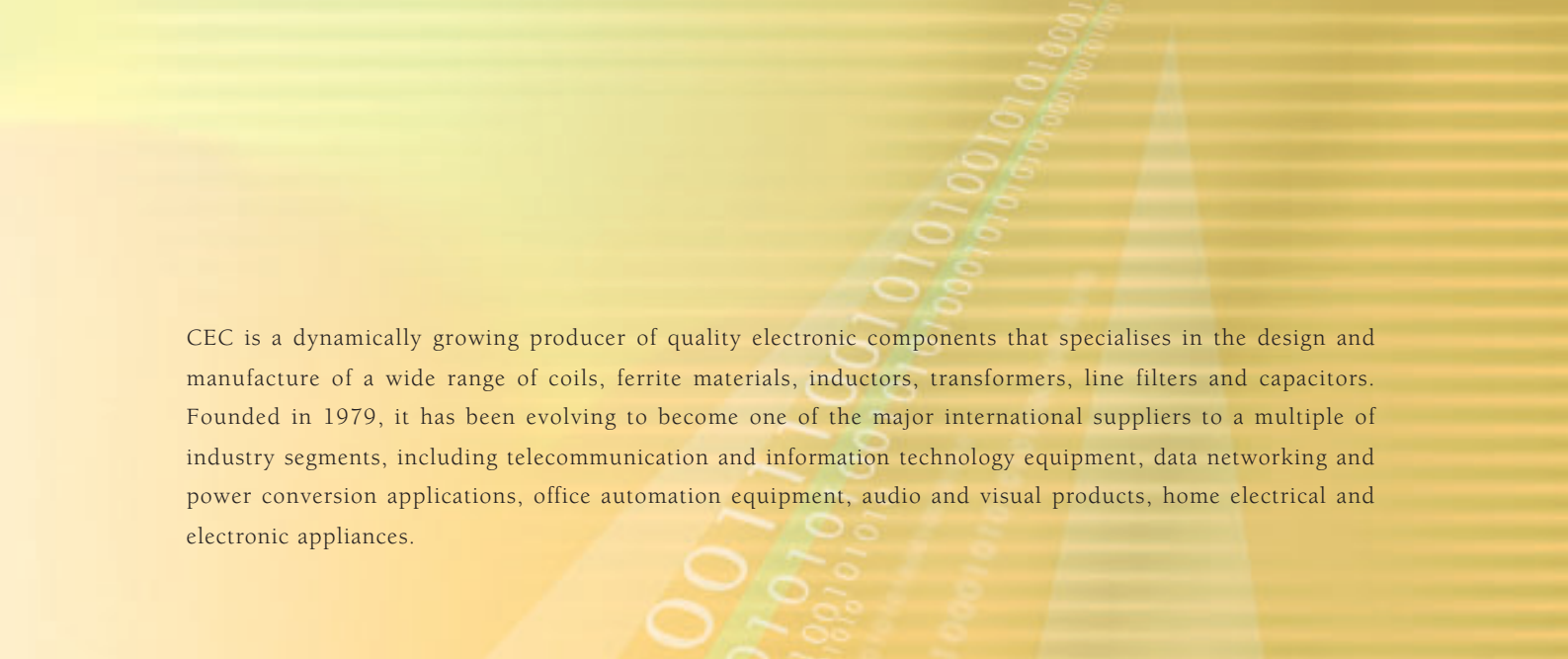


CEC國際控股有限公司  
CEC INTERNATIONAL HOLDINGS LIMITED

*(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 2006/2007 年報**




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.

## Corporate Profile

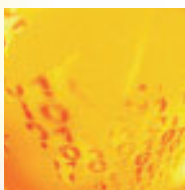
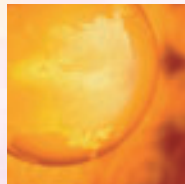
Backed by the strong manufacturing facilities based in Mainland China and Singapore, CEC is an experienced and competitive player in the electronics arena, with established research and development, sales and marketing, customer services and regional offices, and technical support centers in Hong Kong,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

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



3	Corporate Information
4	Financial Highlights
5	Five-Year Financial Summary
6	Management Discussion and Analysis
16	Directors and Senior Management Profile
21	Corporate Governance Report
28	Report of the Directors
38	Independent Auditor's Report
40	Balance Sheets
42	Consolidated Income Statement
43	Consolidated Statement of Changes in Equity
45	Consolidated Cash Flow Statement
46	Notes to the Financial Statements

# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Lam Wai Chun (*Chairman*)  
Ms. Tang Fung Kwan (*Deputy  
Chairman and Managing Director*)  
Mr. 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  
Professor Zhu Yuhe  
(*appointed on 1 April 2007*)

## 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  
Professor Zhu Yuhe  
(*appointed on 1 April 2007*)

## COMPANY SECRETARY

Ms. Li Lai Sheung

## AUDITORS

PricewaterhouseCoopers  
*Certified Public Accountants*

## LEGAL ADVISERS

F. Zimmern & Co.  
Richards Butler  
Appleby Hunter Bailhache

## PRINCIPAL BANKERS

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.0759.com>  
<http://www.ceccoils.com>  
[http://www.irasia.com/  
listco/hk/cecint](http://www.irasia.com/listco/hk/cecint)

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

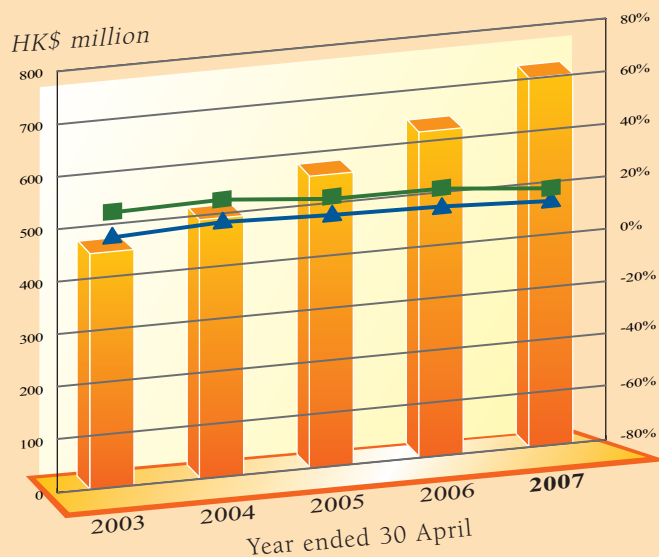
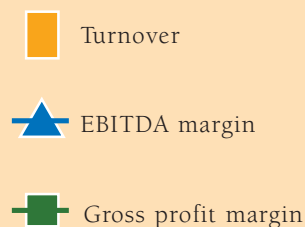
Listed on The Stock Exchange of  
Hong Kong Limited

Stock Code: 0759

213481464346541  
646432  
1856541854864182168  
713451822  
132465321844561

# 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		
	2007 HK\$'000	2006 HK\$'000	% Change
Turnover	700,279	618,561	+13.2
Profit attributable to equity holders of the Company	23,810	23,296	+2.2
Total assets	727,587	721,667	+0.8
Net tangible assets	374,251	340,976	+9.8
<b>Per Share Data</b>			
Basic earnings per share (HK cents)	3.32	3.30	+0.6
Net tangible assets per share (HK cents)	52.2	47.6	+9.7
<b>Financial Ratios</b>			
Gross profit margin (%)	19.4	21.9	-2.5
EBITDA margin (%)	16.2	18.8	-2.6
Current ratio	1.05	1.10	-0.05
Interest coverage ratio	6.88	7.33	-6.1
Gearing ratio	0.70	0.80	-12.5

## Definitions

Basic earnings per share	$\frac{\text{Profit attributable to equity holders of the Company}}{\text{Weighted average number of issued shares}}$
Net tangible assets per share	$\frac{\text{Net tangible assets}}{\text{Number of shares as at end of year}}$
Gross profit margin (%)	$\frac{\text{Gross profit} \times 100\%}{\text{Turnover}}$

EBITDA margin (%)	$\frac{\text{Operating profit plus depreciation and amortisation less interest income} \times 100\%}{\text{Turnover}}$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Interest coverage ratio	$\frac{\text{Operating profit plus depreciation and amortisation}}{\text{Interest expense less interest income}}$
Gearing ratio	$\frac{\text{Total borrowings}}{\text{Total equity}}$

## Five-Year Financial Summary

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

	2007	2006	2005	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) attributable to:					
– Equity holders	23,810	23,296	20,001	16,267	(4,588)
– Minority interests	(897)	–	–	61	(100)
Total assets	727,587	721,667	654,057	687,429	678,462
Total liabilities	(353,336)	(380,691)	(340,299)	(390,058)	(397,070)
	374,251	340,976	313,758	297,371	281,392



# 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 eighth 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.

## 2006/2007 SUMMARY OF RESULTS

- Turnover climbed 13.2% to HK\$700,279,000 (2006: HK\$618,561,000);
- Profit attributable to equity holders of the Company was HK\$23,810,000 (2006: HK\$23,296,000);
- Basic earnings per share was HK3.32 cent (2006: HK3.30 cent);
- Proposed final dividend of HK0.95 cent (2006: HK0.9 cent) per share;
- Net cash inflow from operating activities increased by 18.9% to HK\$67,713,000 (2006: HK\$56,947,000); and
- Gross profit margin decreased by 2.5% to 19.4% (2006: 21.9%).

# Management Discussion and Analysis

## DIVIDEND

No interim dividend was declared for the year ended 30 April 2007 (2006: Nil).

The Board has resolved to recommend the payment of a final dividend of HK 0.95 cent (2006: HK0.9 cent) per share for the year ended 30 April 2007 to shareholders whose names appear on the register of members of the Company on 27 September 2007.

The proposed final dividend of HK0.95 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 Thursday, 27 September 2007, is to be payable on Wednesday, 10 October 2007.



## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 20 September 2007 to Thursday, 27 September 2007 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and to attend and vote at the Annual General Meeting of the Company to be held on 27 September 2007, 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, 19 September 2007.



# Management Discussion and Analysis

## BUSINESS REVIEW

### Overview

During the year ended 30 April 2007, the Group's business maintained steady growth with a total turnover of HK\$700,279,000 (2006: HK\$618,561,000), reporting a 13.2% increase over that of last year. The increases in prices of raw materials, energy cost and the labour cost for production in Mainland China exerted pressure on the Group during the financial year. Accordingly, gross profit margin declined to 19.4% (2006: 21.9%) as compared with that of last year and gross profit recorded HK\$135,820,000 (2006: HK\$135,753,000), similar to that of last year. During the year, the Group reinforced its internal control to enhance the efficiency and focused on controlling the selling and distribution expenses as well as general and administrative expenses, thereby offsetting the impact of the soaring costs in production and currency translation. Profit attributable to equity holders of the Company was HK\$23,810,000 (2006: HK\$23,296,000), whilst the Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") was HK\$113,175,000 (2006: HK\$116,196,000).



### 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, was HK\$699,038,000 (2006: HK\$617,093,000), which accounted for 99.8% (2006: 99.8%) of the total turnover, with approximately 13.3% growth as compared with that of last year. The increase in turnover was mainly benefited from the desirable growth in various consumer electronic product industries, especially cell phones, flat-panel televisions, computers, electronic video game consoles and power-supply devices.

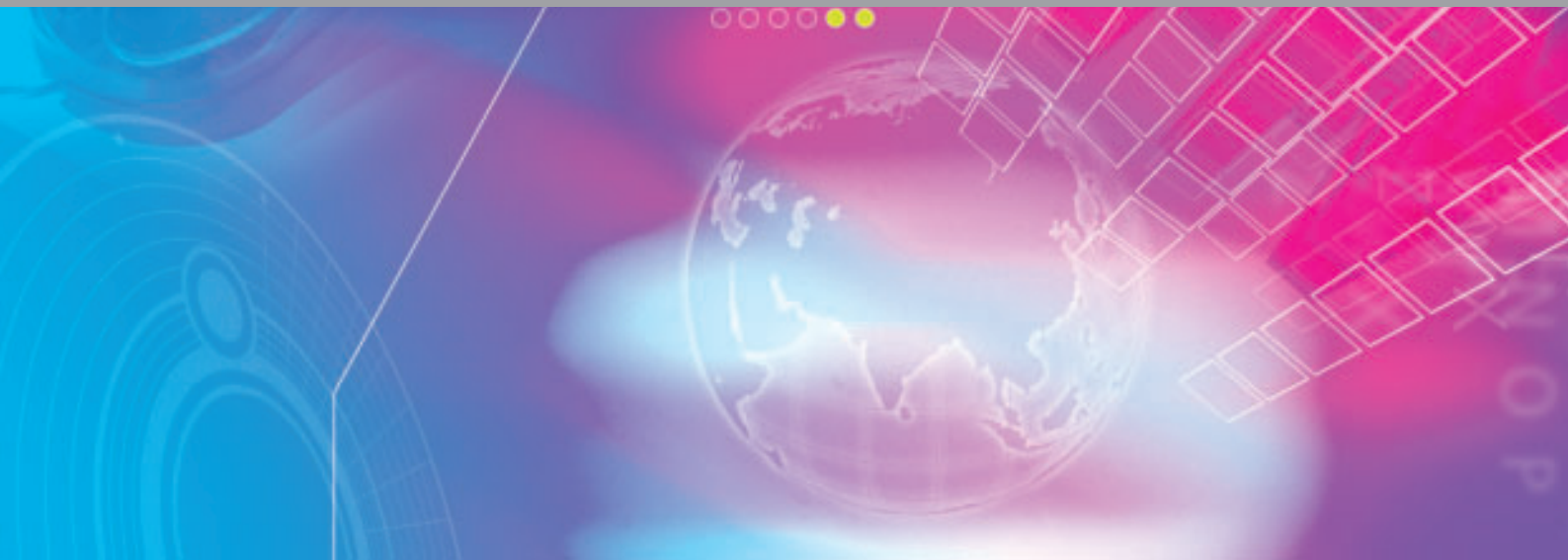
# Management Discussion and Analysis

## BUSINESS REVIEW *(continued)*

During the year, the uptrend of the prices of raw materials, the exchange rate of Renminbi (“RMB”), the staff costs in Mainland China and the energy cost all put an enormous pressure on the costs of the Group. Accordingly, the Group has continued to implement a series of measures to improve its efficiency for raising overall productivity during the year. As a result, the gross profit of the Group’s core business for the year amounted to HK\$134,826,000 (2006: HK\$135,242,000). Gross profit margin fell by 2.6% to 19.3% (2006: 21.9%) as compared with that of last year under the immense cost pressure.

Last year, the sustained surge of the prices of raw materials remained the biggest challenge to the Group. This year, 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 still persistently stayed high and the prices of most metals even continued to rise significantly in the fourth quarter of the year. Based on the quoted prices on London Metal Exchange, the spot prices of copper, nickel and zinc as at the year-end date of this financial year increased by approximately 8.4%, 169.6% and 14.3% respectively as compared with those as at the same date of last year, and even showed a tremendous rise of approximately 123%, 347% and 302% respectively when compared with those as at the year-end date of 2004/2005.

As the Group’s major production operations are in Mainland China, most of the production expenses including wages, domestic purchases of materials, rentals, water and electrical supplies and tax are all settled in RMB. Therefore, there has been an upward pressure on the costs of the Group in the long run because of the sustained appreciation of RMB. For the year ended 30 April 2007, the accumulated appreciation of RMB reached 5%, a direct link to the increase in production cost of the Group.



# Management Discussion and Analysis



## BUSINESS REVIEW *(continued)*

With the rapid economic development of Mainland China, the labour market of which is still in shortage. High labour turnover rate and difficulty in recruitment are very common in Guangdong province. The remuneration of the management and factory workers has continued to rise in line with the rapid economic growth in Mainland China. During the year, the Group made appropriate remuneration evaluation and adjustments for its employees at different levels, resulting in an increase of approximately 17% as compared with that of last year. The rise in overall remuneration was mainly due to the increases of employees and staff remuneration. The Group is considering the allocation of more resources for expanding plants and installing automated production facilities, which will provide further modernized production environment and improve the existing production cost structure.

## FINANCIAL REVIEW

### *Overview*

For the year ended 30 April 2007, profit attributable to equity holders of the Company was HK\$23,810,000 (2006: HK\$23,296,000), whilst basic earnings per share was HK3.32 cents (2006: HK3.30 cents).

### **Financial Management**

#### *Funds Surplus and Liabilities*

As at 30 April 2007, the Group's credit facilities granted from banks amounted to HK\$385,399,000 (2006: HK\$430,131,000), of which HK\$118,085,000 (2006: HK\$158,751,000) remained unutilised.

# Management Discussion and Analysis

## FINANCIAL REVIEW *(continued)*

The Group's cash and bank balances (denominated mainly in Hong Kong dollar, United States dollar and RMB) was HK\$58,095,000 (2006: HK\$73,008,000) as at 30 April 2007. The banking facilities amounting to HK\$81,678,000 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 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 2007, the Group complied with such financial covenants, which indicates that the Group's financial position remained satisfactory.

As at 30 April 2007, the Group's total borrowings granted from banks and financial institutions amounted to HK\$263,301,000 (2006: HK\$271,321,000), of which HK\$224,972,000 (2006: HK\$183,956,000) was current and HK\$38,329,000 (2006: HK\$87,365,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. As at 30 April 2007, the Group's gearing ratio\* was 0.7 (2006: 0.8). The Group will continue to focus on managing its financial resources in prudence and to proactively reduce its financial leverage ratio to further stabilize its business development in future. In addition, the Group did not have any contingent liabilities (2006: Nil) as at the same date.

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

### *Interest Expenses*

For the year ended 30 April 2007, the Group's interest expenses amounted to HK\$18,130,000 (2006: HK\$16,938,000), up 7% as compared with that of last year mainly due to a slight rise in Hong Kong interbank offer rate. The Group will endeavour to control all kinds of expenses and bank borrowings so as to reduce the future interest expenses.



# Management Discussion and Analysis

## FINANCIAL REVIEW *(continued)*

### *Financial Resources and Capital Structure*

For the year ended 30 April 2007, the Group's net cash outflow (decrease in cash and cash equivalents) was HK\$13,326,000 (2006: net cash inflow (increase in cash and cash equivalents) of HK\$13,262,000). During the year, net cash outflow was mainly attributable to the increase in net cash outflow from financing activities to HK\$28,971,000 (2006: inflow of HK\$2,776,000), which reflects that the Group used internal fund to repay its borrowings.

The net cash inflow from financing activities of last year was comparatively higher than that of the year under review due 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 by the Company during last year. The net cash inflow from operating activities for the year was HK\$67,713,000 (2006: HK\$56,947,000), up 18.9% as compared with last year. For the year ended 30 April 2007, net cash outflow from investing activities rose to HK\$52,068,000 (2006: HK\$46,461,000), most of which were capital expenditures in an aggregate amount of HK\$49,797,000 (2006: HK\$53,125,000). The capital expenditures were mainly utilised in constructing new plants in Zhongshan amounting to approximately HK\$5,166,000 (2006: HK\$10,986,000), purchasing machinery and equipment amounting to approximately HK\$27,479,000 (2006: HK\$28,678,000) for raising production capacity and Hong Kong properties amounting to approximately HK\$11,651,000 (2006: HK\$8,615,000).



### *Cash Flow Summary*

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	67,713	56,947
Net cash outflow from investing activities	(52,068)	(46,461)
Net cash (outflow)/inflow from financing activities	(28,971)	2,776
(Decrease)/increase in cash and cash equivalents	<b>(13,326)</b>	13,262

As at 30 April 2007, the net current assets was HK\$15,738,000 (2006: HK\$29,254,000), whilst the current ratio was 1.05 (2006: 1.10).



# Management Discussion and Analysis

## FINANCIAL REVIEW *(continued)*

### **Charges on Assets**

As at 30 April 2007, certain assets of the Group with an aggregate carrying value of approximately HK\$38,620,000 (2006: HK\$41,356,000) 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, RMB and United States dollar ("USD"); whilst the major currencies in purchase commitments are primarily denominated in Hong Kong dollar, RMB and United States dollar. The cumulative appreciation of over 5% in RMB against USD during the financial year posed a significant challenge on the Group's business. Given that the appreciation of RMB is great, there will be a negative impact on the Group's profit. In view of the mild and somewhat predictable fluctuation in RMB for the time being, the Board is of the view that it is not necessary for the Group to purchase any highly cost foreign exchange futures or options contract for hedging against exchange risks for the time being and will continue to 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 8,100 (2006: 7,900) employees as at 30 April 2007. 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.



# Management Discussion and Analysis

## EMPLOYEES *(continued)*

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

In view of the surging prices of raw materials and the rising staff wages in Mainland China leading to a persistent cost pressure, the Group has been devoted to undertaking research and development on the applied materials and looking for new ideas on the improvements for industrial process. However, it is expected that the uptrend of raw materials and staff wages will not be reversed in the foreseeable future. The Group has taken the initiative to negotiate with its customers and suppliers in the fourth quarter of this year so as to provide with both parties a relative stable price basis. On the other hand, the Group's industrial engineering team is striving to develop production flow improvements as well as proactively introducing the new measures of such production flow improvements to its customers in order to ease the immense cost pressure.

The Group has re-positioned its headquarters in Hong Kong since 2005/2006. In line with its sales and marketing base in Hong Kong, the Group has, during the first quarter of the next financial year, contemplated to establish a product research and development division, which will focus on overseas markets and be mainly engaged in research and development of power-supply products, in three years. The Group will recruit more technicians and purchase advanced equipment and facilities for the product research and development division.



# Management Discussion and Analysis



## FUTURE PROSPECTS *(continued)*

In order to achieve more desirable results in promoting the Group's overall productivity and efficiency, the Group plans to re-deploy its resources for its plants. The Group will cease the operation of its plants in Singapore and Bishan at Chongqing, Mainland China in the next financial year and re-allocate the production facilities of the aforesaid plants to its Zhongshan main plant and other plants. On the other hand, the construction of a large plant with usable area over 26,000 square meters in Zhongshan, which will provide room for expansion of the Group's coils manufacturing segment in future, has commenced in the first quarter of 2007/2008.

## ACKNOWLEDGEMENTS

Finally, on behalf of the Board, I would like to express my thanks to all investors, staff and business partners for their continued support to the Company during the year.

By Order of the Board

**Tang Fung Kwan**

*Deputy Chairman and Managing Director*

Hong Kong, 10 August 2007

# Directors and Senior Management Profile

## DIRECTORS

### Executive Directors

**Mr. LAM Wai Chun**, aged 48, was appointed as an executive director of the Company with effect from 29 September 1999, and has been the Chairman of the Company since 4 October 1999. Mr. Lam is a founder of the Group and has over 36 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 37, was appointed as an executive director of the Company with effect from 29 September 1999, and has been the Managing Director and Deputy Chairman of the Company since 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, the degree of International Master of Business Administration in The University of South Australia, Australia, in 1998 and the degree of Bachelor of Laws (LLB) in The Manchester Metropolitan University, the United Kingdom in 2006. Ms. Tang joined the Group in 1993.

**Ms. LI Hong**, aged 38, 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 in 1991 and a master of business administration from The University of Northern Virginia, the United States of America in 2003. Ms. Li joined the Group in 1994.

**Mr. CHUA You Sing**, aged 59, was appointed as an executive director of the Company with effect from 1 May 2005 and is the chairman of the Accounts Receivable Supervisory Committee of the Company. Mr. Chua has over 37 years' extensive experience in management and electronic manufacturing business. Mr. Chua is responsible for developing new plants of the Group in Mainland China. Mr. Chua joined the Group in 2005.

### Independent Non-Executive Directors

**Mr. AU Son Yiu**, aged 61, was appointed as an independent non-executive director of the Company with effect from 29 September 1999. Mr. Au is also a member of the Audit Committee and the Accounts Receivable Supervisory Committee as well as 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 62, 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, the Remuneration Committee and the Accounts Receivable Supervisory Committee of the Company. He is a principal consultant of Dynamic Linkage Management Consultants and a fellow member of The Hong Kong Institute of Directors. With his extensive experience in trade and industry, Mr. Lee represented Hong Kong business community and gave presentations at the APEC SME Ministerial Meetings in the Philippines, Canada and New Zealand. The other major past offices of Mr. Lee in public services include the past chairman of the Small and Medium Enterprises Committee of the HKSAR Government (1996-2000), a former council and general committee member of Hong Kong General Chamber of Commerce (1994-2002), a former member of the Executive Committee of the Hong Kong Coalition of Service Industries and Trade and Industry Board of the HKSAR Government.

**Dr. TANG Tin Sek**, aged 48, 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 26 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 Sinofert Holdings Limited (formerly known as Sinochem Hong Kong Holdings Limited), New Smart Energy Group Limited (formerly known as New Smart Holdings Limited), Frankie Dominion International Limited and Interchina Holdings Company Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited.

**Mr. GOH Gen Cheung**, aged 60, 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.



## Directors and Senior Management Profile

**Professor ZHU Yuhe**, aged 69, was appointed as an independent non-executive director of the Company with effect from 1 April 2007 and is a member of the Remuneration Committee of the Company. Professor Zhu is a professor of School of Humanities and Social Sciences in Tsinghua University (“Tsinghua”) in charge of some advanced courses relating to China’s conditions and China’s political economics. He is a Managing Director of 中國老教授協會 (China Senior Professor Association) and Vice Chairman of 國杰老教授科學技術諮詢開發研究院 (Guojie Senior Professor Science and Technology Development Academy). Professor Zhu graduated from Tsinghua in electrical engineering in 1960 and was subsequently sent to Renmin University of China for further studies on modern history of China by Tsinghua. Professor Zhu has 45 years’ extensive teaching experience in history, philosophy and political economics at Tsinghua and also held offices in Tsinghua, including Director of Department of History, Vice Dean of School of Humanities and Social Sciences, teaching adviser of the President of Tsinghua during various periods.

### SENIOR MANAGEMENT

#### Sales Management

**Mr. THATTI Suresh**, aged 47, is a director of CEC-Coils Singapore Pte Ltd. and is responsible for the 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.

**Mr. SU Hsiu-Ming**, aged 36, is the general manager of the Taiwan Branch of Coils Electronic Co. Ltd. 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 and the degree of Master of Business Administration in the University of Southern Queensland, Australia in 2007. Mr. Su joined the Group in 1997.

**Mr. HE Guogao**, aged 41, is a deputy general manager of project management department of Coils Electronic Co., Limited and is responsible for the marketing functions of the Group’s business in Japan, Korea and China. He has been admitted to the degree of Bachelor of Engineering in Automation in the Gansu University of Technology, Mainland China, in 1988 and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. He joined the Group in 2001.

**Mr. LELLA Prasad**, aged 41, is a deputy general manager of project management department of Coils Electronic Co., Limited and is responsible for the marketing functions of the Group’s business in America. He has been admitted to the degree of Master of Business Administration in International Business Management in the Adam Smith University of America, the United States of America in 2006. Mr. Lella joined the Group in 2000.

#### Production Management

**Ms. MAI Shaoling**, aged 43, is a senior manager of general affairs department of Coils Electronic (Zhong Shan) Co., Ltd. and is responsible for the management of the Group’s production facilities in Zhongshan. She has over 24 years of experience in administration. Ms. Mai joined the Group in 1992.

## Directors and Senior Management Profile

**Mr. ZHOU Yong**, aged 36, is a director of Gaozhou Coils Electronic Co., Ltd. He is responsible for administration, production, materials procurement and logistics management of the Group's production facilities in Gaozhou. He has over 13 years of experience in materials procurement, coils design as well as sales and marketing. Mr. Zhou joined the Group in 1993.

### Engineering Technical Management

**Mr. ZHAO Xiangqun**, aged 45, is a senior manager of engineering department of Coils Electronic Co., Limited and is responsible for managing research and development of the 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. LIU Kun**, aged 31, is a manager of engineering department of Coils Electronic Co., Limited and is responsible for managing development of the power-supply products of the Group. He has been admitted to the degree of Bachelor of Information Engineering in South China University of Technology, Mainland China, in 1999 and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. Liu joined the Group in 2003.

**Dr. ZHAO Ying**, aged 31, is a senior manager of industrial manufacturing planning & development department of Coils Electronic Co., Limited. and is responsible for managing the environmental and quality management system and industrial engineering of the Group. She has been admitted to the degree of Doctor of Philosophy in Industrial and Manufacturing Systems Engineering in The University of Hong Kong in 2006. Dr. Zhao joined the Group in 2006.

### Equipment Management

**Mr. HO Kwok Keung**, aged 49, is a former executive director of the Company (appointed on 20 December 2002 and resigned on 14 August 2003) and currently a director of Coils Electronic Co., Limited. He is responsible for the equipment management of the Group. Mr. Ho has over 31 years of experience in electronics and electrical industry. He joined the Group in 1996.

### Purchasing Management

**Ms. LAI Wanru**, aged 35, is a director of Coils Electronic Co., Limited and is responsible for the purchase and materials procurement management of the Group. She has over 13 years of experience in materials procurement, coils production as well as sales and marketing. Ms. Lai joined the Group in 1990.

### Financial Management

**Ms. HO Wing Yi**, aged 33, 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.

## Directors and Senior Management Profile

**Mr. CHEUNG Ming Yat**, aged 31, is the Deputy Managing Director of Coils Electronic Co., Limited and a member of the Accounts Receivable Supervisory Committee of the Company. Mr. Cheung is responsible for the strategic and financial 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.

### **Administration Management**

**Ms. LI Lai Sheung**, aged 43, 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. HO Man Lee**, aged 27, is a director of Coils Electronic Co., Ltd. and is responsible for the administration and personnel management functions of the Group's business. 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 and the degree of Master of Business Administration in The Chinese University of Hong Kong in 2006. Mr. Ho joined the Group in 2001.

### **Information Technology Management**

**Mr. CHUNG Wai Kin**, aged 26, is a director of Coils Electronic Co., Ltd. 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 and the degree of Master of Science in System Engineering and Engineering Management in The Chinese University of Hong Kong in 2002 and 2007 respectively. Mr. Chung joined the Group in 2002.

**Mr. YU Xin**, aged 33, 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 the degree of Bachelor in Computer Science and Technology in 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 2007, except the following deviations:

1. 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 at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws of the Company. 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.

2. 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 the Annual General Meeting of the Company held on 27 September 2006 (“2006 AGM”) due to illness at the material time. The Managing Director of the Company, who took the chair of 2006 AGM, and all other members of the Board (including the chairman of each of the Audit Committee and Remuneration Committee) attended 2006 AGM to ensure effective communication with shareholders of the Company.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2006 to 30 April 2007.

## 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 five independent non-executive directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek, Mr. Lee Wing Kwan, Denis, Mr. Goh Gen Cheung and Professor Zhu Yuhe (who joined the Board on 1 April 2007), representing more than 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. Biographical details of the directors are set out in “Directors and Senior Management Profile” on pages 16 to 20 of this annual report.

# Corporate Governance Report

## BOARD OF DIRECTORS *(continued)*

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.

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 announcements, 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.



# Corporate Governance Report

## BOARD OF DIRECTORS *(continued)*

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 2007, seven Board meetings were held and the individual attendance of each director is set out below:

Directors	Number of meetings attended/held
<b>Executive Directors</b>	
Lam Wai Chun ( <i>Chairman</i> )	7/7
Tang Fung Kwan ( <i>Deputy Chairman and Managing Director</i> )	7/7
Chua You Sing	7/7
Li Hong	6/7
<b>Independent Non-Executive Directors</b>	
Au Son Yiu	7/7
Tang Tin Sek	7/7
Lee Wing Kwan, Denis	7/7
Goh Gen Cheung	7/7
Zhu Yuhe ( <i>appointed on 1 April 2007</i> )	0/7*

\* The aforesaid meetings were held before the director's appointment.

## 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 five 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. This means that the specific term of appointment of a director cannot exceed three years.

# Corporate Governance Report

## 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](http://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 of the Group, 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 of the Group, 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 pages 29 to 30.

During the year ended 30 April 2007, the work performed by the Remuneration Committee includes making recommendation to the Board of the revised remuneration policy statement, the directors' fees of independent non-executive directors and the additional remuneration for each of the chairman of the Audit Committee and Remuneration Committee, reviewing and approving the remuneration package of the senior management of the Group as well as approving the remuneration (including the relevant service agreements and supplemental agreement, if any) of executive directors and certain members of the senior management, the limit of salary increase of the senior management and the policy on compensation payable to executive directors and senior management of the Group in connection with any loss or termination of their office or appointment. No director has taken part in any discussion about his/her own remuneration.

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

# Corporate Governance Report

## REMUNERATION OF DIRECTORS *(continued)*

During the year ended 30 April 2007, the Remuneration Committee met five times and the individual attendance of each member is set out below:

Members	Number of meetings attended/held
Au Son Yiu ( <i>Chairman</i> )	5/5
Tang Tin Sek	5/5
Lee Wing Kwan, Denis	5/5
Goh Gen Cheung	5/5
Zhu Yuhe ( <i>appointed on 1 April 2007</i> )	0/5*
Tang Fung Kwan	5/5

\* The aforesaid meetings were held before the member's 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 2007, a Board meeting was held for the appointment of Professor Zhu Yuhe as new director proposed for its approval after the assessment of selection criteria made by all the directors. All the directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Mr. Chua You Sing, Ms. Li Hong, Mr. Au Son Yiu, Dr. Tang Tin Sek, Mr. Lee Wing Kwan, Denis and Mr. Goh Gen Cheung, attended the Board meeting.

## AUDITOR'S REMUNERATION

During the year ended 30 April 2007, the fees paid/payable to the external auditor of the Company, PricewaterhouseCoopers, amounted to approximately HK\$1,250,000 for statutory audit services and approximately HK\$225,500 for non-audit services (comprising tax and other services) rendered to the Group.

## 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](http://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 2007.

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 auditor.

# Corporate Governance Report

## AUDIT COMMITTEE *(continued)*

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, systems of internal control of the Group, internal audit schedule, internal audit reports on the effectiveness of internal control of the Group 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 terms of engagement of the Company's external auditor and discussing with the Company's external auditor the nature and scope of the audit.

During the year ended 30 April 2007, the Audit Committee held five meetings and the individual attendance of each member is set out below:

<b>Members</b>	<b>Number of meetings attended/held</b>
Tang Tin Sek ( <i>Chairman</i> )	5/5
Au Son Yiu	5/5
Lee Wing Kwan, Denis	5/5
Goh Gen Cheung	5/5

## OTHER BOARD COMMITTEE

The Board has established an Accounts Receivable Supervisory Committee on 27 September 2006 with written terms of reference to deal with matters relating to credit control of the Group (including reviewing the effectiveness of credit control systems, making recommendations to the Board and formulating long-term strategy and related policy on credit control of the Group) within the authority as delegated by the Board.

## INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems covering all material controls, including financial, operational and compliance control and risk management functions. The systems are designed to provide reasonable, but not absolute, assurance against misstatement, losses, errors or fraud.

For the purpose of further enhancing the internal control systems, the Company has engaged an external audit firm to carry out an on-going project to conduct internal independent review and to evaluate all major operations of the Group in order to ensure that:

- proper segregation of duties and controls have been established by the management of the Group and the above controls are functioned as intended;
- procedures have been designed for safeguarding the Group's assets against unauthorized use or disposition;
- all applicable laws, rules and regulations are complied with;
- the internal control functions are properly integrated into the daily operations of the Group;

# Corporate Governance Report

## INTERNAL CONTROL *(continued)*

- adequate insurance coverage have been deployed for mitigating the risk exposure by the Group; and
- control weakness and findings are reported to the Audit Committee regularly.

The Company has also established a centralized cash control system to oversee the Group's cash operations.

During the year ended 30 April 2007, the Board through the Audit Committee reviewed the effectiveness of the Group's internal control systems quarterly, including the approval of audit planning and procedures as well as the assessment and review of internal audit reports in order to ensure that a sound and adequate control environment have been installed in the Group.

## 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 auditor with respect to financial reporting are set out in Independent Auditor's Report on pages 38 to 39.



# Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 30 April 2007.

## 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 42.

No interim dividend was declared for the year ended 30 April 2007 (2006: 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 HK0.95 cent (2006: HK0.9 cent) per share for the year ended 30 April 2007 payable on 10 October 2007 to shareholders whose names appear on the Company's register of members on 27 September 2007.

## Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 16 to the financial statements.

## Donations

Charitable and other donations made by the Group during the year amounted to HK\$882,000 (2006: HK\$969,000).

## 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 15 to the financial statements.

## Distributable reserves

As at 30 April 2007, the Company's contributed surplus of approximately HK\$131,338,000 (2006: HK\$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained profits of approximately HK\$10,378,000 (2006: HK\$11,845,000) were available for distribution to the equity holders of the Company.

# Report of the Directors

## 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 2007. 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 2007.

## 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 10 August 2007, 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 2007, no option was granted under the Scheme (2006: 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  
 Ms. Li Hong

### Independent non-executive directors

Dr. Tang Tin Sek  
 Mr. Au Son Yiu  
 Mr. Lee Wing Kwan, Denis  
 Mr. Goh Gen Cheung  
 Professor Zhu Yuhe (appointed on 1 April 2007)

Pursuant to Bye-law 87 of the Company's Bye-laws, Mr. Chua You Sing, Ms. Li Hong and Dr. Tang Tin Sek shall retire by rotation at the forthcoming annual general meeting of the Company. Ms. Li Hong and Dr. Tang Tin Sek shall, being eligible, offer themselves for re-election and Mr. Chua You Sing has indicated that he will not offer himself for re-election.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Professor Zhu Yuhe 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.

### Directors' service 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.

Ms. Tang Fung Kwan entered into a service agreement with the Company on 30 April 2007 for a term of one year, commencing on 1 May 2007 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.

# Report of the Directors

## Directors' service contracts (continued)

Each of Ms. Li Hong and Mr. Chua You Sing entered into a service agreement with the Company on 30 April 2007 for a term of one year, each commencing on 1 May 2007 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 2007, Ms. Li Hong also entered into an employment contract, which was amended by the supplemental agreement to employment contract dated 30 April 2007, with Xiamen Coils Electronic Co., Ltd., an indirect wholly-owned subsidiary of the Company, for a term of one year commencing from 1 May 2007 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.

## Interests of directors and chief executive in securities

As at 30 April 2007, 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

Name of director	Number of shares of HK\$0.10 each			Total interests	Percentage of issued share capital
	Personal Interests (Note 2)	Corporate Interests (Note 3)	Trusts and similar interests (Note 3)		
Mr. Lam Wai Chun	21,031,188	428,555,660	428,555,660	449,586,848	62.74%
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	6,001,440	–	–	6,001,440	0.84%
Dr. Tang Tin Sek	3,714,000	–	–	3,714,000	0.52%



## Report of the Directors

Interests of directors and chief executive in securities *(continued)*(a) Shares of the Company *(continued)*

Notes:

- All the above interests in the shares of the Company were long positions.
- Personal interests were interests held by the relevant directors as beneficial owners.
- The 428,555,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of 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"). 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 428,555,660 shares in the 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 449,586,848 shares in the Company was arrived at after eliminating the duplications.

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

*Coils Electronic Co., Limited*

Name of director	Number of non-voting deferred shares of HK\$1.00 each				Percentage of issued non-voting deferred shares
	Personal interests	Corporate interests	Family interests	Total interests	
Mr. Lam Wai Chun (Notes 4 and 5)	7,500,000	6,000,000	500,000	14,000,000	100%

Notes:

- 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.
- 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.
- All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held by Mr. Lam Wai Chun were long positions.
- Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

# Report of the Directors

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

Save as disclosed above, as at 30 April 2007, 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.

Save as disclosed above, as at 30 April 2007, 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 2007 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 2007, 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 interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

### Shares of the Company

*Substantial shareholders (as defined in the Listing Rules)*

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Ms. Law Ching Yee	449,586,848 (Note 2)	-	-	-	62.74%
Ka Yan China Development (Holding) Company Limited	-	-	-	428,555,660 (Notes 2 and 3)	59.80%
Ka Yan China Investments Limited	-	423,785,660 (Notes 2 and 3)	-	-	59.14%
HSBC International Trustee Limited	-	-	423,785,660 (Notes 2 and 3)	-	59.14%

## Report of the Directors

Interests of shareholders discloseable under the SFO (continued)

Shares of the Company (continued)

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

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Toko, Inc.	-	-	-	36,785,402	5.13%*

Notes:

1. All the above interests in shares of the Company were long positions.
2. The 428,555,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust. 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 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. Such shares formed part of the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 30 April 2007, the actual duplicate interests held by Ka Yan China Investments Limited and HSBC International Trustee Limited in the Company was 428,555,660 shares which were also the same shares held by Ka Yan China Development (Holding) Company Limited as referred to in the Note 2 above.

\* The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 April 2007 (i.e. 716,610,798 shares).

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interests (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 30 April 2007.

### 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.

# Report of the Directors

## 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	9%
– five largest suppliers combined	30%
Sales	
– the largest customer	29%
– five largest customers combined	56%

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) has 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 Facility Letter (as defined below) and 2005 Agreement (as defined below), all of which includes conditions relating to specific performance of the controlling shareholder of the Company:

- (a) On 30 July 2004, Coils Electronic Co., Limited (“Coils”), an indirect wholly-owned subsidiary of the Company, 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 Wai Chun (“Mr. Lam”), the Chairman of the Company, and Ka Yan China Development (Holding) Company Limited (“Ka Yan”), the controlling shareholder of the Company, 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.

The Facility Letter was terminated in July 2006 as all the outstanding indebtedness under the Facilities was fully repaid.

# Report of the Directors

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

- (b) 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 2007, the aggregate carrying value of the outstanding loan under the 2005 Agreement was approximately HK\$112,971,000.

## Related party transaction

Details of the significant related party transaction entered into by the Group are set out in note 32 to the financial statements which does not constitute a discloseable connected transaction under the Listing Rules.

## Public Float

As at 10 August 2007, 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 2007 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.

## Auditor

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

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

Hong Kong, 10 August 2007



# Independent Auditor's Report



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22/F, Prince's Building  
Central, Hong Kong  
Telephone (852) 2289 8888  
Facsimile (852) 2810 9888  
[www.pwchk.com](http://www.pwchk.com)

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CEC INTERNATIONAL HOLDINGS LIMITED (Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CEC International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 94, which comprise the consolidated and the company balance sheets as at 30 April 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

# Independent Auditor's Report



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF CEC INTERNATIONAL HOLDINGS LIMITED (continued)**  
*(Incorporated in Bermuda with limited liability)*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 10 August 2007

# Balance Sheets

As at 30 April 2007

	Note	Consolidated		Company	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Leasehold land and land use rights	6	31,117	23,865	–	–
Property, plant and equipment	7	355,836	370,681	–	–
Investment properties	8	9,148	10,970	–	–
Investments in subsidiaries	9(A)	–	–	250,319	137,348
Investment in an associate	10	–	–	–	–
Available-for-sale financial assets	11	7,895	7,079	–	–
Deposit for acquisition of property, plant and equipment		3,623	–	–	–
		<b>407,619</b>	<b>412,595</b>	<b>250,319</b>	<b>137,348</b>
<b>Current assets</b>					
Inventories	12	79,574	65,428	–	–
Accounts receivable	13	173,801	162,622	–	–
Prepayments, deposits and other receivables		8,477	7,961	–	–
Due from subsidiaries	9(B)	–	–	114,004	291,861
Tax recoverable		21	53	–	–
Pledged bank deposits	14	26,509	25,446	–	–
Bank balances and cash	14	31,586	47,562	50	102
		<b>319,968</b>	<b>309,072</b>	<b>114,054</b>	<b>291,963</b>
<b>Total assets</b>		<b>727,587</b>	<b>721,667</b>	<b>364,373</b>	<b>429,311</b>
<b>EQUITY</b>					
Share capital	15	71,661	71,661	71,661	71,661
Reserves	16				
Proposed final dividend		6,808	6,449	6,808	6,449
Others		295,782	262,866	172,040	173,866
<b>Total equity</b>		<b>374,251</b>	<b>340,976</b>	<b>250,509</b>	<b>251,976</b>

## Balance Sheets

As at 30 April 2007

	Note	Consolidated		Company	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	18	38,329	87,365	–	64,371
Deferred income tax	19	10,777	13,508	–	–
		<b>49,106</b>	<b>100,873</b>	<b>–</b>	<b>64,371</b>
<b>Current liabilities</b>					
Borrowings	18	224,972	183,956	112,971	112,282
Accounts payable	20	47,424	54,742	–	–
Accruals and other payables		25,204	31,647	875	682
Taxation payable		6,630	9,473	18	–
		<b>304,230</b>	<b>279,818</b>	<b>113,864</b>	<b>112,964</b>
<b>Total liabilities</b>		<b>353,336</b>	<b>380,691</b>	<b>113,864</b>	<b>177,335</b>
<b>Total equity and liabilities</b>		<b>727,587</b>	<b>721,667</b>	<b>364,373</b>	<b>429,311</b>
<b>Net current assets</b>		<b>15,738</b>	<b>29,254</b>	<b>190</b>	<b>178,999</b>
<b>Total assets less current liabilities</b>		<b>423,357</b>	<b>441,849</b>	<b>250,509</b>	<b>316,347</b>

LAM WAI CHUN  
Director

TANG FUNG KWAN  
Director

The notes on pages 46 to 94 are an integral part of these financial statements.

# Consolidated Income Statement

For the year ended 30 April 2007

	Note	2007 HK\$'000	2006 HK\$'000
Turnover	5	700,279	618,561
Cost of sales	22	(564,459)	(482,808)
Gross profit		135,820	135,753
Other gains, net	21	3,120	4,927
Selling and distribution expenses	22	(14,364)	(13,344)
General and administrative expenses	22	(77,960)	(77,367)
Operating profit		46,616	49,969
Finance costs	24	(19,248)	(18,550)
Share of loss of an associate	10	–	(25)
Profit before taxation		27,368	31,394
Taxation	25	(4,455)	(8,098)
Profit for the year		22,913	23,296
Attributable to:			
– equity holders of the Company	26	23,810	23,296
– minority interest		(897)	–
		22,913	23,296
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	27	HK3.32 cents	HK3.30 cents
– diluted	27	HK3.32 cents	HK3.30 cents
Dividend	28	6,808	6,449

The notes on pages 46 to 94 are an integral part of these financial statements.



## Consolidated Statement of Changes in Equity

For the year ended 30 April 2007

	Note	Attributable to equity holders of the Company			Total	Minority interest	Total equity
		Share capital	Other reserves	Retained profits			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 May 2005		69,303	53,893	189,454	312,650	-	312,650
Reversal on disposal of available-for-sale financial asset		-	7	-	7	-	7
Change in fair value of available-for-sale financial assets	16	-	(927)	-	(927)	-	(927)
Currency translation differences	16	-	7,429	-	7,429	-	7,429
Net income recognised directly in equity		-	6,509	-	6,509	-	6,509
Profit for the year		-	-	23,296	23,296	-	23,296
Total recognised income for 2006		-	6,509	23,296	29,805	-	29,805
Transfer from retained profits to other reserves	16	-	3,099	(3,099)	-	-	-
Shares issued during the year	15, 16	2,358	1,014	-	3,372	-	3,372
2004/2005 final dividend	16	-	-	(4,851)	(4,851)	-	(4,851)
Balance at 30 April 2006		71,661	64,515	204,800	340,976	-	340,976

# Consolidated Statement of Changes in Equity

For the year ended 30 April 2007

	Note	Attributable to equity holders of the Company			Total	Minority interest	Total equity
		Share capital	Other reserves	Retained profits			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 May 2006		71,661	64,515	204,800	340,976	-	340,976
Change in fair value of available-for-sale financial assets	16	-	778	-	778	-	778
Currency translation differences	16	-	15,136	-	15,136	-	15,136
Net income recognised directly in equity		-	15,914	-	15,914	-	15,914
Profit/(loss) for the year		-	-	23,810	23,810	(897)	22,913
Total recognised income for 2007		-	15,914	23,810	39,724	(897)	38,827
Capital contribution by a minority shareholder of a subsidiary		-	-	-	-	897	897
Transfer from retained profits to other reserves	16	-	5,497	(5,497)	-	-	-
2005/2006 final dividend	16	-	-	(6,449)	(6,449)	-	(6,449)
Balance at 30 April 2007		71,661	85,926	216,664	374,251	-	374,251

The notes on pages 46 to 94 are an integral part of these financial statements.

## Consolidated Cash Flow Statement

For the year ended 30 April 2007

	Note	2007 HK\$'000	2006 HK\$'000
Cash flows from operating activities			
Cash generated from operations	29(a)	77,876	66,565
Hong Kong profits tax paid		(5,518)	(6,603)
Overseas tax paid		(4,698)	(3,015)
Hong Kong profits tax refund		53	–
Net cash generated from operating activities		67,713	56,947
Cash flows from investing activities			
Payment for leasehold land and land use rights		(6,636)	(4,247)
Acquisition of additional shares in a subsidiary		(300)	–
Purchase of property, plant and equipment		(44,514)	(44,041)
Proceeds from disposal of property, plant and equipment		93	1,319
Purchase of investment properties		–	(3,790)
Proceeds from disposal of investment properties		2,500	1,828
Proceeds from disposal of an available-for-sale financial asset		–	735
Increase in pledged bank deposits		(1,063)	(567)
Interest received		1,475	963
Deposit for acquisition of property, plant and equipment		(3,623)	–
Dividend received		–	1,339
Net cash used in investing activities		(52,068)	(46,461)
Cash flows from financing activities			
Proceeds from borrowings		321,496	369,359
Repayments of borrowings		(326,231)	(345,308)
Capital element of finance lease payments		(894)	(2,585)
Capital contribution from a minority shareholder of a subsidiary		897	–
Interest paid		(17,790)	(17,211)
Dividend paid		(6,449)	(1,479)
Net cash (used in)/generated from financing activities		(28,971)	2,776
(Decrease)/increase in cash and cash equivalents		(13,326)	13,262
Translation adjustments		859	2,459
Cash and cash equivalents at beginning of year		44,053	28,332
Cash and cash equivalents at end of year	29(b)	31,586	44,053

The notes on pages 46 to 94 are an integral part of these financial statements.

# Notes to the Financial Statements

## 1 General information

The Company, CEC International Holdings Limited, 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 immediate holding company and ultimate holding company are Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, respectively, both incorporated in the British Virgin Islands.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 10 August 2007.

## 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 and available-for-sale financial assets 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)**(a) Amendments and interpretations effective in 2007*

The following amendments and interpretations are mandatory for the year ended 30 April 2007 but are not relevant or do not have significant impact on the Group's operations:

HKAS 19 (Amendment)	Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
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 6 (Amendment)	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2

*(b) Standards, amendments and interpretations that have been published and have not been early adopted by the Group*

The following standards, amendments and interpretations have been published that are mandatory for the Group's accounting periods beginning after 1 May 2006 or later periods that the Group has not early adopted:

# Notes to the Financial Statements

## 2 Summary of significant accounting policies *(continued)*

### 2.1 Basis of preparation *(continued)*

(b) *Standards, amendments and interpretations that have been published and have not been early adopted by the Group (continued)*

- HK(IFRIC)-Int 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006. HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case assessment is required.
- HK(IFRIC)-Int 10, 'Interim Financial Reporting and Impairment', effective for annual periods beginning on or after 1 November 2006. It prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.
- HK(IFRIC)-Int 11, 'Group and Treasury Share Transactions', effective for annual periods beginning on or after 1 March 2007. This interpretation clarifies that certain types of transaction are accounted for as equity-settled or cash-settled under HKFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group.
- HK(IFRIC)-Int 12, 'Service Concession Arrangements', effective for annual periods beginning on or after 1 January 2008. It applies to companies that participate in service concession arrangements and provides guidance on the accounting by operators in public-to-private service concession arrangements.
- HKFRS 7, 'Financial Instruments: Disclosures', and the complementary Amendment to HKAS 1, 'Presentation of Financial Statements – Capital Disclosures', effective for annual periods beginning on or after 1 January 2007. HKFRS 7 introduces new disclosures relating to financial instruments. These standard and amendment do not have any impact on the classification and valuation of the Group's financial instruments.
- HKFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009. Under HKFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker. Items are reported based on the internal reporting.



# Notes to the Financial Statements

## 2 Summary of significant accounting policies *(continued)*

### 2.1 Basis of preparation *(continued)*

- (b) *Standards, amendments and interpretations that have been published and have not been early adopted by the Group (continued)*

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether these new standards, amendments and interpretations would have a significant impact on its results of operations and financial positions.

### 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.

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 dividends received and receivable.

# Notes to the Financial Statements

## 2 Summary of significant accounting policies *(continued)*

### 2.2 Consolidation *(continued)*

#### (b) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

#### (c) *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 associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

### 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.

# Notes to the Financial Statements

## 2 Summary of significant accounting policies *(continued)*

### 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 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 profit or loss, 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 profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale are, included in the fair value reserve in equity.

#### (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.

# Notes to the Financial Statements

## 2 Summary of significant accounting policies *(continued)*

### 2.4 Foreign currency translation *(continued)*

#### (c) Group companies *(continued)*

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 partially disposed of or 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.

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.

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 2.8*).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

# Notes to the Financial Statements

## 2 Summary of significant accounting policies *(continued)*

### 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 is 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.

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.

# Notes to the Financial Statements

## 2 Summary of significant accounting policies (continued)

### 2.6 Investment properties (continued)

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 Intangible assets

#### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### 2.8 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



# Notes to the Financial Statements

## 2 Summary of significant accounting policies *(continued)*

### 2.9 Financial assets

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.

#### (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 accounts receivable and other receivables in the balance sheet (*Note 2.11*).

#### (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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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. 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 statements, 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.

# Notes to the Financial Statements

## 2 Summary of significant accounting policies (continued)

### 2.9 Financial assets (continued)

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 accounts receivable is described in *Note 2.11*.

### 2.10 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.

### 2.11 Accounts and other receivables

Accounts 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 accounts 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 accounts receivable 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.

### 2.12 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.

# Notes to the Financial Statements

## 2 Summary of significant accounting policies *(continued)*

### 2.13 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.

### 2.14 Accounts and other payables

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

### 2.15 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 and advisers. 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.

### 2.16 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 is not accounted for if it 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.

# Notes to the Financial Statements

## 2 Summary of significant accounting policies *(continued)*

### 2.17 Employee benefits

#### (a) *Employee leave entitlements*

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

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

#### (b) *Pension obligations*

The Group participated in 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 expenses 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.

# Notes to the Financial Statements

## 2 Summary of significant accounting policies (continued)

### 2.18 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.

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.

### 2.19 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 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. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.
- (e) Dividend income – dividend income is recognised when the right to receive payment is established.

# Notes to the Financial Statements

## 2 Summary of significant accounting policies *(continued)*

### 2.20 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.

#### (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.

### 2.21 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 shareholders for final dividend and Board of Directors for interim dividend.

### 2.22 Financial guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

# Notes to the Financial Statements

## 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 Renminbi, Hong Kong dollar and United States dollar. The Group's purchases were settled in Hong Kong dollars, Renminbi and United States dollars. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi and United States dollars against Hong Kong dollars. It has not hedged its foreign exchange rate exposure.

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

#### (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 amounts of the accounts receivable, other receivables and bank balances included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

During the year ended 30 April 2007, the Group's sales to top 5 customers accounted for approximately 56% (2006: 52%) of the total revenue. The Group aims to maintain long-term relationship with reputable customers in the expansion of its business.

#### (c) 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.

#### (d) Cash flow interest rate risk

The Group's interest-rate risk arises from bank 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.



# Notes to the Financial Statements

## 3 Financial risk management (*continued*)

### 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 accounts receivable and payable 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.

## 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.

# Notes to the Financial Statements

## 4 Critical accounting estimates and judgements (*continued*)

### (b) Estimate of fair value of investment properties (*continued*)

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.

### (c) Provision for 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.

### (d) Write-downs of inventories to net realisable value

Net realisable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at each balance sheet date.

### (e) Impairment of accounts and other receivables

The Group's management determines the provision for impairment of accounts and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgments and estimates. Management reassesses the provision at each balance sheet date.

## 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	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover								
External sales	699,038	617,093	1,241	1,468	-	-	700,279	618,561
Intersegment sales	-	-	2,975	2,375	(2,975)	(2,375)	-	-
	699,038	617,093	4,216	3,843	(2,975)	(2,375)	700,279	618,561
Operating results								
Operating profit	43,739	47,458	2,877	2,511	-	-	46,616	49,969
Finance costs	(18,689)	(18,068)	(559)	(482)	-	-	(19,248)	(18,550)
Share of loss of an associate							-	(25)
Profit before taxation							27,368	31,394
Taxation							(4,455)	(8,098)
Profit for the year							22,913	23,296
Other information :								
Segment assets	716,216	707,490	11,350	14,124	-	-	727,566	721,614
Unallocated assets							21	53
Total assets							727,587	721,667
Segment liabilities	335,422	356,690	507	1,020	-	-	335,929	357,710
Unallocated liabilities							17,407	22,981
Total liabilities							353,336	380,691
Capital expenditures	49,797	49,202	-	3,923	-	-	49,797	53,125
Depreciation	67,399	66,782	40	46	-	-	67,439	66,828
Amortisation	595	362	-	-	-	-	595	362

## Notes to the Financial Statements

## 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	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	218,240	218,708	123,617	118,700	13,522	10,636
Mainland China	331,799	256,855	544,549	541,691	35,525	42,340
Taiwan	49,550	48,265	26,203	24,136	715	149
Europe	24,374	25,957	4,525	4,093	–	–
Singapore	31,284	30,547	19,011	26,332	–	–
Others	45,032	38,229	9,682	6,715	35	–
<b>Total</b>	<b>700,279</b>	<b>618,561</b>	<b>727,587</b>	<b>721,667</b>	<b>49,797</b>	<b>53,125</b>

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

Segment liabilities comprise mainly 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.

## (c) Analysis of turnover by category

	2007	2006
	HK\$'000	HK\$'000
Sales of goods	699,038	617,093
Rental income	972	1,131
Service income from provision of information technology services	269	337
<b>Total</b>	<b>700,279</b>	<b>618,561</b>

## Notes to the Financial Statements

### 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 values are analysed as follows:

	2007 HK\$'000	2006 HK\$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	11,990	5,840
In Mainland China, held on:		
Leases of between 10 to 50 years	18,276	17,161
Leases of over 50 years	851	864
	<b>31,117</b>	<b>23,865</b>

Leasehold land and land use rights with aggregate carrying amount of approximately HK\$2,259,000 as at 30 April 2007 (2006: HK\$2,317,000) were pledged to secure certain of the Group's borrowings (*Note 31*).

Movements of the leasehold land and land use rights during the year are as follows:

	2007 HK\$'000	2006 HK\$'000
Opening	23,865	13,471
Additions	6,636	4,247
Transfer from deposit for acquisition of land use rights	–	6,254
Transfer from investment property	581	–
Exchange differences	630	255
Amortisation of prepaid operating lease payments	(595)	(362)
	<b>31,117</b>	<b>23,865</b>

## Notes to the Financial Statements

## 7 Property, plant and equipment

## Group

	Buildings	Construction in progress	Machinery	Furniture and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 30 April 2006</b>						
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
<b>At 30 April 2006</b>						
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
<b>Year ended 30 April 2007</b>						
Opening net book amount	40,206	12,403	301,662	12,503	3,907	370,681
Exchange differences	1,327	318	6,764	645	86	9,140
Additions	7,697	7,737	18,496	8,983	248	43,161
Disposals	(18)	(5)	(213)	(51)	–	(287)
Transfer	18,148	(18,915)	1,158	186	3	580
Depreciation	(1,504)	–	(61,032)	(3,692)	(1,211)	(67,439)
Closing net book amount	65,856	1,538	266,835	18,574	3,033	355,836
<b>At 30 April 2007</b>						
Cost	75,955	1,538	672,227	73,910	9,324	832,954
Accumulated depreciation	(10,099)	–	(405,392)	(55,336)	(6,291)	(477,118)
Net book amount	65,856	1,538	266,835	18,574	3,033	355,836

Depreciation expense of approximately HK\$65,264,000 (2006: HK\$64,787,000) has been expensed in cost of sales and HK\$2,175,000 (2006: HK\$2,041,000) in general and administrative expenses.

Buildings with aggregate carrying amount of approximately HK\$2,032,000 as at 30 April 2007 (2006: HK\$2,109,000) were pledged to secure against certain of the Group's borrowings (Note 31).

## Notes to the Financial Statements

## 7 Property, plant and equipment (continued)

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

	2007 HK\$'000	2006 HK\$'000
Cost – capitalised finance leases	2,245	8,088
Accumulated depreciation	(1,789)	(3,305)
Net book value	456	4,783

## 8 Investment properties

## Group

	2007 HK\$'000	2006 HK\$'000
Beginning of the year	10,970	6,670
Additions	–	3,790
Disposals	(1,645)	(890)
Fair value gains (included in other gains, net) (Note 21)	984	1,400
Transfer	(1,161)	–
End of the year	9,148	10,970

The investment properties were revalued on an open market basis at 30 April 2007 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:

	2007 HK\$'000	2006 HK\$'000
In Hong Kong, held on:		
– Leases of between 10 to 50 years	9,148	10,970



## Notes to the Financial Statements

## 9 Investments in and balance with subsidiaries

## Company

## (A) Investments in subsidiaries

	2007 HK\$'000	2006 HK\$'000
Unlisted investments, at cost	137,348	137,348
Due from a subsidiary	112,971	—
	<b>250,319</b>	<b>137,348</b>

Amount due from a subsidiary is unsecured, interest bearing at commercial bank's lending rate and is not repayable within 12 months from the balance date.

The following is a list of the subsidiaries of the Company as at 30 April 2007:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and fully paid share capital/ registered capital	Interest held (a)
CEC-COILS America, L.L.C.	United States of America	Sales and marketing of coils and other electronic components	US\$351,124	70%
CEC-Coils Hong Kong Co., Limited	Hong Kong	Dormant	Ordinary HK\$2  Non-voting deferred HK\$1,000,000 (b)	100%  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	Lease of machinery	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%
北京高雅恒健科技有限公司 (CEC-Technology Beijing Limited) (c)	Mainland China	Dormant	Registered capital US\$500,000	100%
CEC-Technology Limited	Hong Kong	Investment holding	Ordinary HK\$10,000	100%
CEC-Unitech Electronics Limited	Hong Kong	Dormant	Ordinary HK\$10,000	100%

## Notes to the 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)
重慶高雅科技有限公司 (Chongqing CEC-Technology Limited) (c)	Mainland China	Provision of information technology services and manufacture and sale of coils and electronic components	Registered capital HK\$500,000	100%
Coils Electronic Co., Limited	Hong Kong	Investment holding; manufacture and sale of coils and other electronic components	Ordinary HK\$2  Non-voting deferred HK\$14,000,000 (b)	100%  –
Coils Electronic (Zhong Shan) Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$10,000,000	100%
Coils International Holdings Limited	British Virgin Islands	Investment holding	Ordinary US\$10,000	100%
Coils Investment (BVI) Limited	British Virgin Islands	Investment holding	Ordinary US\$1	100%
Coils Property Management Limited	Hong Kong	Property investment holding	Ordinary HK\$200,000	100%
Dongguan Coils Electronic Co. Ltd.(c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$700,000	100%
Dongguan Guo Zhong Coils Electronic Co. Ltd (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$1,000,000 (d)	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%

## 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)
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	100%
Sun-iOMS Development Limited	British Virgin Islands	Dormant	Ordinary US\$1	100%
Sun-iOMS (Hong Kong) Limited	Hong Kong	Provision of information technology services	Ordinary HK\$2	100%
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\$6,567,620	100%
Zhongshan Coils Metalwork Co., Ltd. (c)	Mainland China	Manufacture of coils	Registered capital US\$755,000	100%

# Notes to the Financial Statements

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

### (A) Investments in subsidiaries *(continued)*

The underlying value of the investments 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 2007.

As at 30 April 2007, the Company had given guarantees to banks and financial institutions of approximately HK\$154,942,000 (2006: HK\$96,221,000) to secure banking and finance lease facilities of certain subsidiaries.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30 April 2007 (2006: 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.
- (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.

Dongguan Guo Zhong Coils Electronic Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 12 years up to August 2018.

## Notes to the Financial Statements

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

## (A) Investments in subsidiaries (continued)

## (c) (continued)

北京高雅恒健科技有限公司 (CEC-Technology Beijing Limited) is a wholly foreign owned enterprise established in Mainland China to be operated for 10 years up to October 2016.

All subsidiaries established in Mainland China have financial accounting year end date 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 2007.

(d) Dongguan Guo Zhong Coils Electronic Co., Ltd. was established with registered capital of US\$1,000,000. As at 30 April 2007, the Group had outstanding commitments of approximately US\$500,000 for capital contribution to this subsidiary.

## (B) Balances with subsidiaries

Balances with subsidiaries are unsecured, non-interest bearing and repayable on demand.

## 10 Investment in an associate

## Group

	2007 HK\$'000	2006 HK\$'000
Beginning of the year	–	25
Share of loss	–	(25)
End of the year	–	–

Details of the associate as at 30 April 2007 are as follows:

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

## Notes to the Financial Statements

## 11 Available-for-sale financial assets

## Group

	2007 HK\$'000	2006 HK\$'000
Guaranteed return fund	7,364	6,701
Equity securities:		
– listed in Hong Kong, at market value	531	378
	<b>7,895</b>	<b>7,079</b>

Available-for-sale financial assets are denominated in the following currencies:

	2007 HK\$'000	2006 HK\$'000
Hong Kong dollar	7,364	6,701
US dollar	531	378
	<b>7,895</b>	<b>7,079</b>

Increase in fair values of available-for-sale financial assets of approximately HK\$778,000 (2006: decrease of HK\$927,000) are recorded in investment revaluation reserve.

The Group's guaranteed return fund was pledged as collateral for the Group's borrowings (Note 31).

## 12 Inventories

## Group

	2007 HK\$'000	2006 HK\$'000
Raw materials	53,045	43,761
Work-in-progress	9,969	4,806
Finished goods	16,560	16,861
	<b>79,574</b>	<b>65,428</b>

## Notes to the Financial Statements

## 13 Accounts receivable

**Group**

The aging analysis of accounts receivable is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current	158,243	138,647
Overdue by 0 – 1 month	11,506	20,197
Overdue by 1 – 2 months	1,979	3,305
Overdue by 2 – 3 months	2,004	4,360
Overdue by more than 3 months	1,386	3,325
	<b>175,118</b>	169,834
Less: provision for impairment of receivable	(1,317)	(7,212)
	<b>173,801</b>	162,622

As at 30 April 2007, the carrying amount of accounts receivable approximated its fair value.

Management of the Group and an Accounts Receivable Supervisory Committee set up by the Company perform on-going credit and collectibility evaluation of each customer. The Group offers an average credit period ranging from one to four months to its customers who have good payment records and well-established relationships with the Group.

The carrying amount of the Group's accounts receivable is denominated in the following currencies:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong dollar	64,730	79,715
Renminbi	56,100	39,804
US dollar	50,882	22,625
Other currencies	2,089	20,478
	<b>173,801</b>	162,622



## Notes to the Financial Statements

## 14 Pledged bank deposits and bank balances and cash

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank balances and cash	31,586	47,562	50	102
Pledged bank deposits	26,509	25,446	–	–
	58,095	73,008	50	102

The pledged bank deposits and bank balances and cash are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	15,804	18,701	50	102
Renminbi ( <i>Note b</i> )	13,064	10,395	–	–
US dollar	27,857	39,206	–	–
Other currencies	1,370	4,706	–	–
	58,095	73,008	50	102

*Notes:*

- (a) The effective interest rate on bank fixed deposits was approximately 3.89% (2006: 2.8%) per annum. These deposits have an average maturity of 75 (2006: 41) days.
- (b) As at 30 April 2007, approximately HK\$12,391,000 (2006: HK\$9,325,000) 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.
- (c) As at 30 April 2007, certain of the Group's bank deposits of approximately HK\$26,509,000 (2006: HK\$25,446,000) were pledged as collateral for the Group's borrowings (*Note 31*).

## Notes to the Financial Statements

## 15 Share capital

Movements in share capital are as follows:

	2007		2006	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised shares of HK\$0.10 each	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid shares of HK\$0.10 each				
Beginning of year	716,610,798	71,661	693,028,811	69,303
Issued during the year (Note)	-	-	23,581,987	2,358
End of the year	716,610,798	71,661	716,610,798	71,661

Note:

On 24 October 2005, 23,581,987 new shares were allotted and issued at HK\$0.143 per 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

## 16 Reserves

## Group

	Share premium	Capital reserve	Investment revaluation reserve	Mainland China statutory reserves (Note a)	Corporate development reserve (Note b)	Cumulative translation adjustments	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2005	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 other reserves	-	-	-	3,099	-	-	(3,099)	-
Profit for the year	-	-	-	-	-	-	23,296	23,296
Shares issued during the year - scrip dividend scheme (Note 15)	1,014	-	-	-	-	-	-	1,014
2004/2005 final dividend	-	-	-	-	-	-	(4,851)	(4,851)
At 30 April 2006	37,132	13,934	(1,937)	6,667	-	8,719	204,800	269,315
At 1 May 2006	37,132	13,934	(1,937)	6,667	-	8,719	204,800	269,315
Translation adjustments	-	-	-	-	-	15,136	-	15,136
Change in fair value of available-for-sale financial assets	-	-	778	-	-	-	-	778
Transfer from retained profits to other reserves	-	-	-	3,690	1,807	-	(5,497)	-
Profit for the year	-	-	-	-	-	-	23,810	23,810
2005/2006 final dividend	-	-	-	-	-	-	(6,449)	(6,449)
At 30 April 2007	37,132	13,934	(1,159)	10,357	1,807	23,855	216,664	302,590

## Notes:

- (a) 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 reserve can only be used to make up losses incurred or increase registered capital.
- (b) In accordance with the laws and regulations of Mainland China, the Group's subsidiaries in Mainland China can set aside certain portion of their retained profits to a corporate development reserve account. The percentage of appropriation is determined by the board of directors of respective subsidiaries in Mainland China. The reserve can be used for expansion of the production and operation or increase registered capital of respective subsidiaries in Mainland China.

## Notes to the Financial Statements

## 16 Reserves (continued)

## Company

	Share premium	Contributed surplus (Note)	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 15)	1,014	–	–	1,014
At 30 April 2006	37,132	131,338	11,845	180,315
At 1 May 2006	37,132	131,338	11,845	180,315
Profit for the year	–	–	4,982	4,982
2005/2006 final dividend	–	–	(6,449)	(6,449)
At 30 April 2007	37,132	131,338	10,378	178,848

## Note:

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders subject to the condition that subsequent to the payment of dividend or any distribution, (i) the Company will be able to pay its liabilities as they become due, and (ii) the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium.

# Notes to the Financial Statements

## 17 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 (including independent non-executive directors of the Company) to subscribe for shares in the Company. The total number of shares available for issue upon exercise of all options to be granted under the 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 in respect of an option will be determined by the Board of the Company, 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 shares 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 or remained outstanding during the year ended 30 April 2007 (2006: Nil).

## 18 Borrowings

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current</b>				
Bank borrowings	38,109	86,749	–	64,371
Finance lease liabilities	220	616	–	–
	<b>38,329</b>	<b>87,365</b>	<b>–</b>	<b>64,371</b>
<b>Current</b>				
Bank overdrafts	–	3,509	–	–
Bank borrowings	224,592	179,569	112,971	112,282
Finance lease liabilities	380	878	–	–
	<b>224,972</b>	<b>183,956</b>	<b>112,971</b>	<b>112,282</b>
<b>Total borrowings</b>	<b>263,301</b>	<b>271,321</b>	<b>112,971</b>	<b>176,653</b>

## Notes to the Financial Statements

## 18 Borrowings (continued)

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

	Bank borrowings and overdrafts		Finance lease liabilities	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Within one year	224,592	183,078	380	878
Between one and two years	20,682	75,183	220	395
Between two and five years	17,427	11,566	–	221
	<b>262,701</b>	<b>269,827</b>	<b>600</b>	<b>1,494</b>

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

	Bank borrowings	
	2007 HK\$'000	2006 HK\$'000
Within one year	112,971	112,282
Between one and two years	–	64,371
	<b>112,971</b>	<b>176,653</b>

	Group	
	2007 HK\$'000	2006 HK\$'000
Finance lease liabilities – minimum lease payments:		
Not later than one year	427	941
Later than one year and not later than five years	233	661
	<b>660</b>	<b>1,602</b>
Future finance charges on finance leases	(60)	(108)
	<b>600</b>	<b>1,494</b>
The present value of finance lease liabilities is as follows:		
Not later than one year	380	878
Later than one year and not later than five years	220	616
	<b>600</b>	<b>1,494</b>

## Notes to the Financial Statements

## 18 Borrowings (continued)

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

	Group					
	2007	2006				
	HK\$	RMB	JPY	HK\$	RMB	JPY
	%	%	%	%	%	%
Bank overdrafts	-	-	-	8.25	-	-
Bank borrowings	5.79 – 7.75	6.73	2.95 – 3.00	6.13 – 8.00	-	2.35
Finance lease liabilities	3.92 – 6.09	-	-	3.99 – 7.85	-	-

	Company	
	2007	2006
	%	%
Bank borrowings	6.14	6.48

The carrying amounts of borrowings approximate their fair values.

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

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	236,872	268,664	112,971	176,653
Other currencies	26,429	2,657	-	-
	263,301	271,321	112,971	176,653

As at 30 April 2007, borrowings amounting to approximately HK\$81,678,000 (2006: HK\$82,757,000) were secured by certain assets of the Group (Note 31).



## Notes to the Financial Statements

## 19 Deferred income tax

**Group**

Deferred tax is calculated in full on temporary differences under the liability method using taxation rates enacted or substantively enacted by the balance sheet date in the respective jurisdictions.

The movements of the net deferred tax liabilities are as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Beginning of the year	13,508	17,740
Deferred taxation		
– credited to income statement (Note 25)	(2,731)	(4,323)
– charged to equity	–	91
End of the year	<b>10,777</b>	<b>13,508</b>

Deferred tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK\$14,952,000 (2006: HK\$10,692,000) to carry forward against future taxable income. These tax losses are subject to approval by the tax authorities of place of operation of the Company and the subsidiaries. HK\$11,647,000 of unrecognised tax losses (2006: HK\$9,543,000) have no expiry date and the remaining losses will expire at variable dates up to and including 2012.

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

**Group**

Deferred tax assets	Provisions		Tax losses		Total	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of the year	1,404	832	1,198	1,521	2,602	2,353
(Charged)/credited to income statement	(1,146)	572	(168)	(323)	(1,314)	249
End of the year	<b>258</b>	<b>1,404</b>	<b>1,030</b>	<b>1,198</b>	<b>1,288</b>	<b>2,602</b>

## Notes to the Financial Statements

## 19 Deferred income tax (continued)

Deferred tax liabilities	Accelerated depreciation allowances		Investment properties		Total	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of the year	15,706	20,093	404	–	16,110	20,093
Charged to equity (Credited)/charged to income statement	– (4,219)	– (4,387)	– 174	91 313	– (4,045)	91 (4,074)
End of the year	11,487	15,706	578	404	12,065	16,110

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:

	2007	2006
	HK\$'000	HK\$'000
Deferred tax liabilities	10,777	13,508

## 20 Accounts payable

## Group

The aging analysis of accounts payable is as follows:

	2007	2006
	HK\$'000	HK\$'000
Current	45,567	48,142
Overdue by 0 – 1 month	902	4,945
Overdue by 1 – 2 months	257	446
Overdue by 2 – 3 months	479	838
Overdue by more than 3 months	219	371
	47,424	54,742

## Notes to the Financial Statements

## 20 Accounts payable (continued)

The carrying amounts of the Group's accounts payable are denominated in the following currencies:

	2007 HK\$'000	2006 HK\$'000
Hong Kong dollar	8,575	10,598
Renminbi	29,041	33,632
US dollar	5,556	5,397
Other currencies	4,252	5,115
	<b>47,424</b>	<b>54,742</b>

## 21 Other gains, net

	2007 HK\$'000	2006 HK\$'000
Interest income on bank deposits	1,475	963
Dividend income	–	1,339
Fair value gains on investment properties	984	1,400
Net gain on disposal of investment property	855	938
Net (loss)/gain on disposal of property, plant and equipment	(194)	287
	<b>3,120</b>	<b>4,927</b>

# Notes to the Financial Statements

## 22 Expenses by nature

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

	2007 HK\$'000	2006 HK\$'000
Auditors' remuneration		
– Company's auditor	1,250	1,150
– Other auditors	175	154
Amortisation of prepaid operating lease payments (Note 6)	595	362
Cost of inventories sold	562,552	480,389
Depreciation of property, plant and equipment (Note 7)		
– owned assets	66,816	65,502
– assets held under finance leases	623	1,326
Direct operating expenses arising from investment properties that generate rental income	307	382
Employee benefit expenses (including directors' emoluments) (Note 23)	169,863	145,065
Net exchange losses	1,763	890
Operating lease rentals	4,602	2,868
Provision for other receivables	–	151
Research and development costs	3,434	2,588
(Reversal of)/provision for impairment of accounts receivable	(5,019)	5,043

## 23 Employee benefit expenses

	2007 HK\$'000	2006 HK\$'000
Wages and salaries	158,430	135,114
Pension costs – defined contribution plans (Note a)	10,671	9,134
Staff welfare	762	817
	<b>169,863</b>	<b>145,065</b>

### (a) Pensions – defined contribution plans

The Group has 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 make monthly contributions to the scheme at 5% to 10% and 5%, respectively, of the employees' basic salaries. The employees are 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 are used to reduce the Group's employer contribution. This scheme is not available to new employees effective 1 December 2000.

# Notes to the Financial Statements

## 23 Employee benefit expenses (continued)

### (a) Pensions – defined contribution plans (continued)

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% to 10% and 5%, respectively, 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 are fully and immediately vested in the employees as accrued benefits. The employees are 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 are 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 2007, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK\$10,671,000 (2006: HK\$9,134,000), with no deduction of forfeited contributions (2006: Nil). As at 30 April 2007, there were no material forfeitures available to offset the Group’s future contributions.

## Notes to the Financial Statements

## 23 Employee benefit expenses (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:

	2007 HK\$'000	2006 HK\$'000
Directors' fees for independent non-executive directors	1,578	1,230
Other emoluments for executive directors		
– basic salaries, allowances and other benefits in kind	3,203	2,819
– contributions to pension schemes	267	224
	5,048	4,273

No directors waived any emoluments during the year (2006: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

The remuneration of the directors for the year ended 30 April 2007 is set out below:

	Fees HK\$'000	Basic salaries and allowances HK\$'000	Employer's contribution to pension schemes HK\$'000	2007 Total HK\$'000	2006 Total HK\$'000
Mr. Lam Wai Chun	–	1,001	100	1,101	1,071
Ms. Tang Fung Kwan	–	1,200	120	1,320	902
Mr. Chua You Sing	–	600	30	630	630
Ms. Li Hong	–	402	17	419	440
Dr. Tang Tin Sek	420	–	–	420	360
Mr. Au Son Yiu	408	–	–	408	360
Mr. Lee Wing Kwan, Denis	360	–	–	360	360
Mr. Goh Gen Cheung	360	–	–	360	150
Professor Zhu Yuhe (appointed on 1 April 2007)	30	–	–	30	–
	1,578	3,203	267	5,048	4,273

## Notes to the Financial Statements

## 23 Employee benefit expenses (continued)

## (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining two (2006: two) individuals during the year are as follows:

	2007 HK\$'000	2006 HK\$'000
Basic salaries, allowances and other benefits in kind	1,059	989
Contributions to pension schemes	78	75
	<b>1,137</b>	<b>1,064</b>

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Emolument bands		
Nil to HK\$1,000,000	2	2

No emoluments were paid to individuals as an inducement to join the Group or as compensation for loss of office.

## 24 Finance costs

	2007 HK\$'000	2006 HK\$'000
Interest on:		
– Bank borrowings wholly repayable within five years	18,071	16,774
– Finance lease liabilities	59	164
Total interest incurred during the year	<b>18,130</b>	<b>16,938</b>
Amortisation of deferred borrowing costs	1,118	1,612
	<b>19,248</b>	<b>18,550</b>

# Notes to the Financial Statements

## 25 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% (2006: 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 27% (2006: 7.5% to 27%) 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:

	2007 HK\$'000	2006 HK\$'000
Hong Kong profits tax		
– current tax	2,634	8,076
– (over)/under-provision in prior years	(82)	208
Overseas taxation including Mainland China		
– current tax	4,634	4,137
Deferred taxation ( <i>Note 19</i> )	(2,731)	(4,323)
<b>Total taxation</b>	<b>4,455</b>	<b>8,098</b>

The reconciliation between the Group's actual tax charge and the amount which is calculated based on the domestic tax rates in the respective territories is as follows:

	2007 HK\$'000	2006 HK\$'000
Profit before taxation	27,368	31,394
Tax calculated at domestic tax rates applicable to profits in the respective territories	3,997	4,710
Tax effect on income not subject to taxation	(496)	(626)
Tax effect in Mainland China on income exempt from taxation due to tax holiday	(2,536)	(709)
Tax effect on expenses not deductible for taxation purposes	3,548	3,405
Utilisation of previously unrecognised tax losses	(144)	–
Unrecognised tax losses	644	544
(Over)/under provision in prior years	(82)	208
Others	(476)	566
<b>Total taxation charge</b>	<b>4,455</b>	<b>8,098</b>



# Notes to the Financial Statements

## 25 Taxation (continued)

New Corporate Income Tax Law:

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The Corporate income tax rate for domestic enterprises and foreign invested enterprises will be changed to 25% with effect from 1 January 2008 under the new CIT Law.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

## 26 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a profit of approximately HK\$4,982,000 (2006: loss of HK\$5,000).

## 27 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\$23,810,000 (2006: HK\$23,296,000) and the weighted average number of 716,610,798 (2006: 705,239,758) shares in issue during the year.

For the years ended 30 April 2006 and 30 April 2007, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

## 28 Dividend

	2007 HK\$'000	2006 HK\$'000
Proposed final dividend of HK0.95 cent (2006: HK0.9 cent) per share	6,808	6,449

At a meeting of the Board of the Company held on 10 August 2007, the Board recommended a final dividend of HK0.95 cent per share for the year ended 30 April 2007 to be paid in cash to shareholders whose names appear on the Company's register of members on 27 September 2007. These financial statements do not reflect this dividend payable.

# Notes to the Financial Statements

## 29 Notes to the consolidated cash flow statement

### (a) Cash generated from operations

	2007 HK\$'000	2006 HK\$'000
Profit for the year	22,913	23,296
Adjustments for:		
– Taxation (Note 25)	4,455	8,098
– Interest income (Note 21)	(1,475)	(963)
– Interest expense (Note 24)	18,130	16,938
– Amortisation of prepaid operating lease payments (Note 6)	595	362
– Depreciation of property, plant and equipment (Note 7)	67,439	66,828
– Loss/(gain) on disposal of property, plant and equipment (Note 21)	194	(287)
– Gain on disposal of investment property (Note 21)	(855)	(938)
– Dividend income (Note 21)	–	(1,339)
– Share of loss of an associate (Note 10)	–	25
– Fair value gains on investment properties (Note 21)	(984)	(1,400)
– Amortisation of deferred borrowing costs (Note 24)	1,118	1,612
– Impairment of goodwill	300	–
	<b>111,830</b>	<b>112,232</b>
Changes in working capital:		
– Increase in inventories	(10,425)	(8,666)
– Increase in accounts receivable	(8,809)	(43,006)
– Increase in prepayment, deposits and other receivables	(516)	(1,908)
– (Decrease)/increase in accounts payable	(8,776)	3,129
– (Decrease)/increase in accruals and other payables	(5,428)	4,784
Cash generated from operations	<b>77,876</b>	<b>66,565</b>

## Notes to the Financial Statements

## 29 Notes to the consolidated cash flow statement (continued)

## (a) Cash generated from operations (continued)

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2007 HK\$'000	2006 HK\$'000
Net book value	287	1,032
(Loss)/gain on disposal of property, plant and equipment	(194)	287
Proceeds from disposal of property, plant and equipment	93	1,319

## (b) Analysis of the balance of cash and cash equivalents

	2007 HK\$'000	2006 HK\$'000
Cash and bank balances	31,586	47,562
Bank overdrafts	–	(3,509)
	31,586	44,053

## 30 Commitments and contingent liabilities

## (a) Capital commitments in respect of leasehold land and property, plant and equipment:

	Group	
	2007 HK\$'000	2006 HK\$'000
Contracted but not provided for	4,134	13,917

The Company had no capital commitment as at 30 April 2007 (2006: Nil).

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

At 30 April 2007, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	2007 HK\$'000	2006 HK\$'000
Not later than one year	4,082	2,939
Later than one year and not later than five years	5,802	5,407
	9,884	8,346

## Notes to the Financial Statements

### 30 Commitments and contingent liabilities (continued)

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

At 30 April 2007, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2007 HK\$'000	2006 HK\$'000
Not later than one year	550	852
Later than one year and not later than five years	25	408
	<b>575</b>	<b>1,260</b>

### 31 Banking facilities and pledge of assets

As at 30 April 2007, the Group had aggregate banking facilities of approximately HK\$385,399,000 (2006: HK\$430,131,000) for overdrafts, loans and trade financing. Unused facilities as at the same date amounted to approximately HK\$118,085,000 (2006: HK\$158,751,000). These facilities were secured by:

- (a) mortgages over certain of the Group's leasehold land and buildings with total net book value of approximately HK\$4,291,000 (2006: HK\$4,426,000) (Notes 6 and 7);
- (b) pledges of the Group's available-for-sale financial assets of approximately HK\$7,364,000 (2006: HK\$6,701,000) (Note 11);
- (c) pledges of the Group's bank deposits of approximately HK\$26,509,000 (2006: HK\$25,446,000) (Note 14); and
- (d) corporate guarantees executed by the Company and certain of its subsidiaries.

In addition, the Group is required to comply with certain restrictive financial covenants imposed by the banks.

### 32 Related party transaction

Key management compensation is as below:

	2007 HK\$'000	2006 HK\$'000
Wages and salaries	5,464	4,500
Pension costs – defined contribution plans	412	347
	<b>5,876</b>	<b>4,847</b>

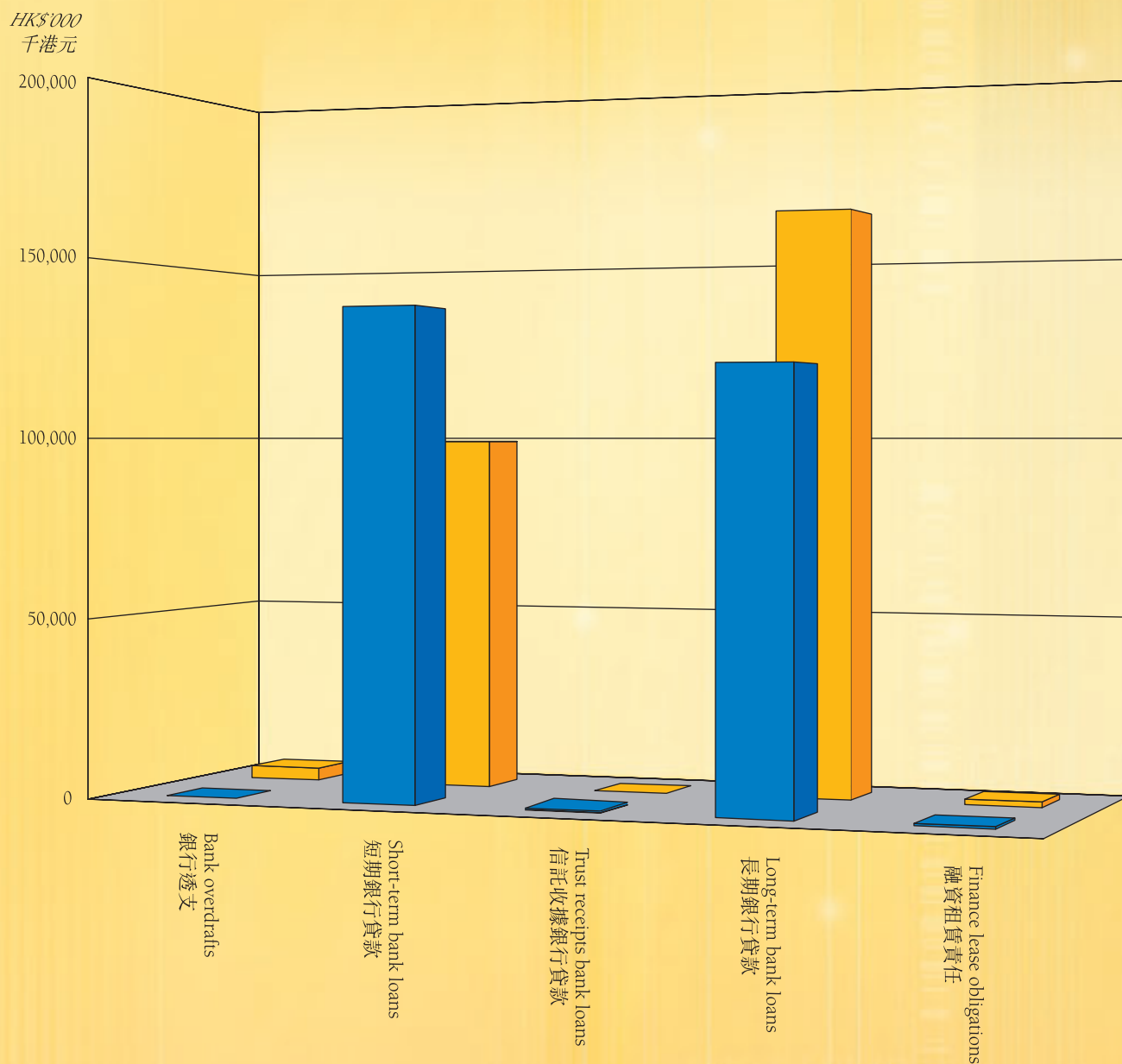
# Summary

## of credit facilities utilisation

### 融資 信貸動用摘要

As at 30 April 2007

於2007年4月30日



■ 30/04/2007

■ 30/04/2006

香港九龍觀塘巧明街110號興運工業大廈2樓  
2nd Floor, Hing Win Factory Building, 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong