759阿信屋®

Annual Report 2012/2013 年報

CEC-COILS®

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：759)

Corporate Profile
公司簡介

CEC is a small and medium-sized enterprise that upholds "progressive, determined, dedicated" as its main operating principle and is mainly engaged in design to manufacture of a wide range of electronic coils and local retail business.

CEC為一家奉行「循序、堅定、敬業」經營理念的中小型企業，業務包括設計以至生產各類型電子線圈及本地零售業務。

Founded in 1979, our electronic coils business has been evolving progressively to become one of the major manufacturers of electronic coils supplying to a multiple of industry segments, including telecommunications and information technology equipment, data networking and power conversion applications, office automation equipment, audio and visual products, home appliance and power tools. CEC is an experienced and competitive player in the electronic coils arena, with large-scale manufacturing facilities, research and development, sales and customer services based in Mainland China and marketing centers established in Hong Kong China, Mainland China, Taiwan China and Singapore.

電子線圈業務始創於1979年，經過多年來不斷循序發展，至今已成為較具規模電子線圈製造商，產品市場來自包括電訊及資訊科技設備、數據網絡及電壓轉換技術、辦公室自動化設備、影音產品，以及家居電器及電動工具等不同行業。CEC於電子線圈業務經驗豐富且具競爭力，在中國內地設有具規模之生產設施、研發部門、銷售與客戶服務、及遍佈中國香港、中國內地、中國台灣及新加坡之市場推廣中心。

759 STORE was established by the Group on 7 July 2010, as the Group started to develop its retail business with reference to the consumption model of Japanese localities. Adherent to the Group's objective of implementing "lower margin with high turnover" policy, 759 STORE, running with high inventory turnover rate, aimed to give desirable service to local Hong Kong residents, providing a relaxing shopping environment with wide range of products for our customers to choose. To provide our customers with a much comprehensive range of products to select, we did best to further increase the varieties of our products so that our products not only came from Japan, but also Korea, Taiwan, other European countries, North America and South-east Asia regions and also gradually introduced characteristic domestic goods. Looking forward, 759 STORE will continue to serve Hong Kong local residents and provide comfortable, relaxing, diversified and much brand new shopping experience to our customers.

集團於2010年7月7日創立759阿信屋，參照日本生活區的消費模式開拓本地的零售業務。秉承集團薄利多銷的宗旨，759阿信屋採取高流量、多品種選擇性的策略，向顧客提供優閒的購物環境及稱心的服務，並以服務本港街坊為目標。除日本外，貨源亦來自韓國、台灣、歐洲各國、北美洲及東南亞地區，更逐步引進具有特色的住宅用品，務求將進貨領域進一步擴大，為本港顧客提供更全面的選擇。未來，759阿信屋將繼續致力為街坊服務，提供舒適悠閒、多元、具新意的購物體驗。

Listed on The Stock Exchange of Hong Kong Limited since November 1999, CEC expects to progressively reinforce its corporate governance through the supervision by the capital market. CEC is also dedicated to achieving sustainable development for its business, and to generate stable long-term return on shareholders' investment.

CEC於1999年11月在香港聯合交易所有限公司上市，期望通過資本市場的監督，有序按步完善公司之企業管治水平。並以努力不懈的態度持續發展企業之業務，為股東帶來穩紮之長期投資回報。

Contents

Corporate Information

DIRECTORS

Executive Directors
Mr. Lam Wai Chun
(Chairman and Managing Director)
Ms. Tang Fung Kwan
Ms. Li Hong
Mr. Ho Man Lee
Mr. Chung Wai Kin
(retired on 27 September 2012)

Independent Non-executive Directors
Mr. Au Son Yiu
Dr. Tang Tin Sek
Mr. Goh Gen Cheung
Professor Zhu Yuhe

AUDIT COMMITTEE

Dr. Tang Tin Sek *(Chairman)*
Mr. Au Son Yiu
Mr. Goh Gen Cheung

REMUNERATION COMMITTEE

Mr. Au Son Yiu *(Chairman)*
Dr. Tang Tin Sek
Mr. Goh Gen Cheung
Professor Zhu Yuhe
Ms. Tang Fung Kwan

NOMINATION COMMITTEE

Mr. Lam Wai Chun *(Chairman)*
Mr. Au Son Yiu
Dr. Tang Tin Sek
Mr. Goh Gen Cheung

COMPANY SECRETARY

Ms. Ho Wing Yi

PRINCIPAL BANKERS

China Construction Bank
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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co.
Appleby

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar
Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamiton HM11
Bermuda

Hong Kong Branch Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th 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

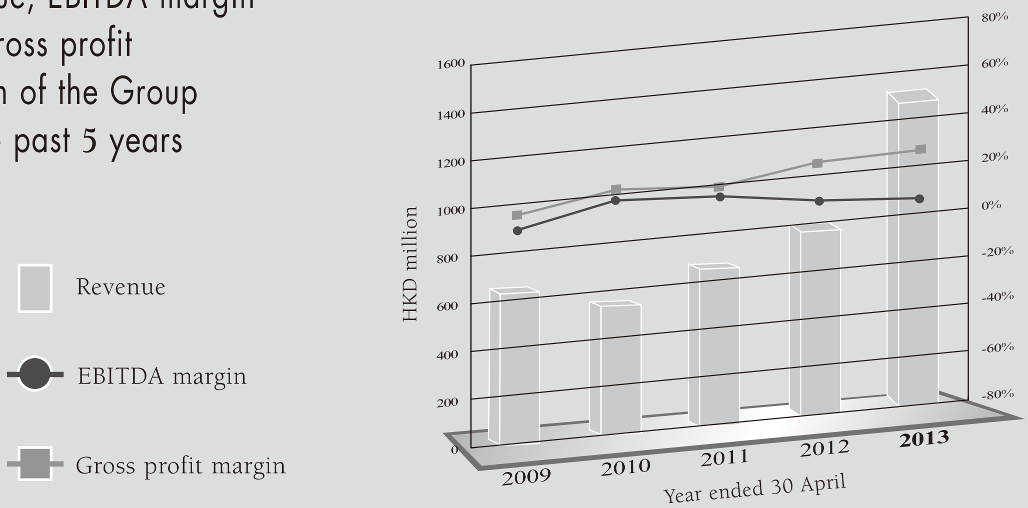
E-mail: info@ceccoils.com

Listed on The Stock Exchange of Hong Kong Limited

Stock Code: 759

Financial Highlights

Revenue, EBITDA margin and gross profit margin of the Group for the past 5 years



	As at 30 April/ Year ended 30 April 2013 HK$'000	2012 HK$'000	Change
Revenue	**1,279,701**	795,593	+60.8%
Profit for the year of the Company	**20,150**	15,500	+30.0%
Total assets	**1,029,713**	837,275	+23.0%
Net tangible assets	**501,946**	480,604	+4.4%
Per Share Data			
Basic earnings per share (HK cents)	**3.02**	2.33	+29.6%
Net tangible assets per share (HK cents)	**75.3**	72.1	+4.4%
Financial Ratios			
Gross profit margin (%)	**27.9**	23.6	+4.3
EBITDA margin (%)	**6.7**	9.2	–2.5
Current ratio	**0.78**	0.94	–0.16
Interest coverage ratio	**6.35**	7.54	–1.19
Gearing ratio	**0.39**	0.31	+0.08

Definitions

Basic earnings per share	Profit for the year of the Company / Weighted average number of issued shares
Net tangible assets per share	Net tangible assets / Number of shares as at end of year
Gross profit margin (%)	Gross profit x 100% / Revenue
EBITDA margin (%)	Operating profit plus depreciation and amortisation x 100% / Revenue
Current ratio	Current assets / Current liabilities
Interest coverage ratio	Operating profit plus depreciation and amortisation / Interest expense less interest income
Gearing ratio	Total borrowings less bank balances and cash / Total borrowings less bank balances and cash plus total equity

Five Years' Financial Summary

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

	2013 *HK$'000*	2012 *HK$'000*	2011 *HK$'000*	2010 *HK$'000*	2009 *HK$'000*
Profit/(loss) attributable to equity holders	**20,150**	15,500	28,590	10,657	(24,997)
Total assets	**1,029,713**	837,275	727,324	649,606	706,858
Total liabilities	**(527,767)**	(356,671)	(271,154)	(227,394)	(207,570)
	501,946	480,604	456,170	422,212	409,288

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 fourteenth 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.

2012/2013 SUMMARY OF RESULTS

- Revenue increased 60.8% to HK$1,279,701,000 (2012: HK$795,593,000);
- Profit for the year of the Company was HK$20,150,000 (2012: HK$15,500,000);
- Basic earnings per share was HK3.02 cents (2012: HK2.33 cents);
- Proposed final dividend of HK0.50 cent (2012: HK0.50 cent) per share;
- Net cash inflow from operating activities increased by 51% to HK$36,045,000 (2012: HK$23,935,000); and
- Gross profit margin increased by 4.3 percentage point to 27.9% (2012: 23.6%).

DIVIDEND

No interim dividend has been declared for the year ended 30 April 2013 (2012: Nil).

The Board has resolved to recommend, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK0.50 cent (2012: HK0.50 cent) per share for the year ended 30 April 2013 payable on or about 23 October 2013 to the shareholders whose names appear on the Company's register of members on 9 October 2013.

Management Discussion and Analysis

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 September 2013 to Friday, 27 September 2013 (both dates inclusive), during which period no transfer of shares of the Company will be effected. Shareholders whose names appear on the register of members of the Company on Friday, 27 September 2013 are entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 27 September 2013 (the "2013 Annual General Meeting"). In order to qualify to attend and vote at the 2013 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 24 September 2013.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2013 Annual General Meeting. For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 7 October 2013 to Wednesday, 9 October 2013 (both dates inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Friday, 4 October 2013. The payment of final dividend will be made on or about Wednesday, 23 October 2013.

BUSINESS REVIEW

General overview

In the financial year 2012-2013, the highest annual revenue since the foundation of the Group, HK$1,279,701,000 (2012: HK$795,593,000) was recorded, with around 60.8% growth in comparison to the annual revenue of last year. The growth was mainly attributed to the revenue of 759 STORE retail business for HK$812,150,000 (2012: HK$241,158,000), increasing by about 2.4 times. The branch number of 759 STORE increased by 63 in the year to 134 in total as at 30 April 2013 (2012: 71 branches). Gross profit margin of the Group in the year was 27.9% (2012: 23.6%), with a rise of 4.3 percentage points when compared with that in last year. The rise in gross profit margin was caused by the greatly increased share of retail business, which has relatively higher profit margin, in the total revenue, which accounted for 63% (2012: 30%) of the total revenue. On the other hand, the gross profit margin of electronic components manufacturing business in the year was also increased in comparison to that in last year.

While developing retail business at high speed, the Group still kept exerting its strength on maintaining its original profession - electronic components manufacturing business. The manufacturing industry still experienced a volatile and challenging year with many uncertain factors ahead. High inflation, high RMB exchange rate and high in raw material prices remain the long term disturbance faced by industrial companies in Mainland China, while the electronic consumer goods market was still in the doldrums ever since the financial tsunami in 2008. The waves of business closure increased credit risk, and thus the Group operated its coil manufacturing business cautiously. Revenue of electronic components manufacturing business this year decreased by about 15.6% to HK$465,208,000 (2012: HK$551,286,000) compared with last year.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

General overview *(continued)*

Consolidated profit of the Group for the year was HK$20,150,000 (2012: HK$15,500,000) and the consolidated profit margin of the year was 1.6% (2012: 1.9%). The Group is committed to lowering its inventory and believes that reducing inventory level by improving logistics performance shall help offset the ever elevating storage cost, and more importantly, to make effective use of capital. As at 30 April 2013, consolidated inventory of the Group amounted to HK$163,021,000 (2012: HK$118,383,000). Inventory turnover day was 56 days (2012: 64 days). Total deposits, prepayments and other receivables (including prepaid rent and deposits for retail shops) as at 30 April 2013 has gone up to HK$59,721,000 (2012: HK$35,333,000), following the increased branch number of 759 STORE. The accounts receivables as at 30 April 2013 was HK$106,928,000 (2012: HK$126,146,000), representing a cut of 15% when compared with that of last financial year end date. Excluding the effect from retail business, turnover days for accounts receivables was 91 days, which has increased by 5 days (2012: 86 days) over that of last financial year end date.

Electronic components manufacturing business

The coil products of the Group's electronic components manufacturing business are applied in a wide ranging spectrum of electronic consumer goods, including various mobile communication equipments, lighting products, electrical appliances, computers and its peripheral products, power supply devices, etc. During the year, the industrial manufacturing business environment has not improved. On one hand, global demand for electronic consumer goods has not recovered, on the other hand, factories in Mainland China were still strongly hit by high RMB exchange rate, high raw materials price, rising labour cost, and recruitment problem on production line operators. Even since the Board decided to reduce the size of manufacturing business in 2009, the managerial staff ratio had failed to decrease with the actual business size. Although the ratio of production operators has decreased accordingly, job overlapping and organizational redundancy existing in the administrative hierarchy had hindered the improvement of the overall management and operating cost. Revenue for the electronic components manufacturing business for the year was HK$465,208,000 (2012: HK$551,286,000), reduced by about 15.6% when comparing with last year. We keep running the electronic components manufacturing business in a prudent manner and are committed to enhancing equipment utilization rate to optimize the past investment in production automation, doing our best to minimize operating cost so as to offset the pressure exerted by wage increase and difficult recruitment on production operators. Besides, the Group will strictly implement reliable credit policy to stringently control over accounts receivables and its associated risks. Gross profit margin of the electronic components manufacturing business rebounded 0.8 percentage point when compared with that of last year to 21.5% (2012: 20.7%).

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Electronic components manufacturing business *(continued)*

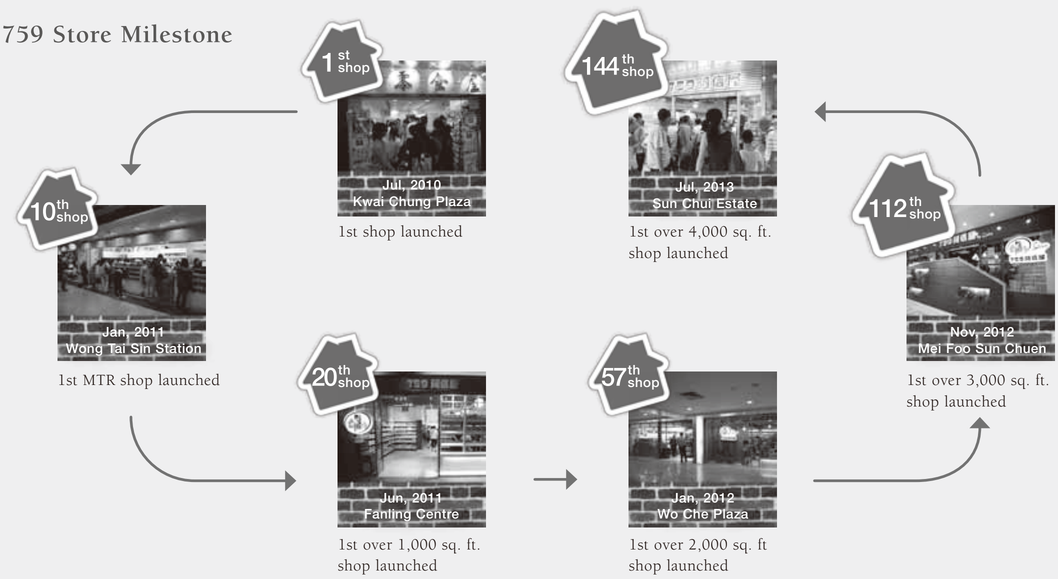
After years of investment and development, the production facilities and operational flow in the main manufacturing base located in Zhongshan, Guangdong province, were well-established. Being highly vertically-integrated, the plant mainly involved in the fabrication of coils and self-production of coils' main components, including ferrite magnetic cores, ceramic parts, metal parts, plastic parts, moulds and packaging materials. The packaging material production department also supports our retail business by producing shopping bags and props for shop displays purposes for 759 STORE. Attributed to the large-scaled automated production equipment, the Group is managed to maintain certain production scale and cost competitiveness in spite of the continuously rising wage level. Since the depreciation of some equipment will be completed gradually, depreciation and amortization expenses of the manufacturing business for the year has trimmed down by 23.2% compared with last year, amounting to HK$28,130,000 (2012: HK$36,634,000), and the associated capital expenditure still remained at a low level, amounting to HK$2,501,000 (2012: HK$3,568,000).

Distribution cost and administrative expenses was HK$84,690,000 (2012: HK$92,150,000), representing a reduction of about 8.1% over last year. Such reduction was mainly attributed to the Group's reallocation on the coil business resources of the Hong Kong headquarters and overseas to develop the retail business. Accounts receivables for the year was HK$106,928,000 (2012: HK$126,146,000), lowering of about 15% compared with last year. Such percentage was close to the extent of revenue cutback. The Group will actively enforce stringent credit policy to avoid liquidity backlog.

Retail business

Established in July 2010, 759 STORE is the retail business of the Group that was set up with reference to the consumer culture of living areas in Japan. It mainly sells snacks, beverages, food and other packaged food imported from Japan and other regions of the world. In the year, 759 STORE gradually introduced characteristic domestic goods including kitchen supplies and household goods mainly from Japan. Running with high inventory turnover rate, 759 STORE aimed to give desirable service to vast local Hong Kong residents, providing a relaxing shopping environment with wide range of products for our customers to choose.

759 Store Milestone



Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Retail business *(continued)*

In this year the retail business recorded a revenue of HK$812,150,000 (2012: HK$241,158,000), representing an increase of about 2.4 times when compared with that in last year. In terms of segmental revenue, retail business has become the major income source for the Group in the year, accounting for about 63% (2012: 30%) of total revenue, while its operating profit was HK$11,617,000 (2012: HK$3,101,000), rising about 2.7 times. Thankful for the trust and support given by the landlords of shopping centres and shop units, they have offered a number of shop locations to 759 STORE for opening new shops. As at 30 April 2013, the number of 759 STORE branches was 134 (2012: 71), increasing by 63 branches or by 89%. Targeting to serve the vast Hong Kong residents, branches of 759 STORE are widely located in 18 districts. The site selection of 759 STORE goes deep into local residential areas. Most of the branches are located in shopping malls and shop units of public and private housing estates. The retail floor areas of 759 STORE were about 146,000 sq ft (2012: 57,000 sq ft) in total and approximately 1,090 sq ft (2012: 803 sq ft) per shop. The increased average net floor area of our shops could not only provide much more space to show new import products of which the quantity was increasing, but also could provide a much more spacious and comfortable shopping environment for our customers. Given that the shop rent in Hong Kong would stay high and keep soaring, 759 STORE took a prudent approach on site selection. On one hand, selecting those sites that located at shopping centres and street shop units in residential area, instead of those located at first tier shopping areas or tourist areas. On the other hand, trying best to select those sites with greater floor area in which lower rent per sq ft could well offset the effect of being bigger despite the pedestrian flow may be lower. During the year, the total shop rent accounted for about 9.7% (2012: 11.9%) of the retail revenue. The surplus built by the increase in revenue/rent ratio will be reflected on the product discount offers to our customers.

Gross profit of retail business for the year was HK$255,113,000 (2012: HK$71,461,000) and the gross profit margin was 31.4% (2012: 29.6%), increased by 1.8 percentage point when compared with that for last year. Such increase in gross profit was mainly attributed to the effect of scale economy in which sales amount drove purchase amount to rise and higher purchase amount in turn provided good incentive for overseas agents and manufacturers to give better trading terms that reduced the procurement cost of the Group. Moreover, depreciation of Japanese Yen in the forth quarter of the year provided the Group more room to offer various discounts to our customers sharing the benefit thereby earned. In parallel with feeding back the benefit to our customers, we also could lead much more customers to try our self-import products where the brands and the products of our suppliers and manufacturers could have more effective promotion. Distribution cost and administrative expenses was HK$242,516,000 (2012: HK$68,360,000), increased by 2.5 times. That increase was caused by shop rent and frontline staff cost of the expanded retail network, as well as the allocation by the Group of the coil business resources in Hong Kong and overseas to give full support on retail business. The Board deeply believes that strengthening the reallocation of retail business resources will give significant thrust on the future development of retail business in next year and thereafter.

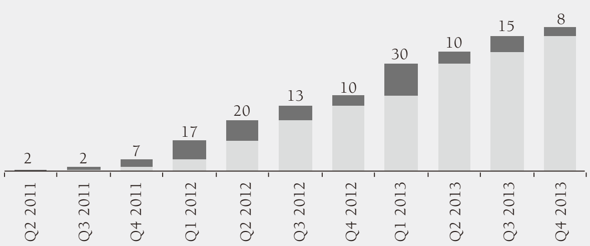
Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

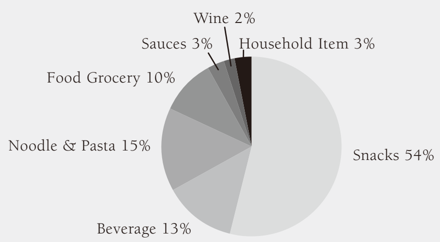
Retail business *(continued)*

The revenue of retail business for the year increased by about 2.4 times. In this connection, setting up new product sources and also their supply chains became the most crucial factors for the development of 759 STORE. The Group had tried its best to negotiate with local agents in the year to build up steady local supply. However, mutual consent on product price setting and promotion plan could not be reached finally since 759 STORE paid high attention on its independency and flexibility on product price setting. In comparison with direct import, the management had to spend much more time on negotiation with local agents, but only small amount of product could be got. We understand that if 759 STORE relied on local supply, elasticity and flexibility on product price setting would be highly restrained. In conclusion, 759 STORE had to develop its own procurement model based on direct import. Our procurement team was mainly comprised of the staff who worked in our coil business for years. The product supplies from Japan were established under the existing business connections built by Zhongshan manufacturing headquarters. By referrals and introductions of these business connections, we came to know foreign distributors and manufacturers and established supply with them step by step. The supply from our main Korean suppliers was also established by the referral of the existing business connections built by Zhongshan manufacturing headquarters. Key staff members of our branches in both Taiwan and Singapore are mainly responsible for promoting 759 STORE and negotiating supply matters with suppliers in Taiwan and South-east Asia. For the supplies from Europe and America, the coordination work and new product exploration were responsible by the staff who worked for overseas sales department before. The country of origin for our goods was mainly Japan in the year. Since Japan's 311-Earthquake in 2011, the Group has formed strong and firm relations with Japanese local suppliers and logistics operators. To provide our customers with a much comprehensive range of products to select, we did best to further increase the varieties of our products so that our products not only came from Japan, but also Korea, Taiwan, other European countries, North America and South-east Asia regions. Our retail network had already reached a size that, apart from the supply from foreign local distributors, 759 STORE has also started to gradually establish other supply from much bigger distributors and some manufacturers in order to have a stable supply at competitive prices through which we could provide more high quality products to our customers at reasonable price. Product price of 759 STORE was set by formula in same profit margin so that the product prices for most of the foreign import products in our stores would roughly be similar to those in the market of their own country, where our customers could buy foreign import products in Hong Kong at similar consumption level as if they stayed and bought in that country. Under the high inventory turnover rate policy, the Group was able to place steady, bulky and long term purchase order to foreign distributors and manufacturers. At the same time when we promoted the brands of our foreign import products and household goods, manufacturers could also consider to provide us much competitive terms so that the total purchase cost could keep decreasing with the increasing trade amount.

New shops launched and total shop number



Distribution of Category 2013



Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Investment property

Rental income of the Group for the year amounted to HK$2,343,000 (2012: HK$3,149,000), representing a decrease as compared with that of last year. This was mainly because the Group turned some of its investment properties to foodstuffs warehouse to support its retail business, and it also turned some residential properties into staff dormitory for expatriates.

FINANCIAL REVIEW

Fund surplus and liabilities

As at 30 April 2013, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$108,620,000 (2012: HK$66,372,000). As at 30 April 2013, the Group had aggregate banking facilities (excluding that of foreign exchange derivative financial instrument) of HK$544,036,000 (2012: HK$381,903,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK$111,946,000 (2012: HK$102,816,000). At 30 April 2013, the utilized banking facilities amounting to HK$432,090,000 were secured by charges on the Group's certain land and buildings, investment properties, pledges of the Group's accounts receivable, bank deposits and available-for-sale financial assets. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 30 April 2013, the Group could comply with such financial covenants.

With the rapid expansion of retail business and purchase of properties during the period, the Group's total borrowings from banks amounted to HK$431,137,000 at 30 April 2013 (2012: HK$279,087,000), increased by HK$152,050,000. As at 30 April 2013, the Group's gearing ratio* was 0.39 (2012: 0.31), reporting an increase of 0.08 as compared with that of the last financial year-end date. Moreover, the Group did not have any contingent liabilities (2012: Nil) as at the same date.

(The ratio of (total borrowings less bank balances and cash) over (total borrowings less bank balances and cash plus total equity))*

Assets

As at 30 April 2013, inventory of the Group was HK$163,021,000 (2012: HK$118,383,000). The boost in inventory was primarily due to storage of necessary stocks in support for the new business development. At the same time, total prepayments, deposits and other receivables (including prepaid rent and rental deposits of retail shops) also increased in line with the expansion of 759 STORE retail network, reaching HK$59,721,000.

Since the tsunami hit in 2008, the Group remained conservative over the sustainable growth of the global electronics consumption market and stopped to make large-scale investment in its production to retain funding for exploring other reliable sources of income. Given the ample liquidity condition in the local market, together with the Hong Kong dollar-denominated borrowings of the Group, in order to safeguard the Group's assets, the Group applied the capital recovered to purchase industrial and residential properties in Hong Kong for its own use or for rental income purpose in an orderly manner since 2009, and to gradually pledged to the bank for the grant of some banking facilities during the period.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Interest expense

In light of our business growth and increase on borrowings, interest expense of the Group amounted to HK$13,451,000 for the year ended 30 April 2013 (2012: HK$9,796,000), increased by 37%.

Financial resources and capital structure

Over the year, the Group's net cash inflow was HK$35,502,000 (2012: HK$8,405,000) and the net cash generated from operating activities was HK$36,045,000 (2012: HK$23,935,000). Despite the poor electronic market conditions, the stable coils business remained a major source of cash flow to the Group and provided strong support for the speedy expansion of store network during the period. As at 31 October 2012, deposits, rentals in advance and prepaid rent for shop leasing, snack inventory and prepayments for purchase of snack inventory amounted to HK$107,000,000. Such retail payment resulted in cash outflow from operating activities of more than HK$60,000,000. Meanwhile, in parallel with the development focus change from increasing market share to consolidating the existing retail business, the accuracy on purchase amount was greatly improved with the increased market experience and much comprehensive sales data, and the Group was able to accelerate the recovery of some working capital backlog. This year the Group recorded net cash generated from operating activities, when compared with net cash used in operating activities of HK$17,131,000 in the interim report, net cash generated from operating activities of the second half of this year reached HK$53,176,000. Over the year, retail business was in its robust development stage and the Group opened 63 new branches, of which the store fitting-out and equipment configuration, coupled with the property acquisition of HK$94,765,000, the net cash used in the investment activities amounted to HK$132,250,000 (2012: HK$80,155,000), such amount was used to purchase some properties and for retail business fitting-out. Over the period, net cash generated from the financing activities was HK$131,707,000 (2012: HK$64,625,000). The increase in borrowings resulted in increase in net cash inflow from financing activities during the year.

Cash Flow Summary

	2013 ***HK$'000***	2012 *HK$'000*
Net cash inflow from operating activities	**36,045**	23,935
Net cash outflow from investing activities	**(132,250)**	(80,155)
Net cash inflow from financing activities	**131,707**	64,625
Increase in cash and cash equivalents	**35,502**	8,405

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Financial resources and capital structure *(continued)*

As at 30 April 2013, the net current liabilities was HK$117,399,000 (2012: HK$19,656,000), and the current ratio was 0.78 (2012: 0.94). The net current liabilities included pledged loans of approximately HK$132,736,000 (HK$34,875,000 repayable within one year; HK$97,861,000 repayable after one year). Such loans due for repayment after one year but contained a repayment on demand clause amounting to approximately HK$97,861,000 have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause". Due to the rapid expansion of the retail business in the past twelve months, the Group has faced short term pressure for its working capital as additional cash outflow from operation was resulted for purchase of inventory and prepaid rental and deposits. The Group did not seek financing from the capital market and it will maximize its internal resources usage, the Group's properties and other assets as pledge to obtain banking facilities to support the required additional cash flow. In view of the present bank borrowings available for use, and the future demand for capital will be mitigated after the retail business development has entered into a consolidation stage, the management believes that the Group have adequate working capital to meet the existing development plans.

Charges on Assets

As at 30 April 2013, certain assets of the Group with an aggregate carrying value of approximately HK$362,832,000 (2012: HK$235,132,000) were pledged to secure banking facilities of the Group.

Exchange Risks

The Group's business is mainly conducted in Hong Kong, Mainland China and South-east Asia. The major revenue currencies are primarily denominated in Hong Kong dollar, Renminbi and United States dollars; whilst the major currencies in purchase commitments and operation costs are primarily denominated in Hong Kong dollar, Renminbi, United States dollars and Japanese Yen. The Group will endeavour to use forward contracts to hedge potential foreign exchange fluctuation if necessary. If Renminbi has a remarkable appreciation, the Group might experience additional cost pressure. In this connection, the Group will closely monitor the fluctuation trend of Renminbi.

EMPLOYEES

As at 30 April 2013, the Group employed approximately 3,500 staff (2012: 3,900). The remuneration of the employees is determined by reference to market benchmark, individual performance, academic qualification and work experience, subject to periodic review. Other agreed employee benefits includes pension scheme, medical insurance, on-job training, education subsidy and other social security and paid leaves stipulated under the relevant jurisdiction of places of operation. Pursuant to the Company's share option scheme, options may be granted to eligible employees to subscribe for shares in the Company. The share option scheme expired on 25 September 2012 and no option was granted under the scheme during the period under review (2012: Nil).

Management Discussion and Analysis

CORPORATE SOCIAL RESPONSIBILITY

The Group continued to take active role in corporate citizenship practice through participating in various forms of charity, volunteer services and health activities, encouraging its staff to care for the society and promoting their mental and physical development in a healthier and balanced way. The Group has also dedicated in participating charitable community activities by granting donations to charitable organizations and education institutions. Details of events participated during the year are listed as follows:

- Set up 759 STORE Scholarships for the City University of Hong Kong, Tung Wah College and Vocational Training Council to support local higher education and encourage student to study hard.

- Sponsored secondary school students to enroll the "11th Junior Enterprise Leader Training Course" organized by The Hong Kong Polytechnic University to foster the development of leadership skills of local youngsters.

- Co-organized "759 STORE Card Design Competition" with the HKICC Lee Shau Kee School of Creativity and donated the scholarship to encourage creativity development and to provide a platform to students for realizing their design concepts.

- Opened the "TWC • 759 Co-operative Store" to provide workplace training opportunities to Tung Wah College students.

- Sponsored and organized volunteer team to participate in the "Tai O Stilt House Restoration and Community Development Project" initiated by Habitat for Humanity China, which aims to improve the living conditions and revitalize the local community of Tai O by restoring and repairing the historic stilt homes for low-income families. Through restoration instead of reconstruction, both economic development and heritage preservation will be promoted.

- Sponsored the "Habitat Challenge Day 2012" organized by Habitat for Humanity China, and encourage more than 20 staff and their family members to participate in the walkathon to raise fund for Habitat for Humanity and support their house restoration and mitigation projects.

- Support the "ORBIS Moonwalkers 2012" annual fundraising event to bring hope to preventably blind people worldwide.

- Sponsored the "Renaissance Music Festival 2012" to support and promote cultural diversity in Hong Kong.

- Co-operated with the Track Media Explorer to participate in the "MSC Challenge International Drifting Competition" to raise fund for The Hong Kong Society for Rehabilitation and promote the "Physically Handicapped and Able-Bodied" integrative concept.

- Donated some health food to the "World Diabetes Day" - Hong Kong 2012 activities, to spread the health information about diabetes and promote healthy lifestyle.

Management Discussion and Analysis

CORPORATE SOCIAL RESPONSIBILITY *(continued)*

- Supported the ORBIS donation programme by placing their donation boxes at 759 STORE outlets.

- Encouraged the staff of Zhongshan Coils to participate in the "十萬市民健身跑" health care activity organized in Dong Feng Zhen.

- Sponsored various community activities, such as "Caring Company Scheme 2011/12" of The Hong Kong Council of Social Service, "Hong Kong Island Flag Day"of Hong Kong Aged Concern Limited, "Support the Homeless 2012" of The Chinese University of Hong Kong, Family Basketball Competition, Lions College Charity Bazaar, 2013 Hong Kong Youth Art Exhibition (Spring), etc.

- Sponsored gifts and discount cards to different charity organizations and student associations, such as New Life Psychiatric Rehabilitation Association, Po Lam Baptist Church Bradbury Neighbourhood Elderly Centre, The Society for the Welfare of the Autistic Persons, Tin Shui Wai Women Association Limited, Hong Kong Sheng Kung Hui Holy Nativity Church Neighbourhood Elderly Centre, Tung Wah Group of Hospitals Jocky Club Tai Kok Tsui Integrated Services Centre, etc.

AWARDS AND RECOGNITIONS

Major awards of the Group during the year include:

- Coils Electronic Co., Ltd, the main subsidiary of the Group, was awarded the "5 Consecutive Years Caring Company" logo by the Hong Kong Council of Social Service.

- 759 STORE was elected by the customers as "The Most Comprehensive" in the "Hot MTR Shops Poll 2012" organized by the MTR.

- 759 STORE was awarded Junzi Enterprise "Gold" Award (supermarkets and retail industry), Junzi Enterprise "仁" and "禮" Award in the Junzi Enterprise Survey conducted by Hang Seng Management College.

- 759 STORE was awarded the "Smiling Enterprise Award" by the Hong Kong Mystery Shopping Provider Association for the 2nd consecutive year.

Management Discussion and Analysis

FUTURE OUTLOOK

Looking forward, the Group anticipated that the winter for industrial manufacturing has not yet ended and the demand for electronic consumer goods has no signs of recovery, while the whole market will continue to be affected by external uncertainties. The Board has decided to operate its electronic components manufacturing business in a prudent and well-disciplined manner by rationalizing cost. It will actively maintain the present order size as well as the excellent client base. The Board had designated a group of managerial staff to work out improvement plan with the staff of job overlapping in accordance with the Labour Contract Law of the People's Republic of China, so as to hopefully diminish the organizational redundancy on management and administrative structure created by the reduced manufacturing business size since 2009, in the meantime trim and streamline the organization in order to minimize management and administrative cost. On the other hand, the Group would make much full use of the equipments in Zhongshan production headquarters which had been fully developed for years, and decrease capital expenditures so as to maintain a greater competitive edge and flexibility to stand firm in this long depression of production industry cycle. The Group was planning to have trial food import and wholesale operation in Mainland China. Apart from market test, we hoped that this new business could make good use of existing factory resource, including land, factory building and storehouse.

In terms of retail business, 759 STORE would have entered into its 3rd anniversary when this report was published in July and it has a total of 143 branches at the date of this report. We are glad to render our sincere gratitude to our landlords for their trust and provided us with various ideal stores locations over the past 3 years. In future, 759 STORE will continue to see Hong Kong as its one and only region for its development and be at Hong Kong local residents' service as its privilege. We will not develop another market other than Hong Kong in this moment unless unusual factor come its way. The Board is now planning to expand the number of 759 STORE branch to 180 in the next financial year. After that, we will examine Hong Kong local residents' acceptability to 759 STORE for one year, review and also fine tune its operations, reorganize store locations, and adjust designs of some stores. If 759 STORE is identified to be accepted by Hong Kong local residents, the Group will open 60 new branches per year, 120 branches in total in the following 2 years.

At this stage, the management believes that relatively greater shop floor area can provide our customers a much leisurely shopping environment, show more products and encourage their purchase desire. We will apply for the site of saleable area around 1,000-2,000 sq ft from landlords. We will also increase the varieties and types of products. Part of them are high quality household goods and interesting new gadgets which can enhance our customers' enjoyment on shopping, create fresh feeling in our stores and attract new customers from various walks of life. The management will try its best to seek landlords' approval on showing and selling some non-food products. The categories and quantities of the goods in our branch stores will vary according to the business scope stated in rental contract and the need of local residents. Besides, the Group will put the new Sai Wan Ho store as test point to develop mini-supermarket in August 2013, and in future maintain 5% of stores as mini-supermarkets in our development target. The Group shall maintain its transparency and provide timely and accurate operating data for landlords, together with the refined store design and display and appropriate promotion strategy to enhance the customer's traffic and turnover. It is believed this will give comfort and confidence to landlords to review the future renewal of lease.

Management Discussion and Analysis

FUTURE OUTLOOK *(continued)*

As to developing new product source, the Group kept facing disturbances and opportunities in these 3 years since foundation of 759 STORE. 759 STORE did its best to conduct "lower margin with high turnover" policy. However, under the existing business model of traditional retail market, our independence on product price setting was greatly restrained. Through this 3 years effort on active developing direct import model, it was grateful that 759 STORE had not only built up supplies with food distributors and manufacturers of Japan and other countries, but also a smooth import operation with substantial procurement scale. To avoid any conflict on product price setting with traditional market players, the Group would take further step to increase the proportion of direct import and much fully exclude the supply of local suppliers who were difficult to have price negotiation with and did not allow 759 STORE to set product prices independently. Exploring new products in all angles and without limitation, our procurement team continued to source wide varieties of import product for Hong Kong residents' enjoyment, where around 80% of them was food products and 20% of them was household and other products, hoping that our customer could have much more choices and much brand new shopping experience for their patronage in 759 STORE.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 26 July 2013

Directors and Senior Management Profile

Directors

Executive Directors

Mr. LAM Wai Chun, aged 54, was appointed as an executive director of the Company with effect from 29 September 1999, and has been the Chairman and Managing Director of the Company since 4 October 1999 and 29 September 2009 respectively. He is also the chairman of the Nomination Committee of the Company. Mr. Lam found the Group in 1979 and has over 42 years of experience in the coils manufacturing industry. Mr. Lam is the sole director of Ka Yan China Development (Holding) Company Limited and the managing director of Coils Electronic (Zhong Shan) Co., Ltd.

Ms. TANG Fung Kwan, aged 43, was appointed as an executive director of the Company with effect from 29 September 1999. She is responsible for the overall management of the procurement function of the Group's retail business. Ms. Tang is also a director of Coils Electronic (Zhong Shan) Co., Ltd. and 南京國仲磁性材料製品有限公司 (Nanjing Guo Zhong Magnetic Material Co., Ltd.). She is also a member of the Remuneration Committee and the chairman of the Accounts Receivable Supervisory 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, the degree of Bachelor of Laws (LLB) in The Manchester Metropolitan University, United Kingdom, in 2006, the Postgraduate Certificate in Laws and the degree of Master of Laws in Arbitration and Dispute Resolution in The University of Hong Kong in 2008 and 2010 respectively. Ms. Tang joined the Group in 1993.

Mr. HO Man Lee, aged 33, was appointed as an executive director of the Company with effect from 27 September 2011. He is responsible for managing the Group's administration and personnel functions in Hong Kong and overseas, and co-ordinating the development of the Group's information system. 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.

Ms. LI Hong, aged 44, 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 operation management of Xiamen Coils Electronic Co., Ltd. Ms. Li obtained a bachelor degree of English literature from Changchun Teacher's College, the Mainland China and a master of business administration from The University of Northern Virginia, the United States of America, in 2003. Ms. Li joined the Group in 1994.

Independent Non-Executive Directors

Mr. AU Son Yiu, aged 67, 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, the Nomination Committee and the Accounts Receivable Supervisory Committee as well as the chairman of the 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 was a consultant to Dao Heng Securities Limited (1989-2008). He is also an independent non-executive director of Texwinca Holdings Limited and Chun Wo Development Holdings Limited, both 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), the 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

Dr. TANG Tin Sek, aged 54, 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 and the Nomination 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 32 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 an independent non-executive director of Sinofert Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Mr. GOH Gen Cheung, aged 66, 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, the Remuneration Committee and the Nomination 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 and Beijing Properties (Holdings) Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited. He was also an independent non-executive director of Standard Bank Asia Limited until 1 April 2013.

Professor ZHU Yuhe, aged 75, 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 the standing director of 中國老教授協會 (China Senior Professor Association) and the Vice Chairman of 國傑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 the Director of Department of History, the Vice Dean of School of Humanities and Social Sciences and the teaching adviser of the President of Tsinghua during various periods.

Senior Management

Company Secretary

Ms. HO Wing Yi, aged 39, is the head of accounting of the Group, responsible for the Group's financial reporting and corporate finance functions. Ms. Ho is also the company secretary of the Company. 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 and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 1996 and 2007 respectively. 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

Financial Management

Mr. WANG Zhengwen, aged 45, is the head of finance of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the accounts management of Zhongshan main plant. He graduated from the Beijing University of Finance and Economics in 1990 and obtained the qualification of accountant from the Ministry of Finance, People's Republic of China. Mr. Wang joined the Group in 1998.

Sales Management

Ms. HUANG Shaobing, aged 34, is the head of business, responsible for the management of sales functions of the Group. She has over 15 years of working experience in management of coil products procurement as well as sales and marketing. Ms. Huang joined the Group in 1998.

Ms. POH Po Leng, aged 44, is the head of business of CEC-Coils Singapore Pte Ltd. responsible for the development of the Group's business in the Far East and the purchasing of Southeast Asian food products of 759 Store. She previously worked in several prestigious Japanese electronic product manufacturers. Ms. Poh joined the Group in 2000.

Engineering Technical Management

Mr. HE Guogao, aged 47, is the head of quality assurance responsible for the management of food quality and labeling functions. He has been admitted to the degree of Bachelor of Engineering in Automation in the Lanzhou University of Technology (formerly known as 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. SHINODA Akira, aged 63, is the chief head of quality of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the management of quality and production technique of Zhongshan main plant and the development of the Japanese supplier relationship of 759 Store. He has over 42 years of experience in production engineering of electronic components. Mr. Shinoda joined the Group in 2010.

Mr. ZHAO Xiangqun, aged 51, is the head of engineering and quality responsible for the management of the engineering and quality functions of the Group's electronic components manufacturing business. He has been admitted to the degree of Bachelor of Science in Physics and the degree of Master of Science in Gravitational Physics in the Sun Yat-Sen University, Guangdong Province, Mainland China, in 1986 and 1989 respectively. Mr. Zhao joined the Group in 2001.

Directors and Senior Management Profile

Purchasing Management

Mr. FUKUOKA Kazuaki, aged 49, is the retail business development manager, responsible for the development of sourcing in Japan of 759 Store. Mr. Fukuoka has over 27 years of experience in such areas as retail of snack, confectionary and grocery, shop management, visual merchandising, layout design, etc. Mr. Fukuoka joined the Group in 2011.

Mr. OGISHIMA Yoshimasa, aged 28, is the purchasing manager of retail business, responsible for the purchasing of Japanese snacks and food products of 759 Store. He has been admitted to the degree of Bachelor of International Studies in the Takushoku University, Japan in 2008. Mr. Ogishima joined the Group in 2012.

Administration Management

Mr. JIANG Pingyuan, aged 44, is the head of 南京國仲磁性材料製品有限公司 (Nanjing Guo Zhong Magnetic Material Co., Ltd.) responsible for the overall operation management of the Group's production facilities in Nanjing. He has over 20 years of experience in production management. Mr. Jiang joined the Group in 1993.

Mr. LAO Xin, aged 41, is the head of administration of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the management of the Group's administration and personnel functions in Mainland China. He has been admitted to the degree of Bachelor of History in the Renmin University of China, Mainland China in 1994 and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. Lao joined the Group in 1995.

Information Engineering Management

Mr. QING Liang, aged 35, is the head of information system responsible for managing the development and application of information system. Mr. Qing has been admitted to the degree of Bachelor of Computer Science and Technology with Honours in the Chongqing Jiaotong University, Mainland China (formerly known as the Chongqing Jiaotong Institute) in 2000. Mr. Qing joined the Group in 2002.

Mr. KO Ka Kit, aged 32, is the head of development of retail system, responsible for the development of the retail analysis system. Mr. Ko graduated from the Guangdong Institute of Science and Technology (formerly known as 廣東省科技管理幹部學院 (Guangdong Institute of Technology Management)) in 2002 and obtained the professional certificate of Computer Science Application and Maintenance. Mr. Ko joined the Group in 2004.

Retail Management

Mr. CHEUNG Ming Yat, aged 37, is the head of shop operation responsible for managing the shop operations of 759 Store.. He has been admitted to the degree of Bachelor of Finance with Honours in The University of Hong Kong in 1998. Mr. Cheung joined the Group in 1998.

Mr. HO Kwok Keung, aged 55, is the head of engineering responsible for managing the fitting-out and its maintenance of the retail shops. He is a former executive director of the Company (appointed on 20 December 2002 and resigned on 14 August 2003). He has over 37 years of experience in electronics and electrical industry. Mr. Ho joined the Group in 1996.

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. The Company has adopted the principles and complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 30 April 2013, except for the following deviations:

1. Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

   Before 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the "CEO") were performed by two different executive directors of the Company. Due to the re-allocation of the respective duties of the executive directors of the Company, Mr. Lam Wai Chun, the Chairman of the Board, has been appointed as the Managing Director of the Company with effect from 29 September 2009 and has carried out the responsibilities of the CEO since then. This constitutes a deviation from code provision A.2.1 which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, as Mr. Lam Wai Chun is the founder of the Group and possesses substantial and valuable experience in the industry that is relevant to the Group's operation, the Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders as a whole.

2. Under code provision E.1.2 of the Code, the Chairman of the Board should attend the annual general meeting of the Company.

   The Chairman of the Board did not attend the Annual General Meeting of the Company held on 27 September 2012 (the "2012 AGM") due to illness at the material time. Ms. Tang Fung Kwan, the executive director of the Company, who took the chair of the 2012 AGM and all other members of the Board (including the chairman of each of the Audit Committee and the Remuneration Committee) attended the 2012 AGM to ensure effective communication with the shareholders of the Company.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Corporate Governance Report

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 2012 to 30 April 2013.

BOARD OF DIRECTORS

The Board currently comprises four executive directors, namely Mr. Lam Wai Chun (Chairman and Managing Director), Ms. Tang Fung Kwan, Ms. Li Hong and Mr. Ho Man Lee; and four independent non-executive directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek, Mr. Goh Gen Cheung and Professor Zhu Yuhe. The number of independent non-executive directors of the Company represents half of the Board and there is one independent non-executive director who possesses appropriate professional qualifications, accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

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. Dr. Tang Tin Sek, who has served as an independent non-executive director for more than nine years, shall retire and, being eligible, offer himself for re-election as an independent non-executive director of the Company at the forthcoming annual general meeting of the Company. Pursuant to the code provision A.4.3 of the Code, further appointment of Dr. Tang as an independent non-executive director should be subject to separate resolution to be approved by the shareholders of the Company. In this regard, a resolution will be proposed at the forthcoming annual general meeting of the Company for further appointment of Dr. Tang as an independent non-executive director.

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 each of their re-election is subject to a vote of shareholders. Every director is subject to retirement by rotation at least once every three years.

The Board determines the objectives, strategies and policies of the Group. In addition, the Board monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. The 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.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

During the year under review, the key non-routine matters addressed by the Board included approving the remuneration packages of the executive directors and the senior management of the Group, the appointment of new senior management, as well as making proposals to the shareholders of the remuneration of independent non-executive directors.

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 responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Monthly updates are provided to directors to ensure that they are aware of the business and regulatory environment in which the Group conducts its business.

The Company renewed the directors' and officers' liability insurance for members of the Board in January 2013 to provide protection against claims arising from the lawful discharge of duties by the directors.

BOARD MEETINGS

The Board meets regularly to review the financial and operating performance of the Group each financial year. Regular Board meetings are held at least four times per year. The directors may attend Board meetings in person or by means of a conference telephone, electronic or other communication in accordance with the Company's Bye-laws.

Corporate Governance Report

ATTENDANCES OF MEETINGS

The number of meetings of the Board and its committees during the year ended 30 April 2013, the individual attendance of each Board and committee member at these meetings and the attendance of the Board members at the 2012 AGM are set out below:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Accounts Receivable Supervisory Committee	2012 AGM
Executive Directors						
Lam Wai Chun	5/5	–	–	1/1	–	0/1
Tang Fung Kwan	5/5	–	3/3	–	1/1	1/1
Li Hong	5/5	–	–	–	–	1/1
Ho Man Lee	5/5	–	–	–	–	1/1
Chung Wai Kin *(retired on 27 September 2012)*	2/2	–	–	–	–	1/1
Independent Non-Executive Directors						
Au Son Yiu	5/5	4/4	3/3	1/1	1/1	1/1
Tang Tin Sek	5/5	4/4	3/3	1/1	–	1/1
Goh Gen Cheung	5/5	4/4	3/3	1/1	–	1/1
Zhu Yuhe	5/5	–	3/3	–	–	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Before 29 September 2009, Mr. Lam Wai Chun is the Chairman of the Board and Ms. Tang Fung Kwan, the Deputy Chairman and Managing Director of the Company, assumed the role of the chief executive officer ("CEO") described in Appendix 14 to the Listing Rules. Due to the re-allocation of the respective duties of the executive directors of the Company, Mr. Lam Wai Chun has been appointed as the Managing Director of the Company with effect from 29 September 2009 and has carried out the responsibilities of the CEO since then. As Mr. Lam Wai Chun is the founder of the Group and possesses substantial and valuable experience in the industry that is relevant to the Group's operation, the Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders as a whole.

NON-EXECUTIVE DIRECTORS

All the four non-executive directors are independent and have entered into their respective letters of appointment for a term of one to two years.

Corporate Governance Report

INDUCTION AND DEVELOPMENT

Upon their appointments, directors will meet with our external legal adviser and be advised on the legal and other duties and obligations they have as directors of a listed company. Throughout the course of their directorship, directors are updated on any developments or changes affecting the Company and their obligations to it monthly and at regular Board meetings.

Directors' training is an ongoing process. All directors are encouraged to attend relevant training courses at the Company's expense. During the year ended 30 April 2013, all directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Ms. Li Hong, Mr. Ho Man Lee, Mr. Au Son Yiu, Dr. Tang Tin Sek, Mr. Goh Gen Cheung and Professor Zhu Yuhe had participated in an in-house briefing conducted by the Company Secretary of the Company during a Board meeting, with relevant reading materials given to them, regarding regulatory updates on Listing Rules. The Company has received from all directors of their respective training records for the year ended 30 April 2013.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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 each of the independent non-executive directors is subject to the approval of the Company's shareholders at the annual general meetings.

The emoluments of the members of the senior management by band for the year ended 30 April 2013 is set out below:

	Number of members	
Emolument bands	**2013**	2012
Nil to HK$1,000,000	**15**	17

Further particulars regarding Directors' emoluments and the 5 highest paid individuals as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 24 to the financial statements.

Corporate Governance Report

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

During the year ended 30 April 2013, the works performed by the Remuneration Committee included making recommendation to the Board of the remuneration packages (including the relevant service agreements and supplemental agreements, if any) of executive directors, certain members of the senior management and newly appointed senior management, the directors' fees of independent non-executive directors, the additional remuneration for each of the chairmen of the Audit Committee and the Remuneration Committee and the letters of appointment for independent non-executive directors, reviewing the remuneration policy and the remuneration packages of the senior management of the Group, as well as reviewing and determining the upper limit of revised salary for the senior management. No director has taken part in any discussion about his/her own remuneration.

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

NOMINATION COMMITTEE

The Board established a Nomination Committee on 21 March 2012 with written terms of reference, which are available on the Company's website (www.0759.com), setting out the duties (containing the minimum specific duties as set out in the Code) and authority of the Nomination Committee. The principal duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board, to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy and to assess the independence of independent non-executive directors of the Company. The Nomination Committee currently comprises four members including one executive director, namely Mr. Lam Wai Chun (chairman of the Nomination Committee), and three independent non-executive directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek and Mr. Goh Gen Cheung.

During the year ended 30 April 2013, a meeting was held to review the structure, size and composition of the Board, consider the re-election of retiring directors and the retirement of Mr. Chung Wai Kin as an executive director, and assess the independence of Mr. Au Son Yiu who has served as an independent non-executive directors of the Company for more than nine years.

AUDITOR'S REMUNERATION

During the year ended 30 April 2013, the fees paid/payable to the external auditor of the Company, PricewaterhouseCoopers, amounted to approximately HK$2,080,000 for statutory audit services and approximately HK$90,000 for non-audit services (comprising tax and other services) rendered to the Group.

Corporate Governance Report

AUDIT COMMITTEE

The Board established the Audit Committee in September 1999 with written terms of reference (containing the minimum specific duties as set out in the Code), which are available on the Company's website (www.0759.com). The Audit Committee currently comprises three independent non-executive directors, namely Dr. Tang Tin Sek (chairman of the Audit Committee), Mr. Au Son Yiu 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 2013.

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

Regular meetings have been held by the Audit Committee since its establishment. The Audit Committee meets at least twice per financial year in accordance with 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 plan and 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 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. Post-meeting sessions with the external auditor in the absence of management have been held during the year ended 30 April 2013.

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.

The Accounts Receivable Supervisory Committee currently comprises two members including one executive director, namely Ms. Tang Fung Kwan (chairman of the Accounts Receivable Supervisory Committee), and one independent non-executive director, namely Mr. Au Son Yiu.

COMPANY SECRETARY

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the procedures and activities of the Board and its committees as well as good communication flow among the Board members, shareholders and the senior management.

During the year ended 30 April 2013, Ms. Ho Wing Yi, the company secretary of the Company (the "Company Secretary"), undertook no less than 15 hours of relevant professional training to keep abreast of latest legislative and regulatory changes and to refresh her skills and knowledge.

Corporate Governance Report

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.

In order to enhance the standard of the internal control systems, the Company continues to engage 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;

– adequate measures and control systems have been deployed for mitigating the financial and operational risks exposure by the Group; and

– control weaknesses, findings and improvement processes are reported to the Audit Committee regularly.

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

During the year ended 30 April 2013, the Board through the Audit Committee reviewed the effectiveness of the Group's internal control systems, 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 directors of the Company 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 the Independent Auditor's Report on page 43 of this annual report.

Corporate Governance Report

INVESTOR RELATIONS, SHAREHOLDERS' RIGHTS AND COMMUNICATIONS

A Shareholders Communication Policy was adopted in March 2012 to ensure that shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company. The policy is posted on the Company's website and is regularly reviewed to ensure its effectiveness.

The Company has established different communication channels with its shareholders and the investors, including (i) the annual general meetings of the Company which provide a forum for its shareholders to raise comments and exchange views with the Board and (ii) updated company news and published announcements of the Group which are available on the websites of the Stock Exchange and the Company.

The Company arranges for the notice to its shareholders to be sent at least 20 clear business days before each of the annual general meetings of the Company in accordance with code provision E.1.3 of the Code. Separate resolutions are proposed at annual general meeting on each substantially separate issue, including the re-election of each individual director.

Pursuant to the Bye-laws 58 of the Bye-laws of the Company, any shareholder holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Secretary of the Company at 2nd Floor, Hing Win Factory Building, 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. Any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of meeting will explain the poll voting procedures at the relevant general meeting and answer any questions from shareholders on voting by poll.

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries by addressing them to the Company Secretary by post to 2nd Floor, Hing Win Factory Building, 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong or by email at secretary@ceccoils.com.

CONTINUOUS CORPORATE GOVERNANCE ENHANCEMENT

The Board is committed to progressively reinforce its corporate governance including giving closer attention to any regulatory changes with a view to maintaining a corporate culture built on ethics and integrity and increasing shareholder value as a whole.

Report of the Directors

The Directors of the Company (the "Directors") present their report together with the audited financial statements for the year ended 30 April 2013.

Principal activities and geographical analysis of operations

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) the design, development, manufacture and sale of a wide range of coils, ferrite powder and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products, (ii) retail of food and beverages, and (iii) investment property holding.

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

Results and appropriations

The results of the Group for the year ended 30 April 2013 are set out in the consolidated income statement on page 47 of this annual report.

No interim dividend has been declared for the year ended 30 April 2013 (2012: Nil). The board of directors of the Company (the "Board") has resolved to recommend, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK0.50 cent (2012: HK0.50 cent) per share for the year ended 30 April 2013 payable on or about 23 October 2013 to the shareholders whose names appear on the Company's register of members on 9 October 2013.

Reserves

Movements in the reserves of the Group and of the Company during the year ended 30 April 2013 are set out in note 16 to the financial statements.

Donations

Charitable and other donations made by the Group during the year ended 30 April 2013 amounted to HK$1,575,000 (2012: HK$710,000).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year ended 30 April 2013 are set out in note 7 to the financial statements.

Principal investment properties

Details of the principal properties of the Group held for investment purposes are set out on page 106 of this annual report.

Share capital

Details of the movements in the share capital of the Company are set out in note 15 to the financial statements.

Report of the Directors

Distributable reserves

As at 30 April 2013, the Company's contributed surplus of approximately HK$131,338,000 (2012: HK$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained earnings of approximately HK$13,283,000 (2012: HK$16,614,000) were available for distribution to the equity holders of the Company.

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 of the Company.

Purchase, sale or redemption of the Company's listed shares

The Company had not redeemed any of its listed shares during the year ended 30 April 2013. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the year ended 30 April 2013.

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

   (ii) 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.

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 with such participant and his associates abstaining from voting.

   Any grant of options to a substantial shareholder of the Company or an independent non-executive director, 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$5,000,000 (based on the closing price of the Company's shares at the date of each grant), is subject to the prior approval by the shareholders of the Company in general meeting.

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

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

7. The acceptance of an option, if accepted, must be made within 28 days from the date of offer of the option with a non-refundable payment of HK$1.00 as consideration for the grant of the option from the grantee to the Company. The full amount of the subscription price for shares must be paid upon exercise of an option.

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

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

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

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

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

No option was granted under the Scheme during the period from 1 May 2012 to 25 September 2012(2012: Nil).

There was no outstanding option as at the date of this report.

Report of the Directors

Directors

The Directors who held office during the year ended 30 April 2013 and up to the date of this report were:

Executive Directors

Mr. Lam Wai Chun *(Chairman and Managing Director)*
Ms. Tang Fung Kwan
Ms. Li Hong
Mr. Ho Man Lee
Mr. Chung Wai Kin *(retired on 27 September 2012)*

Independent non-executive Directors

Dr. Tang Tin Sek
Mr. Au Son Yiu
Mr. Goh Gen Cheung
Professor Zhu Yuhe

Pursuant to Bye-law 87 of the Company's Bye-laws, Mr. Lam Wai Chun, Dr. Tang Tin Sek and Professor Zhu Yuhe shall retire by rotation at the forthcoming annual general meeting of the Company. Mr. Lam Wai Chun and Dr. Tang Tin Sek shall, being eligible, offer themselves for re-election whilst Professor Zhu Yuhe has indicated that he will not offer himself for re-election.

The Company has received from each independent non-executive Director an annual confirmation of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange Hong Kong Limited (the "Listing Rules") and the Company considers such Directors to be independent. Dr. Tang Tin Sek has served as an independent non-executive Director for more than nine years. Pursuant to the code provision A.4.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, further appointments of Dr. Tang as an independent non-executive Director should be subject to separate resolutions to be approved by the shareholders of the Company. In this regard, a resolution will be proposed at the forthcoming annual general meeting of the Company for any further appointment of Dr. Tang as an independent non-executive Director.

During his years of appointment, Dr. Tang has not engaged in any executive management of the Group and has demonstrated his ability to provide an independent view to the Company's matters. In addition, the Nomination Committee of the Company has reviewed and assessed his annual confirmation of independence based on the independence factors set out in Rule 3.13 of the Listing Rules. The Board believes that Dr. Tang is independent with the Company and comply with the independence requirements of Rule 3.13 of the Listing Rules.

Report of the Directors

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 continuing 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. On 18 July 2012, Mr. Lam entered into a service contract with Coils Electronic (Zhong Shan) Co., Ltd. ("Zhongshan Coils"), an indirect wholly-owned subsidiary of the Company, for a term of three years commencing from 1 August 2012 relating to his appointment as the managing director of Zhongshan Coils which service contract may be terminated upon the occurrence of any of the termination events as specified in the service contract.

Ms. Tang Fung Kwan entered into a service agreement with the Company on 28 April 2011 for a term of three years commencing on 1 May 2011 which service agreement may be terminated within its term by either party giving to the other a prior notice of three months (or a shorter period as the parties may agree in writing from time to time), but in any event not exceeding its term. On 18 July 2012, Ms. Tang entered into a service contract with Zhongshan Coils for a term of three years commencing from 1 August 2012 relating to her appointment as the director of Zhongshan Coils which service contract may be terminated upon the occurrence of any of the termination events as specified in the service contract. Further on 1 September 2010, Ms. Tang entered into a service contract with Nanjing Guo Zhong Magnetic Material Co., Ltd. (南京國仲磁性材料製品有限公司) ("Nanjing Guo Zhong"), an indirectly wholly-owned subsidiary of the Company, for a term commencing from 1 September 2010 to 31 August 2013 relating to her appointment as the director of Nanjing Guo Zhong which service contract may be terminated upon the occurrence of any of the termination events as specified in the service contract.

Ms. Li Hong entered into a service agreement, which was amended by a supplemental agreement to service agreement dated 30 April 2013, with the Company on 31 March 2011 for a term of twenty-nine months commencing on 1 May 2011 which service agreement may be terminated within its term by either party giving to the other a prior notice of three months (or a shorter period as the parties may agree in writing from time to time), but in any event not exceeding its term. On 30 March 2011, Ms. Li Hong also entered into an employment contract with Xiamen Coils Electronic Co., Ltd. ("Xiamen Coils"), an indirect wholly-owned subsidiary of the Company, for a term of three years commencing from 1 April 2011 regarding her employment as general manager until terminated upon the occurrence of any of the termination events as specified in the employment contract.

Mr. Ho Man Lee entered into a service agreement, which was amended by the supplemental agreement to service agreement dated 30 January 2012, the 2nd supplemental agreement to service agreement dated 21 March 2012 and the 3rd supplemental agreement to service agreement dated 5 April 2013, with the Company on 27 September 2011 for a term of three years, commencing on 27 September 2011 until terminated within its term by either party giving to the other a prior notice of three months (or a shorter period as the parties may agree in writing from time to time) in writing, but in any event not exceeding its term.

Directors' service contracts *(continued)*

Save as disclosed above, none of the Directors who will be proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable 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 Directors had a material interest, whether directly or indirectly, subsisted at or at any time during the year ended 30 April 2013.

Interests of directors and chief executive in securities

As at 30 April 2013, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Shares of the Company

	Number of shares of HK$0.10 each held				
Name of director	Personal interests *(Note 2)*	Corporate interests	Trusts interests	Total interests	Percentage of issued share capital
Mr. Lam Wai Chun	29,955,188	442,295,660 *(Note 3)*	442,295,660 *(Note 3)*	472,250,848 *(Note 3)*	70.89%
Ms. Tang Fung Kwan	4,194,611	–	–	4,194,611	0.63%
Ms. Li Hong	548,000	–	–	548,000	0.08%
Mr. Ho Man Lee	30,000			30,000	0.0045%
Mr. Au Son Yiu	3,697,440	–	–	3,697,440	0.56%
Dr. Tang Tin Sek	4,098,000	–	–	4,098,000	0.62%

Notes:

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

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

3. The 442,295,660 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 (the "Trust") founded by Mr. Lam Wai Chun. 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 corporate interests and trusts interests in 442,295,660 shares refer to the same shares in the Company and duplicated with each other. Accordingly, Mr. Lam Wai Chun's total interests in 472,250,848 shares in the Company was arrived at after eliminating the duplications.

Report of the Directors

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

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

Coils Electronic Co., Limited

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

Notes:

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

5. 6,000,000 non-voting deferred shares of HK$1.00 each were held by Ka Yan China Development (Holding) Company Limited and 500,000 non-voting deferred shares of HK$1.00 each were held by Ms. Law Ching Yee, the spouse of Mr. Lam Wai Chun, representing approximately 42.86% and approximately 3.57% of the 14,000,000 non-voting deferred shares of HK$1.00 each in the share capital of Coils Electronic Co., Limited respectively. Mr. Lam Wai Chun was deemed to be interested in all these shares under the SFO by virtue of, (i) for the shares held by Ka Yan China Development (Holding) Company Limited, the reason as set out in Note 3 to sub-paragraph (a) above and, (ii) for the shares held by Ms. Law Ching Yee, being the spouse of Ms. Law Ching Yee.

6 All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held or deemed to be held by Mr. Lam Wai Chun were long positions.

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

Save as disclosed above, as at 30 April 2013, 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 into 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 the Model Code.

Report of the Directors

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

Save as disclosed above, as at 30 April 2013, 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 2013 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors 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 2013, according to the register kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Report of the Directors

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

Shares of the Company

Substantial shareholders (as defined in the Listing Rules)

Name	Number of shares of HK$0.10 each held: Beneficial owner	Family interests	Corporate interests	Trusts interests	Percentage of issued share capital
Ms. Law Ching Yee	–	472,250,848 *(Note 2)*	–	–	70.89%
Ka Yan China Development (Holding) Company Limited	442,295,660 *(Notes 2 and 3)*	–	–	–	66.39%
Ka Yan China Investments Limited	–	–	442,295,660 *(Notes 2 and 3)*	–	66.39%
HSBC International Trustee Limited	–	–	–	442,295,660 *(Notes 2 and 3)*	66.39%

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

Name	Number of shares of HK$0.10 each held: Beneficial owner	Family interests	Corporate interests	Trusts interests	Percentage of issued share capital
Toko, Inc.	36,785,402	–	–	–	5.52% *(Note 4)*

Notes:

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

2. The 442,295,660 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 founded by Mr. Lam Wai Chun. Ms. Law Ching Yee, being the spouse of Mr. Lam Wai Chun, was deemed to be interested in all the shares held by her spouse, for the purpose of the SFO.

3. The interests in 442,295,660 shares held by Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited refer to the same shares and duplicated with each other. Such shares formed the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 30 April 2013, the actual number of shares held by Ka Yan China Investments Limited, Ka Yan China Development (Holding) Company Limited and HSBC International Trustee Limited in the Company which duplicated with one another was 442,295,660 shares.

4 The percentage has been calculated based on the total number of shares of the Company in issue as at 30 April 2013 (i.e. 666,190,798 shares).

Report of the Directors

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

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 interest (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 2013.

Management contracts

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

Emolument Policy

The Board, with the benefit of the advice from the Remuneration Committee, formulated the employee emolument policy of the Group on the basis of their merits, qualifications and competence.

The basis of determining the remuneration of the Directors is set out under the section headed "Remuneration of Directors and Senior Management" of the Corporate Governance Report on pages 27 to 28 of this annual report.

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	35%
– five largest suppliers combined	56%
Sales	
– the largest customer	7%
– five largest customers combined	14%

None of the Directors, nor any of their respective associates or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest suppliers or customers.

Report of the Directors

Related party transactions

Details of significant related party transactions entered into by the Group are set out in note 33 to the financial statements which did not constitute notifiable connected transactions under the Listing Rules.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at 26 July 2013, being the latest practicable date prior to the printing of this annual report, the Company has maintained the prescribed amount of public float as required under the Listing Rules during the year ended 30 April 2013 and up to the date of this report.

Five years' financial summary

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, 26 July 2013

Independent Auditor's Report

羅兵咸永道

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 44 to 105, which comprise the consolidated and company statements of financial position as at 30 April 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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 2013, 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, 26 July 2013

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Consolidated Statement of Financial Position

As at 30 April 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Land use rights	6	**20,645**	21,080
Property, plant and equipment	7	**480,700**	379,900
Investment properties	8	**76,065**	70,178
Available-for-sale financial assets	10	**9,686**	9,072
Prepaid rent on operating leases	13	**33,166**	12,354
Deposits paid for acquisition of property, plant and equipment and investment properties		**3,212**	10,811
Deferred tax assets	19	**1,115**	–
		624,589	503,395
Current assets			
Inventories	11	**163,021**	118,383
Accounts receivable	12	**106,928**	126,146
Deposits, prepayments and other receivables	13	**26,555**	22,979
Pledged bank deposits	14	**27,616**	27,750
Cash and cash equivalents	14	**81,004**	38,622
		405,124	333,880
Total assets		**1,029,713**	837,275

Consolidated Statement of Financial Position

As at 30 April 2013

	Note	2013 HK$'000	2012 HK$'000
EQUITY			
Share capital	15	**66,619**	66,619
Reserves	16		
Proposed final dividend		**3,331**	3,331
Others		**431,996**	410,654
Total equity		**501,946**	480,604
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	19	**1,669**	3,135
Provision for reinstatement cost	21	**3,575**	–
		5,244	3,135
Current liabilities			
Borrowings	18	**431,137**	279,087
Accounts payable	20	**32,352**	36,849
Accruals and other payables	21	**54,033**	34,608
Taxation payable		**5,001**	2,992
		522,523	353,536
Total liabilities		**527,767**	356,671
Total equity and liabilities		**1,029,713**	837,275
Net current liabilities		**(117,399)**	(19,656)
Total assets less current liabilities		**507,190**	483,739

LAM WAI CHUN
Director

TANG FUNG KWAN
Director

The notes on pages 51 to 105 are an integral part of these financial statements.

Statement of Financial Position

As at 30 April 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**238,293**	241,841
Current assets			
Deposits, prepayments and other receivables	13	**123**	91
Due from subsidiaries	9	**3,331**	3,331
Cash and cash equivalents	14	**93**	224
		3,547	3,646
Total assets		**241,840**	245,487
EQUITY			
Share capital	15	**66,619**	66,619
Reserves	16		
Proposed final dividend		**3,331**	3,331
Others		**171,407**	174,738
Total equity		**241,357**	244,688
Current liabilities			
Accruals and other payables	21	**483**	799
Total liabilities		**483**	799
Total equity and liabilities		**241,840**	245,487
Net current assets		**3,064**	2,847
Total assets less current liabilities		**241,357**	244,688

LAM WAI CHUN
Director

TANG FUNG KWAN
Director

The notes on pages 51 to 105 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 30 April 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	**1,279,701**	795,593
Cost of sales	23	**(922,519)**	(607,500)
Gross profit		**357,182**	188,093
Other gains, net	22	**14,948**	11,840
Selling and distribution expenses	23	**(216,374)**	(77,735)
General and administrative expenses	23	**(119,765)**	(91,724)
Operating profit		**35,991**	30,474
Finance income		**42**	45
Finance costs		**(13,451)**	(9,796)
Finance costs – net	25	**(13,409)**	(9,751)
Profit before taxation		**22,582**	20,723
Taxation	26	**(2,432)**	(5,223)
Profit for the year	27	**20,150**	15,500
Earnings per share, basic and diluted	28	**HK3.02 cents**	HK2.33 cents

The notes on pages 51 to 105 are an integral part of these financial statements.

Dividend	29	**3,331**	3,331

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**20,150**	15,500
Other comprehensive income		
Change in fair value on available-for-sale financial assets	**614**	161
Currency translation differences	**3,909**	13,068
Total comprehensive income for the year	**24,673**	28,729

The notes on pages 51 to 105 are an integral part of these financial statements.

Consolidated Statement of Changes In Equity

For the year ended 30 April 2013

	Attributable to equity holders of the Company		
	Share capital HK$'000	**Reserves** (Note 16) HK$'000	**Total** HK$'000
Balance at 1 May 2011	66,914	389,256	456,170
Profit for the year	–	15,500	15,500
Other comprehensive income:			
Change in fair value of available-for-sale financial assets	–	161	161
Currency translation differences	–	13,068	13,068
Total comprehensive income	–	28,729	28,729
Transactions with owners:			
Purchase of own shares	(295)	(669)	(964)
2010/2011 final dividend	–	(3,331)	(3,331)
	(295)	(4,000)	(4,295)
Balance at 30 April 2012	66,619	413,985	480,604
Balance at 1 May 2012	66,619	413,985	480,604
Profit for the year	–	20,150	20,150
Other comprehensive income:			
Change in fair value of available-for-sale financial assets	–	614	614
Currency translation differences	–	3,909	3,909
Total comprehensive income	–	24,673	24,673
Transactions with owners:			
2011/2012 final dividend	–	(3,331)	(3,331)
Balance at 30 April 2013	66,619	435,327	501,946

The notes on pages 51 to 105 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 April 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	30 (a)	38,902	34,019
Hong Kong profits tax paid		(2,241)	(9,303)
Overseas tax paid		(616)	(886)
Overseas tax refunded		–	105
Net cash generated from operating activities		36,045	23,935
Cash flows from investing activities			
Purchase of property, plant and equipment		(72,078)	(70,188)
Proceeds from disposal of property, plant and equipment		107	246
Purchase of investment properties		(57,067)	–
Decrease in short-term bank deposits with maturity over 3 months		–	598
Deposits paid for acquisition of property, plant and equipment and investment properties		(3,212)	(10,811)
Net cash used in investing activities		(132,250)	(80,155)
Cash flows from financing activities			
Proceeds from borrowings		814,696	445,041
Repayments of borrowings		(666,383)	(369,106)
Decrease in pledged bank deposits		134	2,736
Interest received		42	45
Interest paid		(13,451)	(9,796)
Repurchase of shares		–	(964)
Dividend paid		(3,331)	(3,331)
Net cash generated from financing activities		131,707	64,625
Increase in cash and cash equivalents and bank overdrafts		35,502	8,405
Exchange difference		3,143	1,994
Cash and cash equivalents and bank overdrafts at the beginning of the year		17,947	7,548
Cash and cash equivalents and bank overdrafts at the end of the year	30 (b)	56,592	17,947

The notes on pages 51 to 105 are an integral part of these financial statements.

Notes to the Financial Statements

1 General information

CEC International Holdings Limited (the "Company") is an investment holding company. Its subsidiaries are principally engaged in (i) the design, development, manufacture and sale of a wide range of coils, ferrite powder and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products, (ii) operating retail stores of food and beverages in Hong Kong, and (iii) investment property holding. The Company and its subsidiaries are collectively referred to as "the Group" in the consolidated financial statements.

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 Main Board of 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 have been approved for issue by the board of directors (the "Board") of the Company on 26 July 2013.

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 Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets which are carried at fair value.

The preparation of consolidated 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 Group'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.

At 30 April 2013, the Group's current liabilities exceeded its current assets by approximately HK$117,399,000 as a result of (i) a portion of the bank borrowings contractually due for repayment after one year that contain a repayment on demand clause amounting to approximately HK$97,861,000 have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause"; and (ii) an increase in the Group's non-current assets of approximately HK$121,194,000 as at 30 April 2013 over that in 30 April 2012, which was financed mainly by the Group's internal fundings and short-term borrowings.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(Continued)*

The directors closely monitor the Group's financial performance and liquidity position. They have prepared cash flow projection of the Group for the coming twelve months by taking into account all information that could reasonably be expected to be available including, among others, that it is not probable that the relevant banks will exercise its discretion to demand immediate repayment. The directors believe that the bank borrowings will be repaid in accordance with the scheduled dates set out in the relevant loan agreements and that the banking facilities with the principal banks will be renewed when their current terms expire given the good track records and relationship the Group has with the banks. Under these circumstances, the directors are of the opinion that the Group will have adequate financial resources to support its operations and will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

New/revised HKFRS effective during the year ended 30 April 2013

There are no new/revised HKFRS or HKFRS interpretations that are effective for the first time for the financial year beginning 1 May 2012 and are relevant to the Group's operations that have a material impact to the Group.

New/revised standards and amendments to existing standards have been issued but are not effective

The following new/revised standards and amendments to existing standards have been issued but are not mandatory for the year ended 30 April 2013:

HKAS 1 (Amendment)	Presentation of items of other comprehensive income(1)
HKAS 19 (2011)	Employee benefits(1)
HKAS 27 (2011)	Separate financial statements(1)
HKAS 28 (2011)	Investments in associates and joint ventures(1)
HKAS 32 (Amendment)	Presentation – offsetting financial assets and financial liabilities(2)
HKFRS 7 (Amendment)	Disclosures – offsetting financial assets and financial liabilities(1)
HKFRS 9	Financial instruments(3)
HKFRS 10	Consolidated financial statements(1)
HKFRS 13	Fair value measurement(1)
Annual improvement project	Annual improvement 2009-2011 cycle(1)

(1) Effective for the Group for annual period beginning on 1 May 2013
(2) Effective for the Group for annual period beginning on 1 May 2014
(3) Effective for the Group for annual period beginning on 1 May 2015

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(Continued)*

New/revised standards and amendments to existing standards have been issued but are not effective (Continued)

The Group has assessed that the adoption of HKFRS 10 would not have any significant impact on the Group as all subsidiaries within the Group satisfy the requirements of control under HKFRS 10 and there are no new subsidiaries identified under the new guidance.

The Group is in the process of making an assessment on the impact of these new/revised standards and amendments to existing standards but does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position taken as a whole. The Group intends to adopt the above new/revised standards and amendments to existing standards when they become effective.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 April. All subsidiaries incorporated in Mainland China adopt 31 December as their financial year end for statutory purpose. For the purpose of preparing the Group's consolidated financial statements, management accounts of these subsidiaries as at and for the twelve months ended 30 April 2012 and 2013 were used, after making adjustments which are considered necessary by the directors of the Company for compliance with HKFRS.

(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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.2 Consolidation *(Continued)*

(a) *Subsidiaries (Continued)*

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

In the Company's statement of financial position, 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

(b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Associates*

An associated company is an entity 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 an associated company are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associated company's post-acquisition profits or losses is recognised in the consolidated 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 associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.2 Consolidation *(Continued)*

(c) *Associates (Continued)*

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

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 HK dollars (HK$), which is the Company's functional and the Group's 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 or valuation where items are re-measured. 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 and qualifying net investment hedges.

Foreign exchange gains and losses arising from foreign currency denominated transactions of electronic components manufacturing and the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are presented in the income statement within 'general and administrative expenses". Foreign exchange gains and losses arising from foreign currency denominated transactions of retail business are presented in income statement within "cost of sales".

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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) *Group companies*

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is 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

Land and buildings comprise mainly factories, retail outlets and offices. Leasehold land classified as financial lease and all other property, plant and equipment is stated at historical cost less depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.5 Property, plant and equipment *(Continued)*

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The principal annual rates are as follows:

– Leasehold land classified as finance lease	Over the period of the lease
– Buildings	2.5%
– Machinery	10%
– Furniture and equipment	16.7% to 25%
– Motor vehicles	16.7% to 30%
– Leasehold improvements	33% or over the lease period, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains, net" in the income statement.

2.6 Investment properties

Investment property comprising residential and office buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. 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 the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of "Other gains, net".

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.7 Impairment of investments in subsidiaries, associate and non-financial assets

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

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.8 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 date of statement of financial position. These are classified as non-current assets. Loans and receivables are classified as accounts receivable and other receivables and cash and cash equivalents in the statement of financial position (Note 2.10 and 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 date of statement of financial position.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.8 Financial assets *(Continued)*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets 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 subsequently carried at amortised cost using the effective interest method.

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

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

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

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

The Group assesses at each date of statement of financial position 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 and other receivables is described in Note 2.10.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and excludes borrowing costs. For the manufacturing operations, the cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). For retail business, the cost includes all expenditures including material cost and shipping cost in bringing the inventory to its present location. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Accounts and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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 indictors 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 carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When accounts and other receivables are uncollectible, they are written off against the allowance account for accounts and other receivables.

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as equity.

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. 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 date of statement of financial position.

2.14 Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 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 tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

2.15 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.16 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 date of statement of financial position.

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 date of statement of financial position, 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)*

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and 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 interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

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

(a) Sale of goods (electronic components manufacturing) – sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Sale of goods (retail) – sales of goods are recognised at the point of sales to the customer.

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

(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)*

2.19 Leases

(a) *Operating lease*

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

(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 property 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 other short-term and other long-term payables. The interest element of the finance cost is charged to 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 and the lease term.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders for final dividend and the board of directors for interim dividend.

2.21 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

2 Summary of significant accounting policies *(Continued)*

2.22 Provision for reinstatement cost

Provision for reinstatement cost represents the present value of the estimated cost for the restoration work of the Group's leased retail shops agreed to be carried out upon the expiry of the relevant leases using a risk-free pre-tax interest rate. The provision has been determined by the directors based on their best estimates. The related reinstatement costs have been included as leasehold improvement in the consolidated statement of financial position (see Note 2.5).

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 policies on how to mitigate these risks are set out below. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities and net investments are denominated in a currency that is not the Group's entities' functional currency.

The Group operates mainly in Mainland China and Hong Kong with most of the sales transactions being denominated in Renminbi, Hong Kong dollar and United States dollar. The Group's purchases were mainly settled in Hong Kong dollars, Renminbi, United States dollars, Japanese Yen and Euro.

As at 30 April 2013, if Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables held constant, post-tax profit for the year would have been approximately HK$68,000 (2012: HK$58,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of Renminbi denominated monetary assets of group entities whose functional currencies are in Hong Kong dollars.

As Hong Kong dollars are pegged with United States dollars, the Group considers the foreign exchange risk arisen from United States dollars is low.

Notes to the Financial Statements

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Foreign exchange risk (Continued)

As at 30 April 2013, if Hong Kong dollars had strengthened/weakened by 5% against Japanese Yen with all other variables held constant, post-tax profit for the year would have been approximately HK$3,922,000 (2012: HK$2,385,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of Japanese Yen denominated payables and borrowings.

As at 30 April 2013, if Hong Kong dollars had strengthened/weakened by 5% against Euro with all other variables held constant, post-tax profit for the year would have been approximately HK$827,000 (2012: HK$36,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of Euro denominated payables and borrowings.

(b) Credit risk

Credit risk is managed on a group basis. The Group's financial assets are accounts receivable, other receivables and bank balances. The amounts of those assets stated in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is concentrated on a number of major and long established customers. For electronic components manufacturing, sales to the top five customers accounted for approximately 14% of the Group's total sales; while as at 30 April 2013, approximately 39% of the Group's accounts receivables was due from five customers. The Group has policies in place to ensure that sales are made to customers with appropriate credit history and to limit the amount of credit exposure to individual customer. The Group reviews the recoverable amount of each individual accounts receivable at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's past experience in collection of accounts receivable falls within the recorded allowances. For retail business, the transactions are settled in cash or other form of electronic monies and therefore no credit risk is anticipated.

The credit risk on cash at banks is limited because the counterparties are major financial institutions located in Hong Kong and Mainland China. Transactions in relation to derivative financial instruments, if any, are only carried out with financial institutions of high reputation.

The Company has no significant exposure to credit risk because the Company's assets are mainly relating to balances with subsidiaries. Management has also performed the liability adequacy test on the guarantees given to bank and financial institutions for certain of its subsidiaries and is of the opinion that there are no liabilities in relation to the guarantees given.

Notes to the Financial Statements

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The Group's management regularly monitors current and expected liquidity requirements to ensure that sufficient reserves of cash and adequate amount of committed credit facilities are available to meet the Group's liquidity requirements in the short and long term. At 30 April 2013, the Group's current liabilities exceeded its current assets by approximately HK$117,399,000, as a result of (i) a portion of the bank borrowings contractually due for repayment after one year that contain a repayment on demand clause amounting to approximately HK$97,861,000 have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause"; and (ii) an increase in the Group's non-current assets of approximately HK$121,194,000 as at 30 April 2013 over that in 30 Apirl 2012 which was financed mainly by the Group's internal fundings and short-term borrowings. As described more fully in Note 2.1, management believes that there is no significant liquidity risk in view of the expected cashflow from operations and bank borrowings in the coming twelve months. In addition, the directors have strong control in place to ensure that all covenants with banks are properly complied with at each reporting period.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Notes to the Financial Statements

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

	On demand[#] *HK$'000*	**Less than 1 year** *HK$'000*
Group		
At 30 April 2013		
Borrowings	**431,137**	**–**
Accounts payable	**–**	**32,352**
Other payables	**–**	**39,664**
Interest payable	**10,891**	**–**
	442,028	**72,016**
At 30 April 2012		
Borrowings	279,087	–
Accounts payable	–	36,849
Other payables	–	25,113
Interest payable	4,661	–
	283,748	61,962

[#] The Group's bank borrowings contain a repayment on demand clause which can be exercised by the banks at their discretion. The analysis shows the cash outflow based on the earliest period in which the Group would be required to repay the borrowings if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

(d) Cash flow interest rate risk

The Group's interest-rate risk mainly arises from pledged bank deposits, bank balances and borrowings. The Group regularly seeks the most favourable interest rates available for its bank deposits and borrowings. Bank deposits and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Information relating to the interest rates and terms of the Group's bank deposits and borrowings are disclosed in Notes 14 and 18. As at 30 April 2013, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$1,347,000 (2012:HK$888,000) lower/higher, mainly as a result of higher/lower interest income on bank deposits net off with higher/lower interest expense on borrowings.

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

Notes to the Financial Statements

3 Financial risk management *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less bank balances and cash. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt. The gearing ratios at 30 April 2013 and 2012 were as follows:

	2013	2012
	HK$'000	*HK$'000*
Total borrowings *(Note 18)*	**431,137**	279,087
Less: Bank balances and cash (including pledged bank deposits) *(Note 14)*	**(108,620)**	(66,372)
Net debt	**322,517**	212,715
Total equity	**501,946**	480,604
Total capital	**824,463**	693,319
Gearing ratio	**39%**	31%

3.3 Fair value estimation

The carrying value less impairment provision of receivables is a reasonable approximation of its fair value. 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.

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.

Notes to the Financial Statements

3 Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

The Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets that are measured at fair value at 30 April 2013.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Available-for-sale financial assets				
– Investment fund	**–**	**9,169**	**–**	**9,169**
– Equity securities	**517**	**–**	**–**	**517**
Total assets	**517**	**9,169**	**–**	**9,686**

The following table presents the Group's assets that are measured at fair value at 30 April 2012.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Available-for-sale financial assets				
– Investment fund	–	8,919	–	8,919
– Equity securities	153	–	–	153
Total assets	153	8,919	–	9,072

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

Notes to the Financial Statements

3 Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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) Impairment of property, plant and equipment and land use rights

Property, plant and equipment 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 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.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

Notes to the Financial Statements

4 Critical accounting estimates and judgements *(Continued)*

(b) Fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in income statement. It obtains independent valuations at least annually. At the end of each reporting period, the management update their assessment of the fair value of each property, taking into account the most recent independent valuations.

(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 date of statement of financial position.

(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 date of statement of financial position.

Notes to the Financial Statements

5 Segment information

The Executive Directors of the Group ("management") reviews the Group's internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

During the year, the Group has three reporting segments, namely (i) electronic components manufacturing; (ii) retail business; and (iii) investment property holding. Segment information provided to management for decision-making is measured in a manner consistent with that in the financial statements.

Inter-segment sales were entered into under normal commercial terms and conditions. The segment information provided to the management for the reportable segments for the years ended 30 April 2013 and 2012 is as follows:

	Electronic components manufacturing		Retail business		Investment property holding		Eliminations		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue										
External sales	465,208	551,286	812,150	241,158	2,343	3,149	–	–	1,279,701	795,593
Intersegment sales	–	–	–	–	1,400	621	(1,400)	(621)	–	–
	465,208	551,286	812,150	241,158	3,743	3,770	(1,400)	(621)	1,279,701	795,593
Segment results										
Operating profit	15,411	20,695	11,617	3,101	16,966	14,964			43,994	38,760
Corporate expenses									(7,961)	(8,241)
Finance costs									(13,451)	(9,796)
Profit before taxation									22,582	20,723
Taxation									(2,432)	(5,223)
Profit for the year									20,150	15,500
Depreciation and amortisation	28,130	36,634	21,003	6,381	31	31			49,164	43,046
Distribution cost and administrative expenses	84,690	92,150	242,516	68,360	972	708			328,178	161,218
Additions to non-current assets (other than financial instruments)	2,501	3,568	99,694	78,585	50,974	6,093			153,169	88,246

Notes to the Financial Statements

5 Segment information *(Continued)*

	Electronic components manufacturing		Retail business		Investment property holding		Eliminations		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	586,697	559,939	369,978	205,271	76,620	76,871	(4,910)	(5,122)	1,028,385	836,959
Unallocated assets										
– Deferred income tax									1,115	–
– Corporate assets									213	316
									1,029,713	837,275
Segment liabilities	54,563	58,422	35,113	12,412	4,711	4,946	(4,910)	(5,122)	89,477	70,658
Borrowings									431,137	279,087
Unallocated liabilities										
– Deferred income tax									1,669	3,135
– Taxation payable									5,001	2,992
– Corporate liabilities									483	799
Total liabilities									527,767	356,671

Geographical information

	Revenue		Non-current assets	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
The PRC (including the Hong Kong Special Administrative Region)	1,155,821	677,099	624,588	503,380
Other regions	123,880	118,494	1	15
	1,279,701	795,593	624,589	503,395

Revenue by geographical location is determined on the basis of the destination of shipment or place of sales to the customers.

Non-current assets by geographical location are determined based on the location of the relevant assets.

For the year ended 30 April 2013, revenues of approximately HK$95,402,000 (2012: HK$149,978,000) are derived from a single external customer. These revenues are attributable to the electronic components manufacturing segment.

Notes to the Financial Statements

6 Land use rights

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

	2013	2012
	HK$'000	*HK$'000*
In Mainland China, held on:		
Land use rights of between 10 to 50 years	**19,494**	19,916
Land use rights of over 50 years	**1,151**	1,164
	20,645	21,080

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

	2013	2012
	HK$'000	*HK$'000*
At 1 May	**21,080**	21,057
Exchange differences	**100**	538
Amortisation (included in cost of sales)	**(535)**	(515)
At 30 April	**20,645**	21,080

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Land and buildings HK$'000	Machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
Year ended 30 April 2012						
Opening net book amount	145,030	124,663	13,191	3,104	2,111	288,099
Exchange differences	2,808	3,620	738	29	–	7,195
Additions	41,701	2,886	7,276	1,914	20,302	74,079
Disposal/written off	–	(1,250)	(6)	(168)	–	(1,424)
Transfer from investment properties, net *(Note 8)*	54,482	–	–	–	–	54,482
Depreciation	(5,371)	(25,235)	(4,689)	(1,267)	(5,969)	(42,531)
Closing net book amount	238,650	104,684	16,510	3,612	16,444	379,900
At 30 April 2012						
Cost	268,560	743,922	87,052	12,259	23,081	1,134,874
Accumulated depreciation	(29,910)	(639,238)	(70,542)	(8,647)	(6,637)	(754,974)
Net book amount	238,650	104,684	16,510	3,612	16,444	379,900
Year ended 30 April 2013						
Opening net book amount	238,650	104,684	16,510	3,612	16,444	379,900
Exchange differences	308	110	93	8	–	519
Additions	37,697	717	12,299	1,196	30,980	82,889
Disposal/written off	–	(44)	–	–	(5)	(49)
Transfer from investment properties, net *(Note 8)*	67,050	–	–	–	–	67,050
Depreciation	(7,599)	(20,688)	(4,262)	(1,593)	(14,487)	(48,629)
Impairment	–	–	–	–	(980)	(980)
Closing net book amount	336,106	84,779	24,640	3,223	31,952	480,700
At 30 April 2013						
Cost	373,771	747,755	99,560	12,989	53,710	1,287,785
Accumulated depreciation and impairment	(37,665)	(662,976)	(74,920)	(9,766)	(21,758)	(807,085)
Net book amount	336,106	84,779	24,640	3,223	31,952	480,700

Notes to the Financial Statements

7 Property, plant and equipment *(continued)*

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

	2013 HK$'000	2012 HK$'000
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**120,365**	69,260

During the year, investment properties with carrying amount of approximately HK$67,050,000 (2012: HK$54,482,000) were transferred to land and buildings.

Depreciation expense of approximately HK$26,274,000 (2012: HK$34,366,000) and HK$22,355,000 (2012: HK$8,165,000) has been included in cost of sales and distribution costs and administrative expenses respectively.

Land and buildings with an aggregate carrying amount of approximately HK$239,559,000 as at 30 April 2013 (2012: HK$113,034,000) were pledged against certain of Group's borrowing (Note 32).

8 Investment properties

	Group	
	2013 HK$'000	2012 HK$'000
At 1 May	**70,178**	111,642
Additions	**57,067**	–
Fair value gains *(Note 22)*	**15,870**	13,018
Transfer to property, plant and equipment, net *(Note 7)*	**(67,050)**	(54,482)
At 30 April	**76,065**	70,178

The investment properties were revalued on an open market basis at 30 April 2013 by an independent professional qualified valuer, Castores Magi (Hong Kong) Limited.

The consolidated income statement included rental income from investment property of HK$2,343,000 (2012: HK$3,149,000) and related direct operating expenses of approximately HK$274,000 (2012: HK$468,000).

Notes to the Financial Statements

8 Investment properties *(continued)*

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

	2013	2012
	HK$'000	*HK$'000*
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**76,065**	70,178

The period of leases whereby the Group leases out its investment properties under operating leases ranges from 1 to 2 years.

Investment properties with an aggregate carrying amount of approximately HK$76,065,000 as at 30 April 2013 (2012: HK$66,214,000) were pledged against certain of the Group's borrowings (Note 32).

9 Investments in and balance with subsidiaries – Company

	2013	2012
	HK$'000	*HK$'000*
Unlisted investments, at cost	**137,348**	137,348
Due from subsidiaries	**100,945**	104,493
	238,293	241,841

The amounts due from subsidiaries were unsecured, interest free and have no fixed terms of repayment and are regarded as equity contributions to the subsidiaries.

Other balance with subsidiaries are current in nature, unsecured, interest free and have no fixed terms of repayment.

The following is a list of the subsidiaries of the Company as at 30 April 2013:

Name	Place of incorporation operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (a)
CEC-Coils Singapore Pte Ltd.	Singapore	Sale of coils and other electronic components	Ordinary S$1,500,000	100%
北京高雅恒健科技有限公司 (CEC-Technology Beijing Limited) (c)	Mainland China	Marketing of coils and other electronic components	Registered capital US$750,000	100%
CEC-Technology Limited	Hong Kong	Investment holding	Ordinary HK$10,000	100%

Notes to the Financial Statements

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

Name	Place of incorporation operation	Principal activities	Particulars of issued 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$2,900,000	100%
Coils Electronic Co., Limited	Hong Kong	Investment holding; manufacture and sale of coils and other electronic components; retail of food and beverages	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$31,366,980	100%
Coils International Holdings Limited (a)	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%
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%
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%

Notes to the Financial Statements

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

Name	Place of incorporation operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (a)
Xiamen Coils Electronic Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital HK$9,567,620	100%
Zhongshan Coils Metalwork Co., Ltd. (c)	Mainland China	Manufacture of coils and plastic bags	Registered capital US$755,000	100%
Zhongshan CEC-Coils Food Co, Limited (c)	Mainland China	Inactive	Registered capital US$1,000,000 (d)	100%
Xiamen Guo Zhong Food Co Ltd (c)	Mainland China	Packaging food	Registered capital US$500,000 (d)	100%

The underlying value of the investments in subsidiaries is, in the opinion of Directors, not less than the carrying value as at 30 April 2013.

As at 30 April 2013, the Company had given guarantees to banks and financial institutions of approximately HK$432,089,000 (2012: HK$279,087,000) to secure banking facilities of certain subsidiaries.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30 April 2013 (2012: 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 of Coils Electronic Co., Limited are owned by Mr. Lam Wai Chun, Ms. Law Ching Yee and Ka Yan China Development (Holding) Company Limited, the intermediate holding company of the Company. Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of Coils Electronic Co., Limited exceeds HK$100,000,000,000,000, and are not entitled to any distributions upon winding up unless a sum of HK$100,000,000,000,000 has been distributed to the holders of the ordinary shares.

Notes to the Financial Statements

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

Notes: (continued)

(c) 重慶高雅科技有限公司(Chongqing CEC-Technology Limited), Coils Electronic (Zhong Shan) Co., Ltd., Gaozhou Coils Electronic 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, November 2019, December 2022 and February 2016, respectively.

南京國仲磁性材料製品有限公司(Nanjing Guo Zhong Magnetic Material Co., Ltd.) is a wholly foreign owned enterprise established in Mainland China to be operated for 30 years up to April 2033.

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.

Zhongshan CEC-coils Food Co., Limited is a wholly foreign owned enterprise established in Mainland China to be operated for 11 years up to January 2023.

Xiamen Guo Zhong Food Co Ltd is a wholly foreign owned enterprise established in Mainland China to be operated for 20 years up to April 2032.

(d) Zhongshan CEC-Coils Food Co., Limited and Xiamen Guo Zhong Food Co Ltd were established with registered capital of US$1,000,000 and US$500,000, respectively. As at 30 April 2013, the Group had outstanding commitments of approximately US$750,012 and US$250,000, respectively, for capital contribution to these subsidiaries.

10 Available-for-sale financial assets

	Group	
	2013	2012
	HK$'000	*HK$'000*
Investment fund	**9,169**	8,919
Equity securities:		
– listed in Hong Kong	**517**	153
	9,686	9,072

Notes to the Financial Statements

10 Available-for-sale financial assets *(continued)*

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
United States dollar	**9,169**	8,919
Hong Kong dollar	**517**	153
	9,686	9,072

The investment fund represented investment in an equity-based principal-guaranteed fund, which is issued and managed by HSBC Global Asset Management (Hong Kong) Limited.

As at 30 April 2012 and 30 April 2013, the Group's capital guaranteed fund was pledged as collateral for the Group's borrowings (Note 32).

11 Inventories

	Group	
	2013	2012
	HK$'000	*HK$'000*
Raw materials	**63,169**	59,078
Work-in-progress	**16,305**	15,179
Finished goods		
– Electronic components manufacturing	**28,125**	27,344
– Retail business	**55,422**	16,782
	163,021	118,383

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$754,860,000 (2012: HK$405,746,000).

As at 30 April 2013, certain of the Group's inventories were pledged as collateral for the Group's trust receipts import bank loan arrangements (Note 32).

Notes to the Financial Statements

12 Accounts receivable

	Group	
	2013	2012
	HK$'000	*HK$'000*
Amounts receivable	**112,826**	128,701
Less: provision for impairment of receivables	**(5,898)**	(2,555)
Amounts receivable – net	**106,928**	126,146

The ageing analysis of accounts receivable based on invoice date is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
0-30 days	**51,220**	55,537
31-60 days	**28,476**	35,168
61-90 days	**10,041**	19,474
91-120 days	**4,303**	5,391
121 days to 1 year	**18,786**	13,131
	112,826	128,701
Less: provision for impairment of receivables	**(5,898)**	(2,555)
	106,928	126,146

As at 30 April 2013 and 30 April 2012, the carrying amount of accounts receivable approximated its fair value.

The Group performs on-going credit and collectability evaluation of each customer. The Group offers an average credit period ranging from 30 to 120 days to its customers with specific credit period up to 240 days to one customer.

As at 30 April 2013, a subsidiary of the Company factored trade receivables of approximately HK$10,423,000 (2012: HK$19,215,000) (the "Factored Receivables") to banks for cash under certain receivables purchase agreements. As the subsidiary of the Company still retained the risks associated with the default and delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled. Accordingly, the proceeds from the factoring of trade receivables have been accounted for as the Group's liabilities and included in borrowings as "bank advances for factored receivables" (Note 18).

Notes to the Financial Statements

12 Accounts receivable *(continued)*

As at 30 April 2013, accounts receivable of HK$20,598,000 (2012: HK$16,109,000) were past due but not impaired. These relate to a number of customers for whom there is no significant defaults in the past. The ageing analysis of these accounts receivable is as follows:

	2013	2012
	HK$'000	*HK$'000*
Overdue by 0 – 1 month	**8,873**	12,821
Overdue by 1 – 2 months	**5,931**	1,635
Overdue by 2 – 3 months	**2,997**	742
Overdue by more than 3 months	**2,797**	911
	20,598	16,109

As at 30 April 2013, accounts receivable of HK$5,898,000 (2012: HK$2,555,000) were impaired. The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations or have delayed repayment for a prolonged period of time. The ageing of these accounts receivable is as follows:

	2013	2012
	HK$'000	*HK$'000*
Overdue by 1-3 months	**3,235**	–
Overdue by more than 3 months	**2,663**	2,555
	5,898	2,555

Movements on the provision for impairment of receivables are as follows:

	2013	2012
	HK$'000	*HK$'000*
At the beginning of the year	**2,555**	3,544
Provision for impairment/(write back of)	**3,343**	(905)
Write-off of provision	**–**	(98)
Exchange differences	**–**	14
At the end of the year	**5,898**	2,555

The creation and release of provision for impaired receivables have been included in "general and administrative expenses" in the consolidated income statement (Note 23).

Notes to the Financial Statements

12 Accounts receivable *(continued)*

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

	2013 HK$'000	2012 HK$'000
Hong Kong dollar	22,358	44,695
Renminbi	53,911	50,303
United States dollar	30,149	30,577
Other currencies	510	571
	106,928	126,146

13 Deposits, prepayments and other receivables

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Prepayments for purchase of inventories	8,209	9,042	–	–
Prepaid rent on operating leases	45,358	18,242	–	–
Deposits & other receivables	6,155	8,049	123	91
	59,721	35,333	123	91
Less:				
Non-current portion	(33,166)	(12,354)	–	–
	26,555	22,979	123	91

The carrying amounts of the Group's deposits and other receivables are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
Hong Kong dollar	1,776	1,841
Renminbi	2,603	3,715
Japanese Yen	1,190	1,834
Other currencies	586	659
	6,155	8,049

Notes to the Financial Statements

14 Pledged bank deposits and cash and bank balances

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and cash equivalents	**81,004**	38,622	**93**	224
Pledged bank deposits	**27,616**	27,750	**–**	–
	108,620	66,372	**93**	224

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**84,728**	40,339	**93**	224
Renminbi	**9,830**	5,399	**–**	–
United States dollar	**11,052**	19,071	**–**	–
Other currencies	**3,010**	1,563	**–**	–
	108,620	66,372	**93**	224

Notes:

(a) The effective interest rate on bank fixed deposits was approximately 0.09% (2012: 0.07%) per annum. These deposits have a weighted average maturity of 37 (2012: 32) days.

(b) The conversion of Renminbi ("RMB") denominated balances into foreign currencies and repatriation of RMB out of China is subject to the rules and regulations of foreign exchange promulgated by the government of the Mainland China. As at 30 April 2013, the Group's cash and bank balances amounting to HK$8,077,000 (2012: HK$3,963,000) were denominated in RMB and deposited with banks in the PRC.

(c) As at 30 April 2013, the Group's bank deposits of approximately HK$27,616,000 (2012: HK$27,750,000) were pledged as collateral for the Group's borrowings (Note 32).

Notes to the Financial Statements

15 Share capital

	2013 Number of shares	2013 HK$'000	2012 Number of shares	2012 HK$'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				
At 1 May	**666,190,798**	**66,619**	669,144,798	66,914
Repurchase and cancellation of shares	**–**	**–**	(2,954,000)	(295)
At 30 April	**666,190,798**	**66,619**	666,190,798	66,619

16 Reserves

Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve *(note a)* HK$'000	Statutory reserves *(note b)* HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 May 2011	25,744	4,747	13,934	238	3,124	19,350	87,067	235,052	389,256
Currency translation differences	–	–	–	–	–	–	13,068	–	13,068
Change in fair value of available-for-sale financial assets *(Note 10)*	–	–	–	161	–	–	–	–	161
Transfer from retained earnings to other reserves	–	–	–	–	–	191	–	(191)	–
Repurchase and cancellation of shares	(669)	295	–	–	–	–	–	(295)	(669)
Profit for the year	–	–	–	–	–	–	–	15,500	15,500
2010/2011 final dividend	–	–	–	–	–	–	–	(3,331)	(3,331)
At 30 April 2012	25,075	5,042	13,934	399	3,124	19,541	100,135	246,735	413,985

Notes to the Financial Statements

16 Reserves *(continued)*

Group *(continued)*

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve *(note a)* HK$'000	Statutory reserves *(note b)* HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 May 2012	25,075	5,042	13,934	399	3,124	19,541	100,135	246,735	413,985
Currency translation differences	–	–	–	–	–	–	3,909	–	3,909
Change in fair value of available-for-sale financial assets *(Note 10)*	–	–	–	614	–	–	–	–	614
Transfer from retained earnings to other reserves	–	–	–	–	–	91	–	(91)	–
Profit for the year	–	–	–	–	–	–	–	20,150	20,150
2011/2012 final dividend	–	–	–	–	–	–	–	(3,331)	(3,331)
At 30 April 2013	25,075	5,042	13,934	1,013	3,124	19,632	104,044	263,463	435,327

Note:

(a) Property revaluation reserve represents revaluation surplus arising from the fair value change of land and buildings held in Hong Kong at the time of transfer from properties, plant and equipment to investment properties.

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

Notes to the Financial Statements

16 Reserves *(continued)*

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 May 2011	25,744	4,747	131,338	20,240	182,069
Repurchase and cancellation of shares	(669)	295	–	(295)	(669)
2010/11 final dividend	–	–	–	(3,331)	(3,331)
At 30 April 2012	25,075	5,042	131,338	16,614	178,069
2011/12 final dividend	–	–	–	(3,331)	(3,331)
At 30 April 2013	25,075	5,042	131,338	13,283	174,738

Contributed surplus of the Company represents the difference between the norminal value of the Company's shares issued and the aggregate net asset value of the subsidiaries acquired through an exchange of shares pursuant to the reorganisation in 1999. 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.

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.

The share option expired on 25 September 2012 and no option was granted under the Scheme during the period from 1 May 2012 to 25 September 2012 (2012: Nil).

Notes to the Financial Statements

18 Borrowings

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank borrowings	**396,302**	239,197	**–**	–
Bank advances for factored receivables *(note)*	**10,423**	19,215	**–**	–
Bank overdrafts	**24,412**	20,675	**–**	–
Total borrowings	**431,137**	279,087	**–**	–

Note: The Group factored certain receivables to banks in exchange for cash during the year. As the Group still retained risks associated with the default by customers on certain of those factored receivables, those receivables have been accounted for as bank advances for the year ended 30 April 2013.

The maturity of borrowings is analysed as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**333,276**	242,223	**–**	–
Between one and two years	**34,053**	13,538	**–**	–
Between two and five years	**50,710**	12,717	**–**	–
More than five years	**13,098**	10,609	**–**	–
	431,137	279,087	**–**	–

The above amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The ranges of effective interest rates at the date of statement of financial position were as follows:

	Group							
	2013				2012			
	HK$	**US$**	**JPY**	**EUR**	HK$	US$	JPY	EUR
	%	**%**	**%**	**%**	%	%	%	%
Borrowings	**0.99 – 6.25**	**2.33 – 4.16**	**2.19 – 3.69**	**2.16 – 3.67**	0.91 – 6.25	3.17 – 4.90	2.60 – 3.70	3.09 – 5.13

The carrying amounts of borrowings approximate their fair values.

Notes to the Financial Statements

18 Borrowings *(continued)*

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**265,938**	190,939	**–**	–
United States dollar	**56,109**	29,402	**–**	–
Japanese Yen	**89,288**	57,876	**–**	–
Euro dollar	**19,802**	870	**–**	–
	431,137	279,087	**–**	–

Refer to Note 32 for details of the Group's banking facilities and pledges of assets.

19 Deferred income tax

Deferred tax is calculated on temporary differences under the liability method using taxation rates enacted or substantively enacted by the date of statement of financial position in the respective jurisdictions.

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 May	**3,135**	1,466
Deferred taxation		
– (credited)/charged to consolidated income statement *(Note 26)*	**(2,509)**	2,338
Payment of dividend withholding tax upon distribution of unremitted profits	**(72)**	(669)
At 30 April	**554**	3,135

Notes to the Financial Statements

19 Deferred income tax *(continued)*

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	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the year	**613**	657	**591**	501	**1,204**	1,158
Credited/(charged) to income statement	**903**	(44)	**55**	90	**958**	46
End of the year	**1,516**	613	**646**	591	**2,162**	1,204

Deferred tax liabilities	Accelerated depreciation allowance		Withholding tax		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the year	**4,316**	1,932	**23**	692	**4,339**	2,624
(Credited)/charged to income statement	**(1,632)**	2,384	**81**	–	**(1,551)**	2,384
Payment of dividend withholding tax upon distribution of unremitted profits	**–**	–	**(72)**	(669)	**(72)**	(669)
End of the year	**2,684**	4,316	**32**	23	**2,716**	4,339

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 statement of financial position:

	2013	2012
	HK$'000	*HK$'000*
Deferred tax assets	**1,115**	–
Deferred tax liabilities	**(1,669)**	(3,135)
	(554)	(3,135)

Notes to the Financial Statements

19 Deferred income tax *(continued)*

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$24,897,000 (2012: HK$22,136,000) 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. Unrecognised tax losses of HK$11,234,000 (2012: HK$8,473,000) have no expiry date, the remaining losses will expire at variable dates up to and including 2017.

Pursuant to the Corporate Income Tax Law and its implementation rules, effective from 1 January 2008, certain non-resident enterprises (for instance, those without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC whose relevant income is not effectively connected with the establishment or a place of business in PRC) are subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividend derived from sources within the PRC.

The Group is subject to withholding tax on distributions of profits generated after 31 December 2007 from the Group's foreign-invested enterprises in the PRC. As all of the Group's foreign-invested enterprises are directly and wholly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. Deferred tax liabilities amounted to HK$32,000 (2012: HK$23,000) have been provided for in this regard based on the expected dividends to be distributed from the Group's foreign-invested enterprises in the foreseeable future in respect of the profits generated after 31 December 2007.

20 Accounts payable

The ageing analysis of accounts payable based on invoice date is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
0-30 days	**26,025**	26,659
31-60 days	**4,759**	8,452
61-90 days	**451**	975
91-120 days	**494**	84
Over 120 days	**623**	679
	32,352	36,849

Notes to the Financial Statements

20 Accounts payable *(continued)*

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

	2013 HK$'000	2012 HK$'000
Hong Kong dollar	4,120	4,759
Renminbi	20,699	27,776
Japanese Yen	5,836	408
United States dollar	1,531	3,832
Other currencies	166	74
	32,352	36,849

21 Accruals and other payable

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Receipts in advance	2,394	2,313	–	–
Salaries payable	20,979	16,713	–	–
Other staff welfare payable	3,332	2,130	–	–
Rental and other store related payable	13,754	5,211	–	–
Provision for reinstatement cost	4,040	264	–	–
Other taxes payable	3,101	2,383	–	–
Interest payable	1,599	1,059	–	–
Others	8,409	4,535	483	799
	57,608	34,608	483	799
Less:				
Non-current portion of provision for reinstatement cost	(3,575)	–	–	–
	54,033	34,608	483	799

Notes to the Financial Statements

22 Other gains, net

	2013 HK$'000	2012 HK$'000
Fair value gains on investment properties	**15,870**	13,018
Net gain/(loss) on written off/disposal of property, plant and equipment	**58**	(1,178)
Impairment loss on properties, plant and equipment	**(980)**	–
	14,948	11,840

23 Expenses by nature

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

	2013 HK$'000	2012 HK$'000
Auditors' remuneration	**2,285**	2,147
Amortisation of land use rights *(Note 6)*	**535**	515
Cost of inventories recognised as expenses included in cost of sales	**754,860**	405,746
Depreciation of property, plant and equipment *(Note 7)*	**48,629**	42,531
Direct operating expenses arising from investment properties that generate rental income	**274**	468
Employee benefit expenses (including directors' emoluments) *(Note 24)*	**253,490**	203,055
Net exchange (gains)/losses		
– recognised in cost of sales	**(13,662)**	–
– recognised in general and administrative expenses	**614**	539
Operating lease rentals		
– basic rent	**70,952**	28,507
– turnover rent	**11,719**	3,014
Provision for/(write back of) impairment of accounts receivable *(Note 12)*	**3,343**	(905)
Utility expenses	**43,406**	35,979
Freight and transportation	**22,212**	13,587
Other expenses	**60,001**	41,776
Total cost of sales, distribution and selling expenses and general and administrative expenses	**1,258,658**	776,959

Notes to the Financial Statements

24 Employee benefit expenses

	2013	2012
	HK$'000	*HK$'000*
Wages and salaries	**233,127**	185,909
Pension costs – defined contribution plans *(Note a)*	**16,150**	13,855
Staff welfare	**4,213**	3,291
	253,490	203,055

(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 for new employees who joined after 1 December 2000.

From 1 December 2000, companies within the Group in Hong Kong have participated in the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Members of the ORSO Scheme were given a one-time option to choose to transfer to the MPF Scheme or remain in the ORSO Scheme. Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% 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 14% to 33% 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.

Notes to the Financial Statements

24 Employee benefit expenses *(continued)*

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

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 16% 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 2013, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK$16,150,000 (2012: HK$13,855,000), with no deduction of forfeited contributions (2012: Nil). As at 30 April 2013, there were no material forfeitures available to offset the Group's future contributions.

(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:

	2013 ***HK$'000***	2012 *HK$'000*
Directors' fees for independent non-executive directors	**1,818**	1,993
Other emoluments for executive directors		
– basic salaries, allowances and other benefits in kind	**4,366**	4,143
– contributions to pension schemes	**294**	293
	6,478	6,429

No directors waived any emoluments during the year (2012: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

Notes to the Financial Statements

24 Employee benefit expenses *(continued)*

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

The remuneration of the Directors for the year ended 30 April 2013 is set out below:

	Fees HK$'000	Basic salaries and allowances HK$'000	Bonuses HK$'000	Employer's contribution to pension schemes HK$'000	2013 Total HK$'000
Executive directors:					
Mr. Lam Wai Chun	–	1,356	–	100	1,456
Ms. Tang Fung Kwan	–	1,451	–	120	1,571
Ms. Li Hong	–	609	–	40	649
Mr. Ho Man Lee	–	603	44	24	671
Mr. Chung Wai Kin *(retired on 27/9/2012)*	–	273	30	10	313
Independent non-executive directors:					
Dr. Tang Tin Sek	498	–	–	–	498
Mr. Au Son Yiu	480	–	–	–	480
Mr. Goh Gen Cheung	420	–	–	–	420
Professor Zhu Yuhe	420	–	–	–	420
	1,818	4,292	74	294	6,478

The remuneration of the Directors for the year ended 30 April 2012 is set out below:

	Fees HK$'000	Basic salaries, allowances and other benefits in kind HK$'000	Bonuses HK$'000	Employer's contribution to pension schemes HK$'000	2012 Total HK$'000
Executive directors:					
Mr. Lam Wai Chun	–	1,295	–	100	1,395
Ms. Tang Fung Kwan	–	1,420	–	120	1,540
Ms. Li Hong	–	605	–	35	640
Mr. Chung Wai Kin	–	499	17	24	540
Mr. Ho Man Lee *(appointed on 27/9/2011)*	–	304	3	14	321
Independent non-executive directors:					
Dr. Tang Tin Sek	498	–	–	–	498
Mr. Au Son Yiu	480	–	–	–	480
Mr. Goh Gen Cheung	420	–	–	–	420
Professor Zhu Yuhe	420	–	–	–	420
Mr. Lee Wing Kwan, Denis *(retired on 27/9/2011)*	175	–	–	–	175
	1,993	4,123	20	293	6,429

Notes to the Financial Statements

24 Employee benefit expense *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2012: three) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining three (2012: two) individuals during the year are as follows:

	2013	2012
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits in kind	**2,083**	1,137
Contributions to pension schemes	**106**	48
	2,189	1,185

The emoluments fell within the following band:

	Number of individuals	
	2013	2012
Emolument bands		
Nil to HK$1,000,000	**3**	2

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

25 Finance costs – net

	2013	2012
	HK$'000	*HK$'000*
Interest expense on bank borrowings *(Note)*		
– wholly repayable within five years	**12,779**	9,445
– not wholly repayable within five years	**672**	351
Total interest expense incurred during the year	**13,451**	9,796
Interest income from bank deposits	**(42)**	(45)
	13,409	9,751

Note:

The classification by repayment period is based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

Notes to the Financial Statements

26 Taxation

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

	2013	2012
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**4,232**	2,767
– under/(over)-provision in prior years	**69**	(138)
Overseas taxation including Mainland China		
– current tax	**640**	361
– over provision in prior years	**–**	(105)
Deferred taxation *(Note 19)*	**(2,509)**	2,338
Total taxation	**2,432**	5,223

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 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax at the rate of 25% (2012: 25%) 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 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:

	2013	2012
	HK$'000	*HK$'000*
Profit before taxation	**22,582**	20,723
Tax calculated at weighted average domestic tax rates applicable to profits in the respective territories	**2,994**	3,072
Tax effect on income not subject to taxation	**(2,645)**	(2,168)
Tax effect on expenses not deductible for taxation purposes	**491**	2,905
Utilisation of previously unrecognised tax losses	**(187)**	(57)
Unrecognised tax losses	**1,714**	1,841
Over provision in prior years	**69**	(243)
Withholding tax on unremitted profit	**81**	–
Others	**(85)**	(127)
	2,432	5,223

Notes to the Financial Statements

27 Profit for the year of the Company

There is no profit/loss of the Company dealt with in the financial statements of the Company for the years ended 30 April 2013 and 30 April 2012.

28 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the year of the Company of approximately HK$20,150,000 (2012: HK$15,500,000) and the weighted average number of 666,190,798 (2012: 666,611,642) shares in issue during the year.

For the years ended 30 April 2013 and 30 April 2012, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

29 Dividend

	2013	2012
	HK$'000	*HK$'000*
Proposed final dividend of HK0.50 cent (2012: HK0.50 cent) per share	**3,331**	3,331

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

Notes to the Financial Statements

30 Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2013 HK$'000	2012 HK$'000
Profit for the year	20,150	15,500
Adjustments for:		
– Taxation	2,432	5,223
– Interest income	(42)	(45)
– Interest expense	13,451	9,796
– Amortisation of land use rights	535	515
– Depreciation of property, plant and equipment	48,629	42,531
– Net (gain)/loss on written off/disposal of property, plant and equipment	(58)	1,178
– Provision for/(write back of) impairment of accounts receivable	3,343	(905)
– Fair value gains on investment properties	(15,870)	(13,018)
– Impairment loss on properties, plant and equipment	980	–
	73,550	60,775
Changes in working capital:		
– Increase in inventories	(44,638)	(21,736)
– Decrease in accounts receivable	15,875	10,142
– Increase in prepayments, deposits and other receivables	(24,388)	(21,363)
– Decrease in accounts payable	(4,497)	(946)
– Increase in accruals and other payables	23,000	7,147
Cash generated from operations	38,902	34,019

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprises:

	2013 HK$'000	2012 HK$'000
Net book value	49	1,424
Net gain/(loss) on written off/disposal of property, plant and equipment	58	(1,178)
Proceeds from disposal of property, plant and equipment	107	246

Notes to the Financial Statements

30 Notes to the consolidated statement of cash flows *(continued)*

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

	2013 HK$'000	2012 HK$'000
Cash and cash equivalents	81,004	38,622
Bank overdrafts	(24,412)	(20,675)
	56,592	17,947

31 Commitments and contingent liabilities

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

	Group 2013 HK$'000	Group 2012 HK$'000
Contracted but not provided for	9,391	58,569

The Company did not have significant capital commitments as at 30 April 2013 (2012: Nil).

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

At 30 April 2013, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	2013 HK$'000	2012 HK$'000
Not later than one year	97,692	38,592
Later than one year and not later than five years	123,780	40,011
	221,472	78,603

The above lease commitments do not include commitments for additional rentals payable, if any, when turnover of individual retail outlets exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

Notes to the Financial Statements

31 Commitments and contingent liabilities *(continued)*

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

At 30 April 2013, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2013	2012
	HK$'000	*HK$'000*
Note later than one year	**1,907**	1,399
Later than one year and not later than five years	**880**	417
	2,787	1,816

32 Banking facilities and pledge of assets

As at 30 April 2013, the Group had aggregate banking facilities of approximately HK$544,036,000 (2012: HK$434,493,000) for overdrafts, loans and trade financing, factoring of accounts receivable, foreign exchange treasury facilities etc. Unused facilities as at the same date amounted to approximately HK$111,946,000 (2012: HK$155,406,000). These facilities were secured by corporate guarantees executed by the Company and certain of its subsidiaries.

As at 30 April 2013, the Group's banking facilities were secured by:

(a) pledges of the Group's land and buildings of approximately HK$239,559,000 (2012: HK$113,034,000) (Note 7).

(b) pledges of the Group's investment properties of approximately HK$76,065,000 (2012: HK$66,214,000) (Note 8).

(c) pledges of the Group's available-for-sale financial assets of approximately HK$9,169,000 (2012: HK$8,919,000) (Note 10)

(d) pledges of the Group's factored accounts receivable of approximately HK$10,423,000 (2012: HK$19,215,000) (Note 12).

(e) pledges of the Group's bank deposits of approximately HK$27,616,000 (2012: HK$27,750,000) (Note 14).

(f) charges over certain of the Group's inventories held under trust receipts import bank loan arrangements (Note 11).

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

Notes to the Financial Statements

33 Related party transactions

Related party is a party that is related to the Group if directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with the Group (including the Company or its wholly or non-wholly owned subsidiaries); or the party has an interest in the Group that gives it significant influence over the Group; or the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual who is a member of the key management personnel of the Group or its parent.

Except as otherwise stated, during the year, the Group had the following related party transactions:

		2013	2012
		HK$'000	*HK$'000*
(a)	Rental expense paid to a related company which is owned by directors of the Company	**692**	639
	Rental expense paid to a director of the Company	**294**	246
	Purchase from a related company	**809**	–

		2013	2012
		HK$'000	*HK$'000*
(b)	Prepayment to a related party for purchase of inventory	**233**	–

(c) Key management compensation is as below:

	2013	2012
	HK$'000	*HK$'000*
Wages and salaries	**6,184**	6,136
Pension costs – defined contribution plans	**294**	293
	6,478	6,429

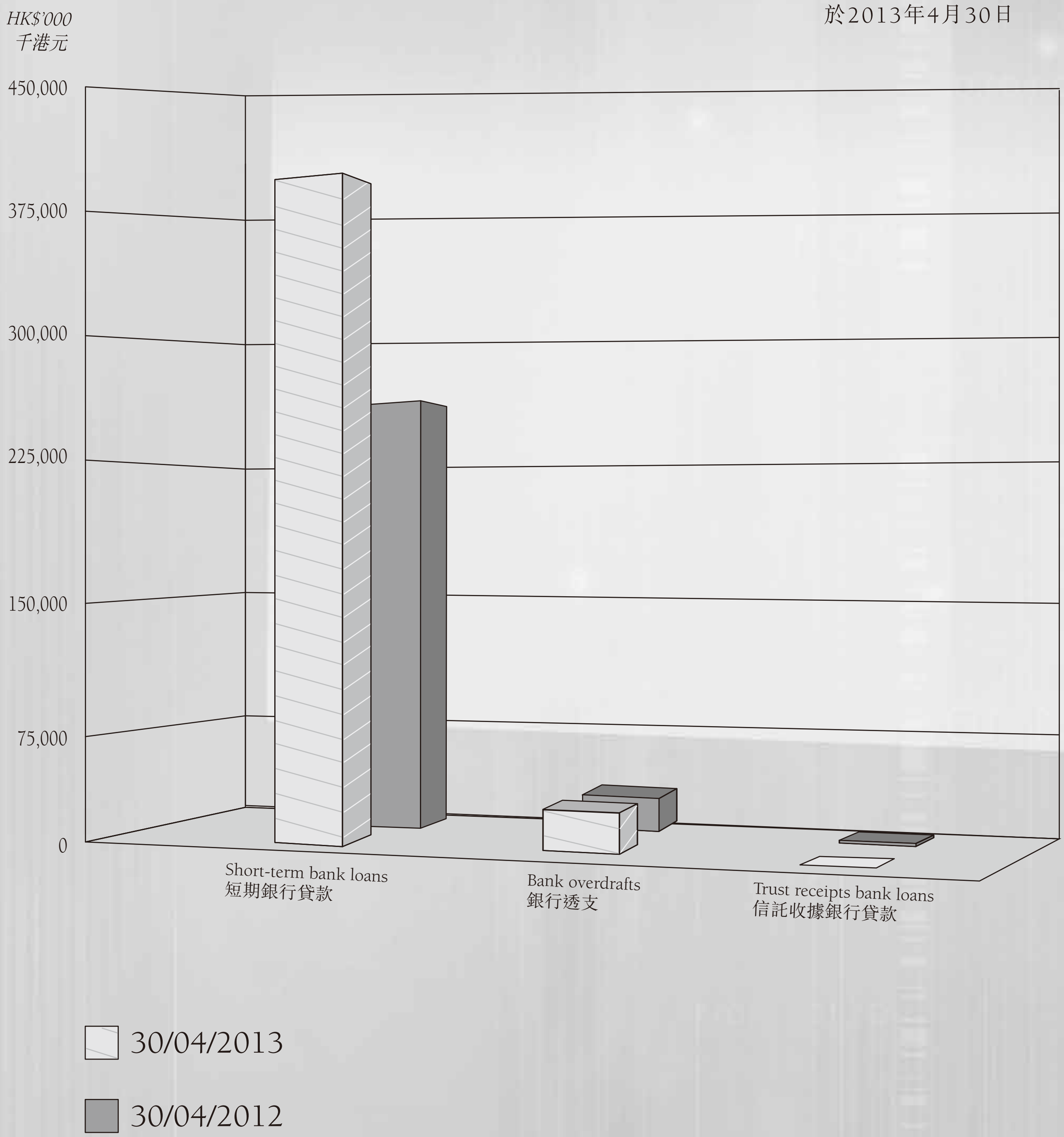
Schedule of Principal Investment Properties

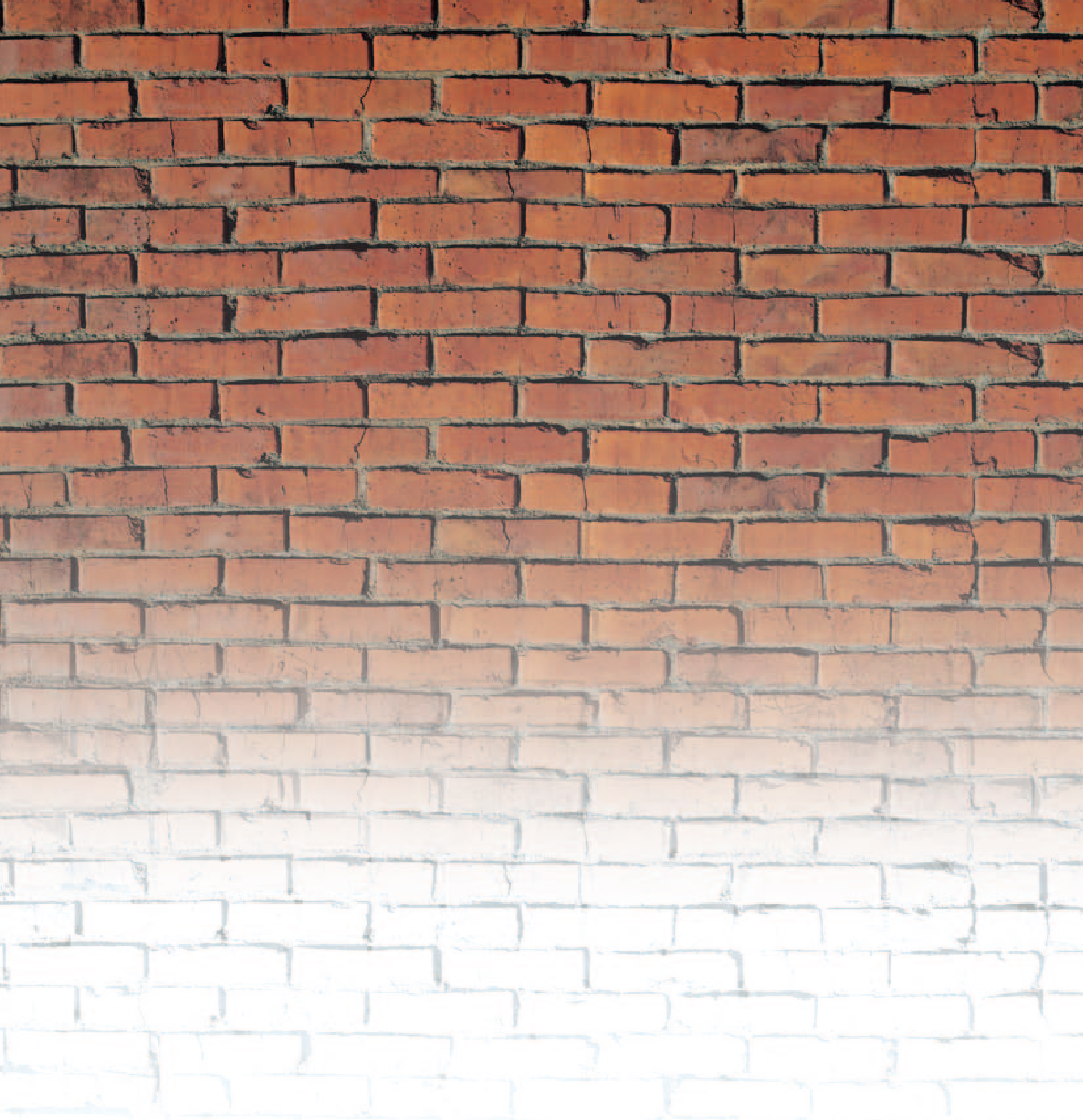
All properties held for investment are under medium-term leases. Major investment properties of the Group are set out below:

	Address	Lot No.	Existing use
1.	Shop No.4 on Ground Floor, Richland Garden, No. 138 Wu Chui Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No. 333	Shop
2.	Shop No.33 on Ground Floor, Richland Garden, No. 138 Wu Chui Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No. 333	Shop
3.	Shop No.45 on Ground Floor, Richland Garden, No. 138 Wu Chui Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No. 333	Shop
4.	Flat H on 23rd Floor of Tower 5 of Aegean Coast No.2 Kwun Tsing Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No. 374	Residential
5.	Flat G on 29th Floor of Tower 8 of Aegean Coast No.2 Kwun Tsing Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No. 374	Residential
6.	Flat No.7 on 11th Floor of Block E, Amoy Gardens, Phase 1, No. 77 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon, Hong Kong	Section E of New Kowloon Inland Lot No. 53 and the others	Residential
7.	Flat No.4 on 24th Floor of Block F, Amoy Gardens, Phase I, No. 77 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon, Hong Kong	Section E of New Kowloon Inland Lot No. 53 and the others	Residential
8.	Flat A7 on 40th Floor of Block A and portion A7 of Roof, Tak Bo Garden, No.3 Ngau Tau Kok Road, Kowloon Bay, Hong Kong	Section A of New Kowloon Inland Lot No. 2695 and the others	Residential

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

As at 30 April 2013
於2013年4月30日





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