and ensuring the publication of the Group's financial statements in a timely manner. The Company has been announcing and publishing quarterly financial results within 60 days after the end of the relevant quarter since its listing on The Stock Exchange of Hong Kong Limited.

After reasonable enquiries, the directors of the Company are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the directors have continued to adopt the going concern basis in preparing the financial statements. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance and prospects in financial reporting.

The responsibilities of the Company's external auditors with respect to financial reporting are set out in Report of the Auditors on page 40.

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 30 April 2006.

Principal activities and geographical analysis of operations

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

An analysis of the Group's performance for the year by business and geographical segment is set out in note 5 to the financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 43.

No interim dividend was declared for the year ended 30 April 2006 (2005: Nil). The board of directors (the "Board") of the Company has resolved to recommend, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of HK0.9 cent (2005: HK0.7 cent) per share for the year ended 30 April 2006 payable on 10 October 2006 to shareholders whose names appear on the Company's register of members on 27 September 2006.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 18 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$969,000 (2005: HK$942,550).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 7 to the financial statements.

Share capital

Details of the share capital of the Company are set out in note 17 to the financial statements.

Distributable reserves

As at 30 April 2006, the Company's contributed surplus of approximately HK$131,338,000 (2005: HK$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained profits of approximately HK$11,845,000 (2005: HK$16,701,000) were available for distribution to the Company's shareholders.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws 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

The Company has not redeemed any of its listed shares during the year ended 30 April 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year ended 30 April 2006.

Share option scheme

On 26 September 2002, a share option scheme (the "Scheme") was adopted by the Company.

The major terms of the Scheme are summarised as follows:

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

2. The participants include:

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

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

3. The total number of shares available for issue upon exercise of all options to be granted under the 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 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 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 Scheme as at 15 August 2006, the date of this annual report, was 69,302,881, representing approximately 9.67% of the issued share capital of the Company.

Report of the Directors

Share option 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 of Hong Kong Limited (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 Scheme is valid and effective for a period of 10 years commencing on its date of adoption until 25 September 2012.

During the year ended 30 April 2006, no option was granted under the Scheme (2005: 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	*(Chairman)*
Ms. Tang Fung Kwan	*(Deputy Chairman and Managing Director)*
Mr. Chua You Sing	*(appointed on 1 May 2005)*
Ms. Li Hong	*(appointed on 1 May 2005)*
Mr. Law Hoo Shan	*(resigned on 1 May 2005)*

Independent non-executive directors

Dr. Tang Tin Sek	
Mr. Au Son Yiu	
Mr. Lee Wing Kwan, Denis	
Mr. Goh Gen Cheung	*(appointed on 1 December 2005)*

Pursuant to Bye-law 87 of the Company's Bye-laws, Mr. Lam Wai Chun, Mr. Au Son Yiu and Mr. Lee Wing Kwan, Denis shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Goh Gen Cheung will hold office until the forthcoming annual general meeting of the Company and, being eligible, offers himself for re-election.

The Company has received from each independent non-executive director an annual 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.

Biographical details of directors and senior management

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

Directors' services contracts

Mr. Lam Wai Chun entered into a service agreement with the Company on 27 September 1999 for an initial period of three years commencing on 1 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.

Report of the Directors

Directors' services contracts *(continued)*

Ms. Tang Fung Kwan entered into a service agreement with the Company on 30 April 2005, which was amended by two supplemental agreements to service agreement dated 3 August 2005 and 7 April 2006 respectively, for a term of two years commencing on 1 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 30 April 2005 for a term of two years, each commencing on 1 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 30 April 2005, Ms. Li Hong also entered into an employment contract, which was amended by the supplemental agreement to employment contract dated 30 April 2005, with Xiamen Coils Electronic Co., Ltd., an indirect wholly-owned subsidiary of the Company, for a term of two years commencing from 1 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.

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.

Related party transaction

Details of the significant related party transaction entered into by the Group are set out in note 34 to the financial statements which do not constitute connected transaction under Chapter 14A of the Listing Rules.

Interests of directors and chief executive in securities

As at 30 April 2006, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its 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 (the "Model Code") were as follows:

(a) Shares of the Company

	Number of shares of HK$0.10 each					
Name of director	**Family interests**	**Personal interests** *(Note 2)*	**Corporate interests**	**Trusts and similar interests**	**Total interests**	**Percentage of issued share capital**
Mr. Lam Wai Chun	423,785,660 *(Note 3)*	14,409,188	423,785,660 *(Note 3)*	423,785,660 *(Note 3)*	438,194,848 *(Note 3)*	61.15%
Ms. Tang Fung Kwan	–	3,502,611	–	–	3,502,611	0.49%
Ms. Li Hong	–	548,000	–	–	548,000	0.08%
Mr. Au Son Yiu	–	6,767,440	–	–	6,767,440	0.94%
Dr. Tang Tin Sek	–	3,714,000	–	–	3,714,000	0.52%

Notes:

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

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

3. The 423,785,660 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 423,785,660 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, Mr. Lam Wai Chun's total interests of 438,194,848 shares in the Company was arrived at after eliminating the duplications.

Report of the Directors

Interests of directors and chief executive in securities *(continued)*

(b) Shares of associated corporation(s) of the Company

Coils Electronic Co., Limited

	Number of non-voting deferred shares of HK$1.00 each				
Name of Director	Personal interests	Corporate interests	Family interests	Total interests	Percentage of issued non-voting deferred shares
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 the entire 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 30 April 2006, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of 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.

Interests of directors and chief executive in securities *(continued)*

Save as disclosed above, as at 30 April 2006, neither the directors or chief executive of the Company nor their spouses or children under the age of 18 had been granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

Directors' rights to acquire shares or debentures

Other than the Scheme, at no time during the year ended 30 April 2006 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 30 April 2006, according to the register kept by the Company under Section 336 of the SFO, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shares of the Company

Substantial shareholders (as defined in the Listing Rules)

	Number of shares held				
Name	**Family interests**	**Corporate interests**	**Trusts and similar interests**	**Beneficial owner**	**Percentage of issued share capital**
Ms. Law Ching Yee	438,194,848 *(Note 2)*	–	–	–	61.15%
Ka Yan China Development (Holding) Company Limited	–	–	–	423,785,660 *(Notes 2 and 3)*	59.14%
Ka Yan China Investments Limited	–	423,785,660 *(Notes 2 and 3)*	–	–	59.14%
HSBC International Trustee Limited	–	–	423,785,660 *(Note 4)*	–	59.14%

Report of the Directors

Interests of shareholders discloseable under the SFO *(continued)*

Shares of the Company *(continued)*

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

	Number of shares held				
Name	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	Percentage of issued share capital
Nittoku Engineering Co., Ltd.	–	–	–	51,093,983	7.13%*
Toko, Inc.	–	–	–	36,785,402	5.13%*

Notes:

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

2. The 423,785,660 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, Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited were in respect of the same 423,785,660 shares and duplicated each other.

4. The 423,785,660 shares in which HSBC International Trustee Limited was interested were the shares referred to in Note 2 above.

* The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 April 2006 (i.e. 716,610,798 shares).

Same 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 30 April 2006.

Management contracts

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

Major 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	11%
– five largest suppliers combined	29%
Sales	
– the largest customer	24%
– five largest customers combined	52%

At 30 April 2006, Toko, Inc., a shareholder holding more than 5% of the Company's share capital, had a beneficial interest in one of the Group's five largest customers.

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 share capital) have an interest in any of the Group's five largest suppliers or customers.

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 30 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

Report of the Directors

Disclosure pursuant to rule 13.21 of the Listing Rules *(continued)*

4. Mr. Lam or Ka Yan sells, transfers, assigns, encumbers or disposes of all or part of their respective beneficial ownership of shares in the Company; or

5. Ka Yan ceases to be wholly and beneficially owned by Ka Yan China Family Trust (the "Trust"), the family trust of Mr. Lam; or

6. Mr. Lam's immediate family members cease to be the only beneficiaries under the Trust.

If 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.

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

(b) On 30 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 28 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 (a) 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 (b) 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 30 April 2006, the aggregate carrying value of the outstanding loan under the Facility Letter was approximately HK$2,500,000.

Disclosure pursuant to rule 13.21 of the Listing Rules *(continued)*

(c) On 27 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.

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 30 April 2006, the aggregate carrying value of the outstanding loan under the 2005 Agreement was approximately HK$176,653,000.

Public Float

As at 15 August 2006, 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 30 April 2006 and up to the date of this report.

Summary financial information

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

Auditors

The financial statements 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, 15 August 2006

Report of the Auditors

PRICEWATERHOUSECOOPERS

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 financial statements on pages 41 to 99 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

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

It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30 April 2006 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, 15 August 2006

Balance Sheets

As at 30 April 2006

		Consolidated		Company	
		2006	2005	**2006**	2005
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
			(restated)		(restated)
ASSETS					
Non-current assets					
Leasehold land and land use rights	6	**23,865**	13,471	**–**	–
Property, plant and equipment	7	**370,681**	388,597	**–**	–
Investment properties	8	**10,970**	6,670	**–**	–
Investment in subsidiaries	9	**–**	–	**137,348**	137,348
Due from subsidiaries	9	**–**	–	**–**	171,575
Investment in associates	10	**–**	25	**–**	–
Available-for-sale financial assets	11	**7,079**	–	**–**	–
Investment securities	11	**–**	8,580	**–**	–
Deposit for acquisition of land use rights	12	**–**	6,254	**–**	–
		412,595	423,597	**137,348**	308,923
Current assets					
Inventories	13	**65,428**	56,762	**–**	–
Bills and account receivables	14	**162,622**	97,720	**–**	–
Other receivables	14	**7,961**	6,053	**–**	–
Due from subsidiaries	9	**–**	–	**291,861**	–
Other investments	15	**–**	1,192	**–**	–
Tax recoverable		**53**	84	**–**	–
Pledged bank deposits	16	**25,446**	24,879	**–**	–
Bank balances and cash	16	**47,562**	43,770	**102**	25
		309,072	230,460	**291,963**	25
Total assets		**721,667**	654,057	**429,311**	308,948
EQUITY					
Share capital	17	**71,661**	69,303	**71,661**	69,303
Reserves	18				
Proposed final dividend		**6,449**	4,851	**6,449**	4,851
Others		**262,866**	239,604	**173,866**	179,306
Total equity		**340,976**	313,758	**251,976**	253,460

Balance Sheets

As at 30 April 2006

		Consolidated		Company	
		2006	2005	**2006**	2005
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
			(restated)		(restated)
LIABILITIES					
Non-current liabilities					
Borrowings	*20*	**87,365**	23,897	**64,371**	–
Deferred tax	*21*	**13,508**	17,740	**–**	–
		100,873	41,637	**64,371**	–
Current liabilities					
Borrowings	*20*	**183,956**	214,379	**112,282**	55,000
Bills and account payables	*22*	**54,742**	51,613	**–**	–
Accruals and other payables		**31,647**	26,089	**682**	488
Taxation payable		**9,473**	6,581	**–**	–
		279,818	298,662	**112,964**	55,488
Total liabilities		**380,691**	340,299	**177,335**	55,488
Total equity and liabilities		**721,667**	654,057	**429,311**	308,948
Net current assets/ (liabilities)		**29,254**	(68,202)	**178,999**	(55,463)
Total assets less current liabilities		**441,849**	355,395	**316,347**	253,460

LAM WAI CHUN
Chairman

TANG FUNG KWAN
Deputy Chairman

The notes on pages 47 to 99 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 30 April 2006

	Note	2006 HK$'000	2005 HK$'000 (restated)
Sales	5	**618,561**	554,291
Cost of sales	24	**(482,808)**	(428,684)
Gross profit		**135,753**	125,607
Other gains, net	23	**4,927**	211
Selling and distribution expenses	24	**(13,344)**	(12,007)
General and administrative expenses	24	**(77,367)**	(71,148)
Operating profit		**49,969**	42,663
Finance costs	26	**(18,550)**	(16,268)
Share of losses of associates	10	**(25)**	(8)
Profit before taxation		**31,394**	26,387
Taxation	27	**(8,098)**	(6,386)
Profit attributable to equity holders of the Company	28	**23,296**	20,001
Earnings per share	29		
– Basic		**HK3.30 cents**	HK2.89 cents
– Diluted		**N/A**	N/A
Dividend	30	**6,449**	4,851

The notes on pages 47 to 99 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 April 2006

		Attributable to equity holders of the Company			
		Share capital	**Other reserves**	**Retained profits**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 May 2004, as previously reported as equity		69,303	70,548	173,911	313,762
Effect on the adoption of HKAS 17	*2.1*	–	(17,447)	1,056	(16,391)
Balance at 1 May 2004, as restated		69,303	53,101	174,967	297,371
Surplus on revaluation of investment properties		–	520	–	520
Currency translation differences	*18*	–	(669)	–	(669)
Net expense recognised directly in equity		–	(149)	–	(149)
Profit for the year		–	–	20,001	20,001
Total recognised (expenses)/income for 2005		–	(149)	20,001	19,852
Transfer from retained profit to Mainland China statutory reserve		–	2,478	(2,478)	–
2003/2004 final dividend	*18*	–	–	(3,465)	(3,465)
Balance at 30 April 2005		69,303	55,430	189,025	313,758

Consolidated Statement of Changes in Equity

For the year ended 30 April 2006

		Attributable to equity holders of the Company			
		Share capital	Other reserves	Retained profits	Total
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 May 2005, as per above		69,303	55,430	189,025	313,758
Effect on the adoption of HKAS 39	*2.1*	–	(1,017)	–	(1,017)
Effect on the adoption of HKAS 40 and HKAS-Int 21	*2.1*	–	(520)	429	(91)
Balance at 1 May 2005, as restated		69,303	53,893	189,454	312,650
Reversal on disposal of available-for-sale financial asset		–	7	–	7
Change in fair value of available-for-sale financial assets	*11*	–	(927)	–	(927)
Currency translation differences	*18*	–	7,429	–	7,429
Net gains recognised directly in equity		–	6,509	–	6,509
Profit for the year		–	–	23,296	23,296
Total recognised income for 2006		–	6,509	23,296	29,805
Transfer from retained profits to Mainland China statutory reserve		–	3,099	(3,099)	–
Shares issued during the year	*17, 18*	2,358	1,014	–	3,372
2004/2005 final dividend	*30*	–	–	(4,851)	(4,851)
Balance at 30 April 2006		71,661	64,515	204,800	340,976

The notes on pages 47 to 99 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 April 2006

	Note	2006 HK$'000	2005 HK$'000 (restated)
Cash flows from operating activities			
Cash generated from operations	31(a)	66,565	119,768
Hong Kong profits tax paid		(6,603)	(1,547)
Overseas tax paid		(3,015)	(2,050)
Net cash generated from operating activities		56,947	116,171
Cash flows from investing activities			
Purchase of property, plant and equipment		(44,041)	(34,239)
Proceeds from disposal of property, plant and equipment		1,319	3,561
Purchase of investment properties		(3,790)	(3,782)
Proceeds from disposal of investment properties		1,828	480
Payment for leasehold land and land use rights		(4,247)	(1,940)
Purchase of other investments		–	(1,192)
Interest received		963	211
Proceeds from disposal of available-for-sale financial asset		735	–
(Increase)/decrease in pledged bank deposits		(567)	179
Dividends received		1,339	–
Net cash used in investing activities		(46,461)	(36,722)
Cash flows from financing activities			
Interest paid		(17,211)	(13,280)
Additions of bank borrowings		369,359	473,650
Repayment of bank borrowings		(345,308)	(510,767)
Capital element of finance lease payments		(2,585)	(6,029)
Dividends paid		(1,479)	(3,465)
Net cash generated from/(used in) financing activities		2,776	(59,891)
Translation adjustments		2,459	(323)
Increase in cash and cash equivalents		15,721	19,235
Cash and cash equivalents, beginning of year		28,332	9,097
Cash and cash equivalents, end of year	31(c)	44,053	28,332

The notes on pages 47 to 99 are an integral part of these financial statements.

Notes to the Financial Statements

1 General information

CEC International Holdings Limited (the "Company") and its subsidiaries are collectively referred to as the Group in the consolidated financial statements.

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

The Company is incorporated as an exempted company in Bermuda with limited liability. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1999. Its ultimate holding company is Ka Yan China Investments Limited, a company incorporated in the British Virgin Islands.

These consolidated financial statements have been approved for issue by the Board of Directors on 15 August 2006.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investment properties, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS

In 2006, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33, 36 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures;

- HKASs 2, 7, 8, 10, 16, 23, 27, 28, 33, 36 and HKAS-Int 15 had no material effect on the Group's policies;

- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard; and

- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at fair value less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other income. In prior years, the increases in fair value were credited to the investment property revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30 April 2005, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 May 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 May 2005 was expensed retrospectively in the income statement of the respective periods *(Note 2.16(c))*. The adoption of HKFRS 2 had no material financial impact on the financial statements as at and for the years ended 30 April 2005 and 30 April 2006 as all share options of the Group were granted before 7 November 2002.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted for at fair value prospectively only to future transactions;

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

– HKAS 21 – prospective accounting for fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 May 2005;

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained profits as at 1 May 2005, including the reclassification of any amount held in revaluation surplus for investment property;

– HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1 May 2005; and

– HKFRS 2 – requires retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 May 2005.

The adoption of revised HKAS 17 resulted in a decrease in opening reserves at 1 May 2004 by HK$17,447,000, an increase in opening retained profits at 1 May 2004 by HK$1,056,000.

	2006	2005
	HK$'000	*HK$'000*
Decrease in property, plant and equipment	**40,289**	41,075
Increase in leasehold land and land use rights	**13,156**	13,471
Decrease in deferred tax liabilities	**6,404**	6,404
Decrease in property revaluation reserve	**22,727**	22,727
Increase in retained profits	**1,998**	1,527
Decrease in cost of goods sold	**471**	471
Increase in basic earnings per share	**HK0.07 cent**	HK0.07 cent

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of HKAS 39 resulted in a decrease in investment revaluation reserve at 1 May 2005 by HK$1,017,000. The details of the adjustments to the balance sheet at 30 April 2006 and for the year then ended are as follows:

	2006
	HK$'000
Increase in available-for-sale financial assets	7,079
Decrease in investment securities	8,580
Decrease in investment revaluation reserve	1,937
Decrease in other investments	457
Increase in exchange loss	21
Decrease in deferred borrowing costs	1,547
Decrease in bank borrowings	1,547

The adoption of HKAS 32 and HKAS 39 resulted in an increase in account receivables and a corresponding increase in borrowings by HK$21,896,000 at 1 May 2005.

The adoption of the revised HKAS 40 resulted in an increase in opening retained profits at 1 May 2005 by HK$429,000 and a decrease in investment property revaluation reserve at 1 May 2005 by HK$520,000. The details of the adjustments to the balance sheet at 30 April 2006 and for the year then end are as follows:

	2006
	HK$'000
Increase in investment properties	1,400
Increase in fair value gains on investment properties	1,400
Increase in deferred tax liabilities	313
Increase in deferred tax expense	313

There was no impact on the opening retained profits at 1 May 2005 from the adoption of HKFRS 2.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Standards and amendments to published standards that are not yet effective

The Group has not early adopted the following new standards or amendments that have been issued but not yet effective in the financial statements for the year ended 30 April 2006. The Group has already commenced an assessment of the impact of these new standards or amendments but is not yet in a position to state whether these new standards or amendments would have a significant impact on its results of operations and financial positions.

HKAS 39 (Amendment)	Cash Flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts
HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 7	Financial Instruments: Disclosure, and a complementary amendment to HKAS 1, Presentation of financial statements – Capital disclosures

2.2 Consolidation

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

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(a) *Subsidiaries (continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing goods or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

2 Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives. 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2.7)*.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained profits.

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

2 Summary of significant accounting policies *(continued)*

2.6 Investment properties *(continued)*

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement as part of other gain.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value reverses a previous impairment loss, the gain is recognised in the income statement.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets

From 1 May 2004 to 30 April 2005:

The Group classified its investments in securities, other than subsidiaries and associates, as investment securities and other investments.

(a) *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 recognised 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.

(b) *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 the investment, representing the difference between the net sales proceeds and the carrying amount, are recognised in the income statement as they arise.

From 1 May 2005 onwards:

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as account receivable and other receivables in the balance sheet *(Note 2.10)*.

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets *(continued)*

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities". Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of account receivable is described in Note 2.10.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

2.10 Account and other receivables

Account and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of account and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the account receivables is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Account and other payables

Account and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies *(continued)*

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 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 consolidated financial statements. However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

2.16 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.16 Employee benefits *(continued)*

(b) *Pension obligations*

The Group operates a number of defined contribution plans, the assets of which are generally held in separate trustee – administered funds.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 Summary of significant accounting policies *(continued)*

2.17 Provisions *(continued)*

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sale of goods – income from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers.

(b) Rental income – rental income is recognised on a straight line basis over the lease term.

(c) Service income – service income is recognised in the accounting periods in which the services are rendered.

(d) Interest income – interest income is recognised on a time proportion basis using the effective interest method.

(e) Dividend income – dividend income is recognised when the right to receive payment is established.

2.19 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.19 Leases *(continued)*

(b) *Finance lease*

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) *Foreign exchange risk*

The Group operates mainly in Mainland China and Hong Kong with most of the sales transactions denominated in Chinese Renminbi, Hong Kong dollars and United States dollars. The Group's purchases were settled in Hong Kong dollars, Chinese Renminbi, United States dollars and Japanese Yen. The Group is exposed to foreign exchange risk arising from the exposure of Chinese Renminbi, United States dollars and Japanese Yen against Hong Kong dollars. It has not hedged its foreign exchange rate exposure.

In addition, the conversion of Chinese Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Chinese Government.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Credit risk*

The Group has policies in place to ensure that sales of goods are made to customers with an appropriate credit history. The carrying amount of the account receivables included in the consolidated balance sheets represents the Group's maximum exposure to credit risk in relation to its financial assets.

(c) *Concentration risk*

During the year ended 30 April 2006, the Group's sales to top 5 customers accounted for approximately 52% (2005: 49%) of the total revenue. The Group aims to maintain long-term relationship with reputable customers in the expansion of its business.

(d) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(e) *Cash flow and fair value interest rate risk*

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group has not hedged its cash flow interest rate risk.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale financial assets) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The nominal value less impairment provision of account receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Financial Statements

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of property, plant and equipment, leasehold land and land use rights

Property, plant and equipment, leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment, leasehold land and land use rights have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculations and valuations require the use of judgements and estimates.

(b) Estimate of fair value of investment properties

The best evidence of fair value of properties is normally the current prices in an active market for comparable properties. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences, by reference to independent valuations; and

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4 Critical accounting estimates and judgements *(continued)*

(c) Current taxation and deferred taxation

The Group is subject to taxation in several jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

Notes to the Financial Statements

5 Segment information

(a) Primary segments

The Group is organised into two major operating units: (i) Electronic components manufacturing and (ii) Others (comprise rental income and service income from provision of information technology services). An analysis by business segment is as follows:

	Electronic components manufacturing		Others		Eliminations		Total	
	2006 HK$'000	2005 HK$'000 (restated)	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000 (restated)
Turnover								
External sales	617,093	549,928	1,468	4,363	–	–	618,561	554,291
Intersegment sales	–	816	2,375	2,833	(2,375)	(3,649)	–	–
	617,093	550,744	3,843	7,196	(2,375)	(3,649)	618,561	554,291
Operating results								
Operating profit/(loss)	47,458	43,033	2,511	(370)	–	–	49,969	42,663
Finance costs	(18,068)	(16,240)	(482)	(28)	–	–	(18,550)	(16,268)
Share of losses of associates							(25)	(8)
Profit before taxation							31,394	26,387
Taxation							(8,098)	(6,386)
Profit attributable to equity holders of the Company							23,296	20,001
Other information								
Segment assets	707,490	646,518	14,124	7,430	–	–	721,614	653,948
Unallocated assets							53	109
Total assets							721,667	654,057
Segment liabilities	356,690	314,857	1,020	1,121	–	–	357,710	315,978
Unallocated liabilities							22,981	24,321
Total liabilities							380,691	340,299
Capital expenditures	49,202	36,046	3,923	3,850	–	–	53,125	39,896
Depreciation	66,782	63,787	46	79	–	–	66,828	63,866
Amortisation	362	315	–	–	–	–	362	315

5 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		Total assets		Capital expenditures	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(restated)		
Hong Kong	**218,708**	239,967	**118,700**	109,992	**10,636**	7,455
Mainland China	**256,855**	182,972	**541,691**	494,085	**42,340**	28,775
Taiwan	**48,265**	45,656	**24,136**	15,883	**149**	–
Europe	**25,957**	26,983	**4,093**	6,885	**–**	–
Singapore	**30,547**	24,171	**26,332**	22,342	**–**	3,666
Others	**38,229**	34,542	**6,715**	4,845	**–**	–
	618,561	554,291	**721,667**	654,032	**53,125**	39,896
Interest in associates	**–**	–	**–**	25	**–**	–
Total	**618,561**	554,291	**721,667**	654,057	**53,125**	39,896

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, investment properties, inventories, receivables and operating cash. Taxation and investments in associates are included as unallocated and excluded from segment assets.

Segment liabilities comprise operating liabilities. They exclude items such as taxation.

Capital expenditures comprise additions to leasehold land and land use rights, property, plant and equipment and investment properties.

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.

Notes to the Financial Statements

5 Segment information *(continued)*

(c) Analysis of sales by category

	2006 HK$'000	2005 HK$'000
Sales of goods	**617,093**	552,777
Rental income	**1,131**	482
Service income from provision of information technology services	**337**	1,032
	618,561	554,291

6 Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2006 HK$'000	2005 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**5,840**	3,487
In Mainland China, held on:		
Leases of between 10 to 50 years	**17,161**	9,267
Leases of over 50 years	**864**	717
	23,865	13,471

Leasehold land and land use rights with aggregate carrying amount of HK$2,317,000 as at 30 April 2006 (2005: HK$2,375,000) were pledged to secure against certain of the Group's borrowings *(Notes 20 and 33)*.

Movement of the leasehold land and land use rights during the year is as follows:

	2006 HK$'000	2005 HK$'000
Opening	**13,471**	13,729
Additions	**4,247**	450
Transfer from deposit for acquisition of land use rights *(Note 12)*	**6,254**	–
Transfer to investment property	**–**	(360)
Exchange differences	**255**	(33)
Amortisation of prepaid operating lease payments	**(362)**	(315)
	23,865	13,471

Notes to the Financial Statements

7 Property, plant and equipment

	Buildings	Construction in progress	Machinery	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2004						
Cost	45,010	724	589,296	55,360	7,343	697,733
Accumulated depreciation	(6,106)	–	(223,030)	(42,899)	(4,267)	(276,302)
Net book amount	38,904	724	366,266	12,461	3,076	421,431
Year ended 30 April 2005						
Opening net book amount	38,904	724	366,266	12,461	3,076	421,431
Exchange differences	(85)	(5)	(172)	(7)	(7)	(276)
Additions	527	1,233	27,872	4,705	1,327	35,664
Disposals	(758)	–	(3,159)	(50)	(34)	(4,001)
Transfer	(21)	(678)	344	–	–	(355)
Depreciation	(1,117)	–	(55,990)	(5,807)	(952)	(63,866)
Closing net book amount	37,450	1,274	335,161	11,302	3,410	388,597
At 30 April 2005						
Cost	44,673	1,274	613,248	59,930	7,544	726,669
Accumulated depreciation	(7,223)	–	(278,087)	(48,628)	(4,134)	(338,072)
Net book amount	37,450	1,274	335,161	11,302	3,410	388,597
Year ended 30 April 2006						
Opening net book amount	37,450	1,274	335,161	11,302	3,410	388,597
Exchange differences	457	143	3,952	259	45	4,856
Additions	3,567	10,986	24,904	3,774	1,857	45,088
Disposals	(67)	–	(946)	(19)	–	(1,032)
Depreciation	(1,201)	–	(61,409)	(2,813)	(1,405)	(66,828)
Closing net book amount	40,206	12,403	301,662	12,503	3,907	370,681
At 30 April 2006						
Cost	48,673	12,403	641,909	63,992	8,864	775,841
Accumulated depreciation	(8,467)	–	(340,247)	(51,489)	(4,957)	(405,160)
Net book amount	40,206	12,403	301,662	12,503	3,907	370,681

Depreciation expense of HK$64,787,000 (2005: HK$61,827,000) has been expensed in cost of sales and HK$2,041,000 (2005: HK$2,039,000) in general and administrative expenses.

Notes to the Financial Statements

7 Property, plant and equipment *(continued)*

Buildings with carrying amount of HK$2,109,000 as at 30 April 2006 (2005: HK$2,187,000) were pledged to secure against certain of the Group's borrowings *(Notes 20 and 33)*.

Motor vehicles and machinery include the following amounts where the Group is a lessee under finance leases:

	2006	2005
	HK$'000	*HK$'000*
Cost – capitalised finance leases	**8,088**	14,036
Accumulated depreciation	**(3,305)**	(3,461)
Net book value	**4,783**	10,575

8 Investment properties

	2006	2005
	HK$'000	*HK$'000*
Beginning of the year	**6,670**	2,083
Additions	**3,790**	3,782
Disposals	**(890)**	(430)
Fair value gains (included in other gains) *(Note 23)* / Surplus on revaluation	**1,400**	520
Transfer	**–**	715
End of the year	**10,970**	6,670

The investment properties were revalued on an open market basis at 30 April 2006 by independent professionally qualified valuers, Castores Magi (Hong Kong) Limited.

The Group's interests in investment properties at their net book values are analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
Hong Kong		
– held on leases of between 10 and 50 years	**10,970**	6,670

9 Investments in and balance with subsidiaries

(A) Investments in subsidiaries

	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**137,348**	137,348

The following is a list of the subsidiaries of the Company as at 30 April 2006:

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	Dormant	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%
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	100%
			Non-voting deferred HK$14,000,000 (b)	–
Coils Electronic (Zhong Shan) Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US$9,202,000 (d)	100%

Notes to the Financial Statements

9 Investments in and balance with subsidiaries *(continued)*

(A) Investments in subsidiaries *(continued)*

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and fully paid share capital/ registered capital	Interest held (a)
Coils International Holdings Limited	British Virgin Islands	Investment holding	Ordinary US$10,000	100%
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$700,000	100%
Gaozhou Coils Electronic Co. Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US$500,000	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%
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%
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%

9 Investments in and balance with subsidiaries *(continued)*

(A) Investments in subsidiaries *(continued)*

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and fully paid share capital/ registered capital	Interest held (a)
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 and sale of coils	Registered capital US$753,774 (d)	100%

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 30 April 2006.

As at 30 April 2006, the Company had given guarantees to banks and financial institutions of approximately HK$96,221,000 (2005: HK$214,839,000) to secure banking and finance lease facilities of certain subsidiaries *(Note 32(d))*.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30 April 2006 (2005: Nil).

Notes:

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

(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.

Notes to the Financial Statements

9 Investments in and balance with subsidiaries *(continued)*

(A) Investments in subsidiaries *(continued)*

Notes: (continued)

(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 2019, September 2008, December 2012 and February 2016 respectively.

Kunshan CEC-Ferrite Manufacturing Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 50 years up to August 2052.

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.

All subsidiaries established in Mainland China have financial accounting year end dated on 31 December in accordance with the local statutory requirements, which is not coterminous with the Group. The accompanying consolidated financial statements of the Group were prepared based on the individual financial statements of these subsidiaries for the twelve months ended 30 April 2006.

(d) Coils Electronic (Zhong Shan) Co.,Ltd. and Zhongshan Coils Metalwork Co., Ltd. were established with registered capital of US$10,000,000 and US$3,000,000 respectively. As at 30 April 2006, the Group had outstanding commitments of approximately US$798,000 and US$2,246,000 respectively, for capital contribution to these two subsidiaries.

(B) Balance with subsidiaries

Except for the amounts due from a subsidiary amounting to approximately HK$176,653,000 as at 30 April 2006 (2005: HK$55,000,000) which bear interest at commercial bank's lending rate, all outstanding balances with subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms.

10 Investments in associates

	2006 HK$'000	2005 HK$'000
Share of net assets	–	25

The following are the details of the associate as at 30 April 2006:

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%

11 Available-for-sale financial assets/Investment securities

	2006 HK$'000	2005 HK$'000
Guaranteed return fund	6,701	8,580
Equity securities:		
– listed in Hong Kong, at market value	378	–
	7,079	8,580

The 2005 comparative figure represented investment securities held by the Group as at 30 April 2005, which was re-designated as available-for-sale financial assets pursuant to the adoption of the new HKFRS on 1 May 2005.

Changes in fair values of available-for-sale financial assets are recorded in investment revaluation reserve *(Note 18)*.

As at 30 April 2006, the Group's guaranteed return fund was pledged as collateral for the Group's borrowings *(Notes 20 and 33)*.

12 Deposit for acquisition of land use rights

As at 30 April 2005, the Group paid deposits with aggregate amount of approximately HK$6,254,000 for the acquisition of certain land use rights in Zhongshan, Mainland China. During the year ended 30 April 2006, the Group obtained the relevant land use right certificates and transferred the relevant deposit to land use rights *(Note 6)*.

Notes to the Financial Statements

13 Inventories

	2006 HK$'000	2005 HK$'000 (restated)
Raw materials	43,761	39,707
Work-in-progress	4,806	4,526
Finished goods	16,861	12,529
	65,428	56,762

14 Bills, account and other receivables

The aging analysis of bills and account receivables, net of impairment losses, is as follows:

	2006 HK$'000	2005 HK$'000 (restated)
Current	134,827	86,900
Overdue by 0 – 1 month	20,197	7,075
Overdue by 1 – 2 months	3,305	1,635
Overdue by 2 – 3 months	4,293	2,110
Bills and account receivables	162,622	97,720
Other receivables	7,961	6,053
	170,583	103,773

As at 30 April 2006, the carrying amounts of bills, account and other receivables approximate their fair value.

Management of the Group performs ongoing credit and collectibility evaluation of each customer. The Group offers an average credit period ranging from one to three months to its customers who have good payment records and well-established relationships with the Group.

The Group has recognised a loss of HK$5,043,000 (2005: HK$1,412,000) for the impairment of its account receivables during the year ended 30 April 2006. The loss has been included in general and administration expenses in the income statement.

15 Other investments

	2006 HK$'000	2005 HK$'000
Equity securities:		
– listed in Hong Kong, at market value	–	1,192

The 2005 comparative figures represented other investments held by the Group as at 30 April 2005, which were re-designated as available-for-sale financial assets *(Note 11)* pursuant to the adoption of the new HKFRS on 1 May 2005.

16 Bank balances and cash

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**47,562**	43,770	**102**	25
Pledged bank deposits	**25,446**	24,879	**–**	–
	73,008	68,649	**102**	25
Denominated in:				
Hong Kong dollar	**18,701**	42,720	**102**	25
Renminbi *(Note b)*	**10,395**	6,400	**–**	–
US dollar	**39,206**	18,384	**–**	–
Other currencies	**4,706**	1,145	**–**	–
	73,008	68,649	**102**	25

Notes:

(a) The ranges of effective interest rates on bank deposits was approximately 0.01%-4.41% (2005: 0.25% – 2.43%) per annum. Group's time deposits have an average maturity of 41 (2005: 31) days.

(b) As at 30 April 2006, approximately HK$9,325,000 (2005: HK$6,386,000) 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. Also, the exchange rates are determined by the Mainland Chinese Government.

(c) As at 30 April 2006, the Group's bank deposits of approximately HK$25,446,000 (2005: HK$24,879,000) were pledged as collateral for the Group's borrowings *(Notes 20 and 33)*.

Notes to the Financial Statements

17 Share capital

Movements in share capital are as follows:

	2006		2005	
	Number of shares	**Nominal value**	Number of shares	Nominal value
		HK$'000		*HK$'000*
Authorised shares of HK$0.10 each	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid of shares of HK$0.10 each				
Beginning of year	**693,028,811**	**69,303**	693,028,811	69,303
Issued during the year *(Note)*	**23,581,987**	**2,358**	–	–
End of the year	**716,610,798**	**71,661**	693,028,811	69,303

Note:

On 24 October 2005, 23,581,987 new shares were allotted and issued at HK$0.143 per new share, credited as fully paid, to certain shareholders of the Company whose names appeared on the Company's register of members on 23 September 2005 and who elected to receive new fully paid shares in lieu of cash in respect of part or all of the final dividend of HK0.7 cent per share for the year ended 30 April 2005 pursuant to the scrip dividend scheme.

Notes to the Financial Statements

18 Reserves

	Share premium HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Investment property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Mainland China statutory reserve HK$'000	Cumulative translation adjustments HK$'000	Retained profits HK$'000	Total HK$'000
At 1 May 2004, as previously reported	36,118	13,934	17,447	–	–	1,090	1,959	173,911	244,459
Effect of adopting HKAS 17	–	–	(17,447)	–	–	–	–	1,056	(16,391)
At 1 May 2004, as restated	36,118	13,934	–	–	–	1,090	1,959	174,967	228,068
Translation adjustments	–	–	–	–	–	–	(669)	–	(669)
Surplus on revaluation of investment properties	–	–	–	520	–	–	–	–	520
Transfer from retained profits to Mainland China statutory reserve	–	–	–	–	–	2,478	–	(2,478)	–
Profit for the year	–	–	–	–	–	–	–	20,001	20,001
2003/2004 final dividend	–	–	–	–	–	–	–	(3,465)	(3,465)
At 30 April 2005	36,118	13,934	–	520	–	3,568	1,290	189,025	244,455
At 1 May 2005, as per above	36,118	13,934	–	520	–	3,568	1,290	189,025	244,455
Effect of adopting HKAS 32 and HKAS 39	–	–	–	–	(1,017)	–	–	–	(1,017)
Effect of adopting HKAS 40 and HKAS-Int 21	–	–	–	(520)	–	–	–	429	(91)
At 1 May 2005, as restated	36,118	13,934	–	–	(1,017)	3,568	1,290	189,454	243,347
Translation adjustments	–	–	–	–	–	–	7,429	–	7,429
Reversal on disposal of available-for-sale financial asset	–	–	–	–	7	–	–	–	7
Change in fair value of available-for-sale financial assets	–	–	–	–	(927)	–	–	–	(927)
Transfer from retained profits to Mainland China statutory reserve	–	–	–	–	–	3,099	–	(3,099)	–
Profit for the year	–	–	–	–	–	–	–	23,296	23,296
Shares issued during the year – scrip dividend scheme (*Note 17*)	1,014	–	–	–	–	–	–	–	1,014
2004/2005 final dividend	–	–	–	–	–	–	–	(4,851)	(4,851)
As at 30 April 2006	37,132	13,934	–	–	(1,937)	6,667	8,719	204,800	269,315

Notes to the Financial Statements

18 Reserves *(continued)*

Retained profits comprised:

	2006 HK$'000	2005 HK$'000
Company	**11,845**	16,701
Subsidiaries	**192,980**	172,332
Associate	**(25)**	(8)
	204,800	189,025

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Company				
At 1 May 2004	36,118	131,338	20,166	187,622
2003/2004 final dividend	–	–	(3,465)	(3,465)
At 30 April 2005	36,118	131,338	16,701	184,157
At 1 May 2005	36,118	131,338	16,701	184,157
Loss for the year	–	–	(5)	(5)
2004/2005 final dividend	–	–	(4,851)	(4,851)
Shares issued during the year – scrip dividend scheme *(Note 17)*	1,014	–	–	1,014
At 30 April 2006	37,132	131,338	11,845	180,315

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.

19 Share options

A share option scheme (the "Scheme") was adopted by the Company on 26 September 2002.

Under the Scheme, the Company may grant options to any full-time employees (including executive directors) and non-executive directors of the Company or any of its subsidiaries 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 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 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 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 Scheme was granted during the year ended 30 April 2006 (2005: Nil).

20 Borrowings

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current				
Bank borrowings	**86,749**	22,406	**64,371**	–
Finance lease liabilities	**616**	1,491	**–**	–
	87,365	23,897	**64,371**	–
Current				
Bank overdrafts	**3,509**	15,438	**–**	–
Bank borrowings	**179,569**	196,353	**112,282**	55,000
Finance lease liabilities	**878**	2,588	**–**	–
	183,956	214,379	**112,282**	55,000
Total borrowings	**271,321**	238,276	**176,653**	55,000

Notes to the Financial Statements

20 Borrowings *(continued)*

Secured borrowings are as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank overdrafts	**3,509**	15,438	**–**	–
Bank borrowings	**79,248**	119,769	**–**	–
Finance lease liabilities	**1,494**	4,079	**–**	–
	84,251	139,286	**–**	–

Bank borrowings of approximately HK$82,757,000 (2005: HK$135,207,000) were secured by certain leasehold land, buildings, available-for-sale financial assets and bank deposits. Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lesser in the event of default.

The maturity of the Group's borrowings is as follows:

	Bank borrowings and overdrafts		Finance lease liabilities	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**183,078**	211,791	**878**	2,588
Between one and two years	**75,183**	12,231	**395**	875
Between two and five years	**11,566**	10,175	**221**	616
	269,827	234,197	**1,494**	4,079

The maturity of the Company's borrowings is as follows:

	Bank borrowings	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**112,282**	55,000
Between one and two years	**64,371**	–
	176,653	55,000

20 Borrowings *(continued)*

	Group 2006 HK$'000	Group 2005 HK$'000
Finance lease liabilities – minimum lease payments:		
Not later than one year	**941**	2,726
Later than one year and not later than five years	**661**	1,597
	1,602	4,323
Future finance charges on finance leases	**(108)**	(244)
Present value of finance lease liabilities	**1,494**	4,079
The present value of finance lease liabilities is as follows:		
Not later than one year	**878**	2,588
Later than one year and not later than five years	**616**	1,491
	1,494	4,079

The ranges of effective interest rates at the balance sheet date were as follows:

	Group 2006 HK$ %	2006 US$ %	2006 JPY %	2005 HK$ %	2005 US$ %	2005 JPY %
Bank overdrafts	**8.25**	–	–	5.25 – 7.00	–	–
Bank borrowings	**6.13 – 8.00**	–	**2.35**	2.48 – 7.25	4.82 – 7.74	2.04 – 4.64
Finance lease liabilities	**3.99 – 7.85**	–	–	3.99 – 8.66	–	–

	Company 2006 %	Company 2005 %
Bank borrowings (denominated in Hong Kong dollars)	**6.48**	4.46

Notes to the Financial Statements

20 Borrowings *(continued)*

The carrying amounts of borrowings approximate their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**268,664**	212,270	**176,653**	55,000
Other currencies	**2,657**	26,006	**–**	–
	271,321	238,276	**176,653**	55,000

21 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(restated)
Beginning of year	**17,740**	19,457
Deferred taxation		
– credited to income statement *(Note 27)*	**(4,323)**	(1,717)
– charged to equity	**91**	–
End of year	**13,508**	17,740

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 30 April 2006, the Group has unrecognised tax losses of approximately HK$1,690,000 (2005: HK$1,026,000) to carry forward against future taxable income. These tax losses have no expiry date.

21 Deferred tax *(continued)*

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

Group

Deferred tax assets	Provisions		Tax losses		Total	
	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Beginning of year	832	840	1,521	1,847	2,353	2,687
Credited/(charged) to income statement	572	(8)	(323)	(326)	249	(334)
End of year	1,404	832	1,198	1,521	2,602	2,353

Deferred tax liabilities	Accelerated depreciation allowances		Investment Properties		Total	
	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (restated)
Beginning of year	20,093	22,144	–	–	20,093	22,144
Charged to equity	–	–	91	–	91	–
(Credited)/charged to income statement	(4,387)	(2,051)	313	–	(4,074)	(2,051)
End of year	15,706	20,093	404	–	16,110	20,093

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:

	2006	2005
	HK$'000	*HK$'000* (restated)
Deferred tax liabilities	13,508	17,740

Notes to the Financial Statements

22 Bills and account payables

The aging analysis of bills and account payables is as follows:

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Current	48,142	47,453
Overdue by 0 – 1 month	4,945	2,393
Overdue by 1 – 2 months	446	478
Overdue by 2 – 3 months	838	177
Overdue by more than 3 months	371	1,112
	54,742	51,613

23 Other gains, net

	2006	2005
	HK$'000	*HK$'000*
Interest income on bank deposits	963	211
Dividend income	1,339	–
Fair value gains on investment properties	1,400	–
Net gain on disposals of investment properties	938	–
Net gain on disposals of property, plant and equipment	287	–
	4,927	211

24 Expenses by nature

Expenses included in cost of sales, selling and distribution expenses and general and administrative expenses are analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Cost of inventories sold	**480,389**	427,078
Provision for/write-off of other receivables	**151**	2,100
(Reversal of)/provision for slow moving and obsolete inventories	**(69)**	570
Research and development costs	**2,588**	2,558
Depreciation of property, plant and equipment *(Note 7)*		
– owned assets	**65,502**	62,166
– assets held under finance leases	**1,326**	1,700
Net loss on disposals of property, plant and equipment	**–**	405
Amortisation of prepaid operating lease payment *(Note 6)*	**362**	315
Operating lease rentals	**2,868**	3,255
Direct operating expenses arising from investment properties that generate rental income	**382**	173
Employee benefit expense (including directors' emoluments) *(Note 25)*	**145,065**	127,364
Provision for/write-off of impairment of account receivables *(Note 14)*	**5,043**	1,412
Net exchange losses	**890**	824
Auditors' remuneration	**1,150**	880

25 Employee benefit expense

	2006	2005
	HK$'000	*HK$'000*
Wages and salaries	**135,114**	118,783
Pension costs – defined contribution plans *(Note a)*	**9,134**	8,180
Staff welfare	**817**	401
	145,065	127,364

25 Employee benefit expense *(continued)*

(a) Pensions – defined contribution plans

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 1 December 2000.

From 1 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 30 April 2006, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK$9,134,000 (2005: HK$8,180,000), with no deduction of forfeited contributions (2005: Nil). As at 30 April 2006, there were no material forfeitures available to offset the Group's future contributions.

25 Employee benefit expense *(continued)*

(b) Directors' and senior management's emoluments

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

	2006	2005
	HK$'000	*HK$'000*
Directors' fees for independent non-executive directors	**1,230**	900
Other emoluments for executive directors		
– basic salaries, allowances and other benefits in kind	**2,819**	2,668
– contributions to pension schemes	**224**	237
	4,273	3,805

No directors waived any emoluments during the year (2005: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

Notes to the Financial Statements

25 Employee benefit expense *(continued)*

(b) Directors' and senior management's emoluments *(continued)*

The remuneration of every Director for the year ended 30 April 2006 is set out below:

	Fees	Basic salaries and allowances	Employer's contribution for pension schemes	2006 Total	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lam Wai Chun	–	974	97	1,071	1,065
Ms. Tang Fung Kwan	–	820	82	902	792
Mr. Chua You Sing	–	600	30	630	–
Ms. Li Hong	–	425	15	440	–
Mr. Huang Kong *(resigned on 6 December 2004)*	–	–	–	–	388
Mr. Law Hoo Shan *(resigned on 1 May 2005)*	–	–	–	–	660
Dr. Tang Tin Sek	360	–	–	360	300
Mr. Au Son Yiu	360	–	–	360	300
Mr. Lee Wing Kwan, Denis	360	–	–	360	300
Mr. Goh Gen Cheung *(appointed on 1 December 2005)*	150	–	–	150	–
	1,230	2,819	224	4,273	3,805

25 Employee benefit expense *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2005: three) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining two (2005: two) individuals during the year are as follows:

	2006 HK$'000	2005 HK$'000
Basic salaries, allowances and other benefits in kind	**989**	908
Contributions to pension schemes	**75**	79
	1,064	987

The emoluments fell within the following band:

	Number of individuals 2006	2005
Emolument bands		
Nil to HK$1,000,000	**2**	2

26 Finance costs

	2006 HK$'000	2005 HK$'000 (restated)
Interest on:		
– Bank borrowings wholly repayable within five years	**16,774**	13,282
– Finance lease liabilities	**164**	298
Total interest incurred during the year	**16,938**	13,580
Amortisation of deferred borrowing costs	**1,612**	2,688
	18,550	16,268

Notes to the Financial Statements

27 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% (2005: 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% (2005: 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:

	2006	2005
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**8,076**	5,711
– under-provision in prior years	**208**	276
Overseas taxation		
– current tax	**4,137**	1,684
– under-provision in prior years	**–**	432
Deferred taxation *(Note 21)*	**(4,323)**	(1,717)
Total taxation	**8,098**	6,386

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:

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation	**31,394**	25,916
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**5,494**	4,535
Effect of different taxation rates of subsidiaries and associates operating in respective jurisdictions	**(784)**	(501)
Tax effect on income not subject to taxation	**(626)**	(44)
Tax effect in mainland on income exempt from taxation due to tax holiday	**(709)**	(2,724)
Tax effect on expenses not deductible for taxation purposes	**3,405**	3,787
Utilisation of previously unrecognised tax losses	**544**	(29)
Under-provision in prior years	**208**	708
Others	**566**	654
Total taxation charge	**8,098**	6,386

28 Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of HK$5,000 (2005: HK$300).

29 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK$23,296,000 (2005: HK$20,001,000) and the weighted average number of 705,239,758 (2005: 693,028,811) shares in issue during the year.

For the year ended 30 April 2006, no information in respect of diluted earnings per share is presented as there was no dilutive potential share. For the year ended 30 April 2005, no information in respect of diluted earnings per share is presented as the exercise of the outstanding options would have no dilutive effect.

30 Dividend

	2006	2005
	HK$'000	*HK$'000*
Proposed final dividend of HK0.9 cent (2005: HK0.7 cent) per share	**6,449**	4,851

At a meeting of the board of directors (the "Board") of the Company held on 15 August 2006, the Board recommended a final dividend of HK0.9 cent per share for the year ended 30 April 2006 to be paid in cash to shareholders whose names appear on the Company's register of members on 27 September 2006. These financial statements do not reflect this dividend payable.

Notes to the Financial Statements

31 Notes to the consolidated cash flow statement

(a) Cash generated from operations

	2006 HK$'000	2005 HK$'000 (restated)
Profit for the year	23,296	20,001
Adjustments for:		
– Tax *(Note 27)*	8,098	6,386
– Interest income *(Note 23)*	(963)	(211)
– Interest expense *(Note 26)*	16,938	13,580
– Depreciation of property, plant and equipment *(Note 7)*	66,828	63,866
– Amortisation of leasehold land and land use rights *(Note 6)*	362	315
– (Gain)/ loss on disposal of property, plant and equipment *(Notes 23 and 24)*	(287)	405
– Gain on disposal of investment properties *(Note 23)*	(938)	(50)
– Dividend income *(Note 23)*	(1,339)	–
– Share of losses of associates *(Note 10)*	25	8
– Fair value gains on investment properties *(Note 8)*	(1,400)	–
– Amortisation of deferred borrowing cost *(Note 26)*	1,612	2,688
	112,232	106,988
Changes in working capital:		
– (Increase)/decrease in inventories	(8,666)	27,211
– Increase in bills and account receivables	(43,006)	(3,281)
– Increase in other receivables	(1,908)	(339)
– Increase/(decrease) in bills and account payables	3,129	(10,565)
– Increase/(decrease) in accruals and other payables	4,784	(246)
Net cash generated from operations	66,565	119,768

(b) Major non-cash transactions

For the year ended 30 April 2005, the Group entered into finance lease arrangements of approximately HK$1,120,000 in respect of new machinery. There was no such transaction for the year ended 30 April 2006.

31 Notes to the consolidated cash flow statement *(continued)*

(c) Analysis of the balance of cash and cash equivalents

	2006 *HK$'000*	2005 *HK$'000*
Cash and bank balances	47,562	43,770
Bank overdrafts	(3,509)	(15,438)
	44,053	28,332

32 Commitments and contingent liabilities

(a) Capital commitments

	Group	
	2006 *HK$'000*	2005 *HK$'000*
Contracted but not provided for		
– construction of a production plant in Zhongshan, Mainland China	1,500	11,672
– purchase of a piece of land in Zhongshan, Mainland China *(Note 12)*	–	1,464
– purchase of properties in Hong Kong	5,668	1,377
– purchase of other fixed assets	6,749	29
	13,917	14,542

The Company had no capital commitment as at 30 April 2006 (2005: Nil).

(b) Operating lease commitments – where the Group is the lessee

At 30 April 2006, the Group had future aggregate minimum lease payments in respect of rented premises under various non-cancellable operating leases as follows:

	2006 *HK$'000*	2005 *HK$'000*
Not later than one year	2,939	1,359
Later than one year and not later than five years	5,407	576
	8,346	1,935

Notes to the Financial Statements

32 Commitments and contingent liabilities *(continued)*

(c) Operating leases – where the Group is the lessor

At 30 April 2006, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2006	2005
	HK$'000	*HK$'000*
Note later than one year	**852**	449
Later than one year and not later than five years	**408**	132
	1,260	581

(d) Contingent liabilities

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Factoring of trade receivables with recourse	**–**	21,896	**–**	–
Guarantees given to banks and financial institutions in respect of banking and finance lease facilities of the subsidiaries	**–**	–	**96,221**	214,839
	–	21,896	**96,221**	214,839

33 Banking facilities and pledge of assets

As at 30 April 2006, the Group had aggregate banking facilities of approximately HK$430,131,000 (2005: HK$652,643,000) for overdrafts, loans and trade financing. Unused facilities as at the same date amounted to approximately HK$158,751,000 (2005: HK$386,883,000). These facilities were secured by corporate guarantees executed by the Company and certain of its subsidiaries.

As at 30 April 2006, approximately HK$82,757,000 (2005: HK$135,207,000) of the total used facilities were secured by:

(a) mortgages over certain of the Group's leasehold land and buildings with net book value of approximately HK$4,426,000 (2005: HK$4,562,000) *(Notes 6 and 7)*;

(b) pledge of the Group's available-for-sale financial assets of approximately HK$6,701,000 (2005: investment securities of HK$8,580,000) *(Note 11)*; and

(c) pledges of the Group's bank deposits of approximately HK$25,446,000 (2005: HK$24,879,000) *(Note 16)*.

33 Banking facilities and pledge of assets *(continued)*

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.

Key management compensation

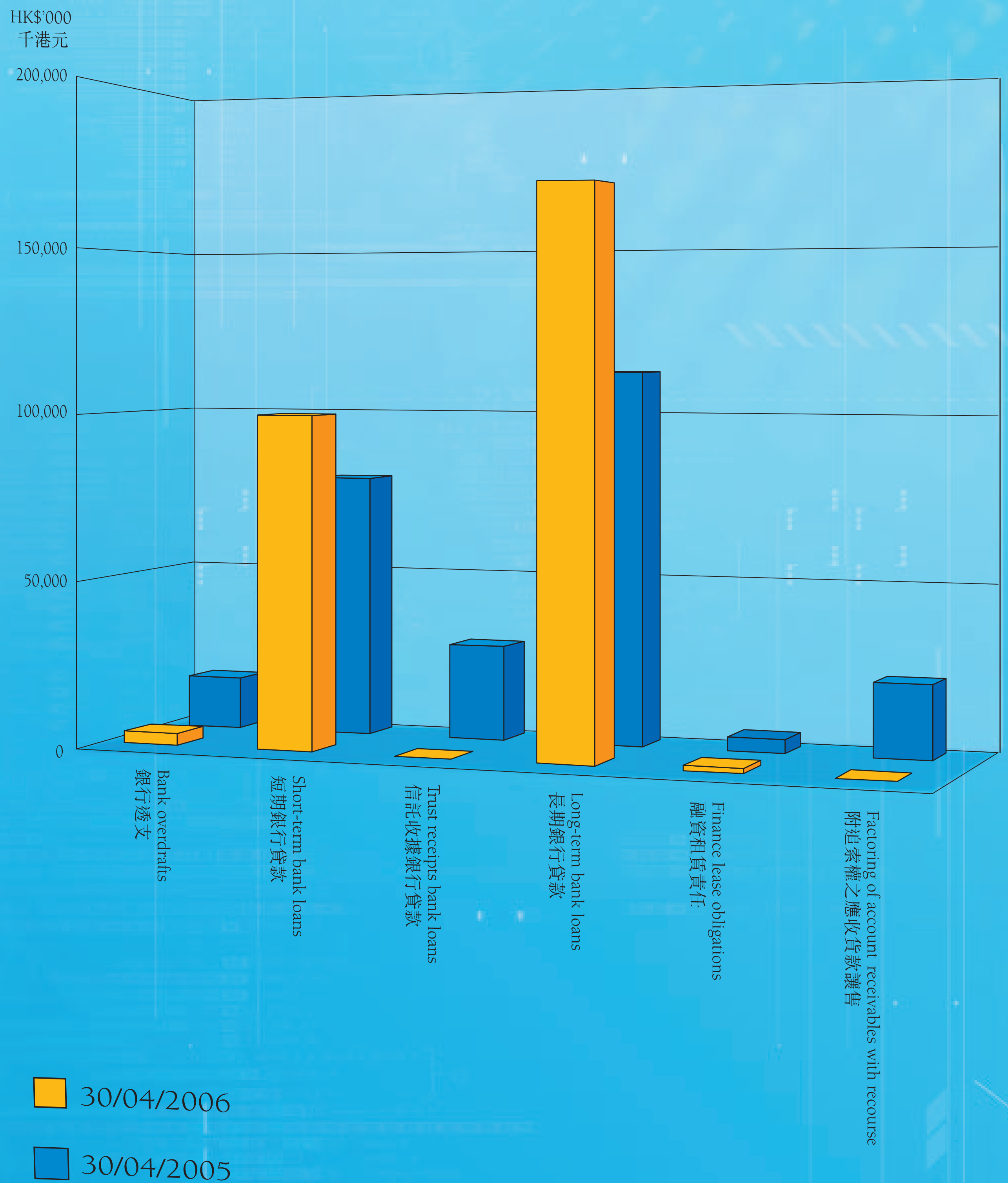
	2006	2005
	HK$'000	*HK$'000*
Wages and salaries	**4,500**	3,336
Pension costs – defined contribution plans	**347**	278
	4,847	3,614

CEC

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

As at 30 April 2006

於2006年4月30日



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