759阿信屋®

Annual Report 2013/2014 年報

759阿信屋 Store

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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 International Holdings Limited ("CEC International") 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.

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 International 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.

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. Our products not only came from Japan, but also Korea, Taiwan, other European countries, North America and South-east Asia regions. To provide our customers with a much comprehensive range of products to select, we did best to further increase the varieties of our products and, apart from food, we self-imported frozen food, alcohol beverages, household products, kitchenware, personal care and cosmetics goods, etc. 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.

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

「CEC國際控股有限公司」(簡稱:CEC國際)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。

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的電子線圈製造商,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國際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。

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。759阿信屋積極將進貨領域進一步擴大,除食品外、自行進口急凍食品、酒類、住宅用品、廚具、個人護理用品及化妝品等等,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。

CEC國際於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。

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Corporate Information

DIRECTORS

Executive Directors
Mr. Lam Wai Chun
(Chairman and Managing Director)
Ms. Tang Fung Kwan
Mr. Ho Man Lee
Ms. Li Hong
(resigned on 1 October 2013)

Independent Non-executive Directors
Mr. Au Son Yiu
Dr. Tang Tin Sek
Mr. Goh Gen Cheung
Professor Zhu Yuhe
(retired on 27 September 2013)

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
Ms. Tang Fung Kwan
Professor Zhu Yuhe
(retired on 27 September 2013)

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
MUFG Fund Services
(Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
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

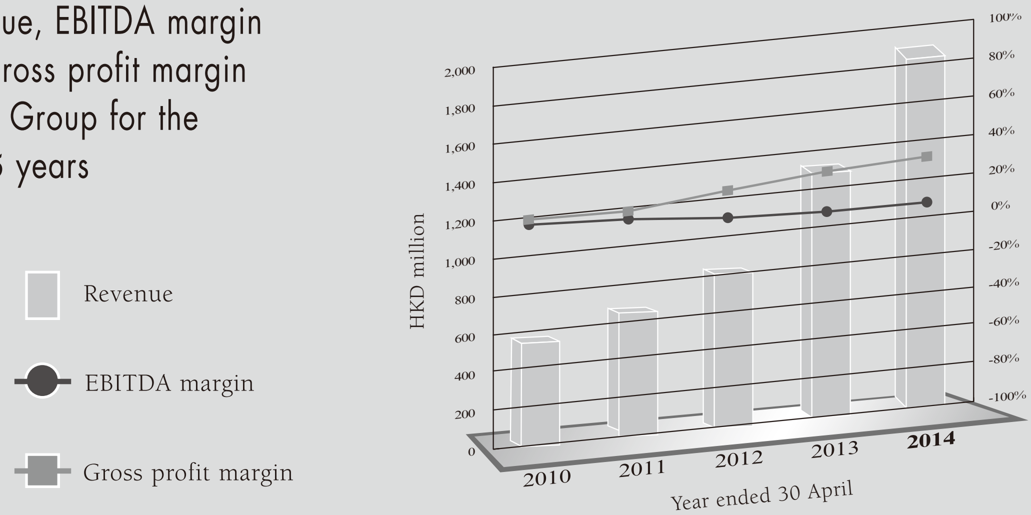
E-mail: info@ceccoils.com

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 2014 HK$'000	2013 HK$'000	Change
Revenue	**1,830,561**	1,279,701	+43.0%
Profit attributable to equity holders of the Company	**23,773**	20,150	+18.0%
Total assets	**1,137,838**	1,029,713	+10.5%
Net assets	**532,987**	501,946	+6.2%
Per Share Data			
Basic earnings per share (HK cents)	**3.57**	3.02	+18.2%
Net assets per share (HK cents)	**80.0**	75.3	+6.2%
Financial Ratios			
Gross profit margin (%)	**29.9**	27.9	+2.0
EBITDA margin (%)	**5.8**	6.7	–0.9
Current ratio	**0.77**	0.78	–0.01
Interest coverage ratio	**7.08**	6.35	+0.73
Gearing ratio	**0.42**	0.39	+0.03

Definitions

Basic earnings per share	Profit attributable to equity holders of the Company / Weighted average number of issued shares
Net assets per share	Net 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:

	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit attributable to equity holders of the Company	**23,773**	20,150	15,500	28,590	10,657
Total assets	**1,137,838**	1,029,713	837,275	727,324	649,606
Total liabilities	**(604,851)**	(527,767)	(356,671)	(271,154)	(227,394)
	532,987	501,946	480,604	456,170	422,212

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 fifteenth 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.

2013/2014 SUMMARY OF RESULTS

– Revenue increased 43% to HK$1,830,561,000 (2013: HK$1,279,701,000);

– Profit attributable to equity holders of the Company increased 18% to HK$23,773,000 (2013: HK$20,150,000);

– Basic earnings per share was HK3.57 cents (2013: HK3.02 cents);

– Proposed final dividend of HK0.70 cent (2013: HK0.50 cent) per share;

– Net cash inflow from operating activities decreased by 12% to HK$31,797,000 (2013: HK$36,045,000); and

– Gross profit margin increased by 2 percentage point to 29.9% (2013: 27.9%).

DIVIDEND

No interim dividend has been declared for the year ended 30 April 2014 (2013: 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 HK0.70 cent (2013: HK0.50 cent) per share for the year ended 30 April 2014 payable on or about 24 October 2014 to the shareholders whose names appear on the Company's register of members on 9 October 2014.

Management Discussion and Analysis

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 September 2014 to Thursday, 25 September 2014 (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 Thursday, 25 September 2014 are entitled to attend and vote at the annual general meeting of the Company to be held on Thursday, 25 September 2014 (the "2014 Annual General Meeting"). In order to qualify to attend and vote at the 2014 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 Monday, 22 September 2014.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2014 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 Tuesday, 7 October 2014 to Thursday, 9 October 2014 (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 Monday, 6 October 2014. The payment of final dividend will be made on or about Friday, 24 October 2014.

BUSINESS REVIEW

General Overview

For the financial year 2013-2014 under review, the Group recorded a total revenue of HK$1,830,561,000 (2013: HK$1,279,701,000), representing a growth of about 43.0%. Such growth was mainly attributed to the operation of 759 STORE retail business, reaching HK$1,442,981,000 (2013: HK$812,150,000), with a growth of about 77.7%. Over the year, the branch number of 759 STORE increased by 58 to 192 in total as at 30 April 2014 (2013: 134 branches). Gross profit margin of the Group was 29.9% (2013: 27.9%), increased by two percentage points over that in prior year, which was primarily due to the greatly increased share of higher profit margin retail business, which accounting for 79% of total revenue (2013: 63%).

Over the year, the consolidated profit for the Group was HK$23,773,000 (2013: HK$20,150,000) and the consolidated profit margin was 1.3% (2013: 1.6%). In light of the property price in Hong Kong which went relatively steady in the year, the gain from revaluation of investment properties was substantially reduced to HK$1,159,000 (2013: HK$15,870,000). Excluding the gain from revaluation of investment properties, the consolidated operating profit in the year increased 4.3 times to HK$22,614,000 (2013: HK$4,280,000), comparing with that in last year. Operating profit for the year was HK$46,560,000 (2013: HK$35,991,000), mainly derived from the retail business. For electronic components manufacturing business, the segmental operating profit lowered to HK$1,577,000 (2013: HK$15,369,000) as the Group has made impairment provisions for some non-recurring items over the year. Tax expense for the year greatly increased by 2.2 times than that in last year, mainly attributed to the significant growth of operating profit in retail business section.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

General Overview *(continued)*

For inventory, management fully aware that, as a company of capital base not tremendously strong while developing retail network requires abundance of financial resources, we have to strive to improve logistics efficiency, lowering inventory level to compensate the effect of soaring storage cost, so as to avoid cash being locked up to improve liquidity. Retail business for the year continued to develop with the newly added 58 branches and revenue marked an increase of 77.7%. The amount of inventory went up alongside with business scale expansion. As at 30 April 2014, consolidated inventory of the Group amounted to HK$218,516,000 (2013: HK$163,021,000), representing an increase of 34% over that of last year. Inventory turnover day, that shows how quickly a company is converting their inventory into sales, was 54 days (2013: 56 days), which has improved over that in last year. Total deposits, prepayments and other receivables (including prepaid rent and deposits for retail shop) for the Group as at 30 April 2014 increased with the number of 759 STORE branch, reaching HK$103,789,000 (2013: HK$ 59,721,000). Accounts and bills receivable as at 30 April 2014 was HK$86,402,000 (2013: HK$106,928,000), decreased by 19% when comparing with that of last year. Excluding the effect of retail business, accounts receivable turnover day was 89 days (2013: 91 days), decreased by 2 days when comparing with that of last year.

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. 759 STORE upholds a “lower margin with high turnover” strategy. Operating with high inventory turnover rate, it aimed at giving a more desirable shopping experience to vast local Hong Kong residents, by providing a relaxing shopping environment with a wide range of products for our customers. As at 30 April 2014, 759 STORE has 192 branches (2013: 134 branches). During the year, the Group established various new attempts by setting up the following new trade names, including “759 STORE Household Market” featuring household goods and small electrical home appliances; “759 STORE Frozen Market” that specializes in selling frozen food and grocery food items; “759 KAWAIILAND” that mainly sells personal care products, skincare and cosmetic items and various interesting goods from Japan; while “759 STORE Supermarket” sells all types of goods self-imported by the Group. We are gradually developing more diversified source of goods with new attempts with an aim to offer more choice for local residents.

Retail business for the year recorded a revenue of HK$1,442,981,000 (2013: HK$812,150,000), representing a rise of 77.7% than last year and accounting for about 79% of the total revenue of the Group (2013: 63%). Thanks to the trust and support by the landlords of shopping malls and shop units, a number of desirable shop locations were made available for 759 STORE to expand. As at 30 April 2014, the number of 759 STORE branches was 192 (2013: 134), increased by 58 branches or 43%. Targeting to serve vast Hong Kong residents, branches of 759 STORE are ideally 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 271,000 sq ft (2013: 146,000 sq ft) in total and approximately 1,411 sq ft (2013: 1,090 sq ft) per shop. The Group acknowledged that customers generally favour the increased floor area of our shops, which not only provide much more space to display wider variety and more categories of products, but also able to provide a much more spacious and comfortable shopping environment. The increase of average shop area of each branch will further benefit the adding of new sources of items, providing a more diversified supply of product type. Corporate target of 759 STORE is committed to serving local residents. It will try its best to select those sites with greater floor area for new shops within the shopping mall and shop unit of the living zones where lower rent per sq ft could well offset the effect of bigger area despite the pedestrian flow may be lower. During the year, shop rent accounted for about 9.8% (2013: 9.7%) of the retail revenue.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Retail Business *(continued)*

The Group has placed great emphasis on human resources and believed that providing reasonable salary will induce staff's incentive in exchange for excellent performance and satisfactory service to our customers. Salary and allowance for frontline staff accounted for about 8.1% (2013: 8.6%) of segmental revenue. It showed that staff working efficiently can offset the pressure from salary increment in the market. In addition, the number of frontline staff employed per branch on average over the same period was 4.1 (2013: 4.1), which was similar to that of the same period of last year. Staff's working experience empowered them to cope with the expanded average shop area, product variety and size of sales.

Gross profit of retail business for the year was HK$488,720,000 (2013: HK$255,113,000) and the gross profit margin was 33.9% (2013: 31.4%), increased by 2.5 percentage point when compared with that for last year. The gradual improvement in gross profit margin, despite with frequent discount offers, was primarily attributed to the increased revenue which drove purchase amount to rise and higher purchase amount in turn provided good incentive for overseas agents and manufacturers to give better trading terms which reduced the procurement cost of the Group. The sales and distribution cost and administrative expenses during the year were HK$350,278,000 and HK$86,820,000 (2013: HK$203,153,000 and HK$39,363,000), representing an increase by 72% and 121% respectively. The increase of sales and distribution cost principally corresponded with the revenue uplift of 78%. For administrative expenses, the Group has mostly transferred the coil business resources in Hong Kong and overseas to serve the retail business. With the gradual expansion of the retail business segment operating profit for the year was HK$51,157,000 (2013: HK$11,617,000), with a growth of about 3.4 times. Segment operating profit margin was 3.5% (2013: 1.4%).

Revenue from retail business marked a continuous growth for the year. Our established product source and supply chain became the most crucial factors for the development of 759 STORE. 759 STORE places great emphasis on the independency and flexibility on price setting and it insisted on pricing the product with an established reasonable formula, as such, the Group has to develop its own procurement model based on direct import. Our procurement team comprised members who have worked in the coil business for years. Over the year, product source network was extensively expanded and 759 STORE products were sourced from over 60 (2013: 18) countries and regions. In addition to snacks, beverages, grocery food items, wine and spirit, product categories have now extended to frozen food, household products, baby products, personal care products, cosmetic, etc. Total number of product category sold for the year exceeded 14,500 types (2013: 3,500 types). 759 STORE has not only forged close supply partnership with large overseas wholesaler but also maintained a direct supply relation with several manufacturers. Riding on these opportunities, we hope to form a stable and price competitive product supply, providing more premium products to customers at reasonable price. Product price of 759 STORE was set by formula with constant markup percentage 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, and our customers could buy foreign import products in Hong Kong at similar consumption level as if they stayed and bought in that country of origin. Under the high inventory turnover policy, the Group was able to place steady, bulky and long term purchase orders to foreign distributors and manufacturers, and stable demand allows suppliers to lower its cost so as to offer a more competitive export-pricing.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Electronic Components Manufacturing Business

The coil products of the Group's electronic component manufacturing business are applied in a wide ranging spectrum of electronic consumer goods, including various mobile communication equipment, lighting products, electrical appliances, computers and its peripheral products, power supply devices, etc. The Group kept restricting the development of electronic components manufacturing business in the year, gradually decreasing the resources allocated to this business. In the meantime, by re-organizing the customer base, our services and supports could focus on our international customers, that had been working together for years, so as to enhance the stability and certainty on orders and account receivables. Segmental revenue for this business for the year has dropped by 17.2% to HK$385,051,000 (2013: HK$465,208,000).

To better reflect the actual operation status of the manufacturing business, the Group has recorded certain provision for impairment during the year, including an one-off impairment provision of HK$12,173,000 for certain tools and components owing to halt production of some products; and fixed assets impairment provision of HK$2,966,000 for the Nanjing plant that had reduced its production scale. In addition, the Group also made accounts receivable provision of HK$1,002,000 for a client who requested a deferred payment for the credited amount. The above arrangement affected the segment profit and operating profit of the electronic components manufacturing business, where the segmental gross profit amounted to HK$56,589,000 (2013: HK$100,000,000), decreased by 43% over the year. The gross profit margin was also reduced by 6.8 percentage point to 14.7% (2013: 21.5%). The segmental operating profit was HK$1,577,000 (2013: HK$15,369,000).

After years of investment and development, the production facilities and operational flow in the main plant for the manufacturing business 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, metallic 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 display purposes for 759 STORE. Attributed to the large-scaled automated production equipment, the Group is able to maintain certain production scale and cost competitiveness in spite of the continuously rising wage level. The associated capital expenditure has remained at a low level, amounting to HK$3,525,000 (2013: HK$2,501,000).

Selling and distribution expenses of electronic components manufacturing business for the year was HK$10,437,000 (2013: HK$13,221,000), representing a reduction of about 21.1% over last year. Such reduction is reasonable following the fall of segmental revenue. The segment administrative expense was HK$39,844,000 (2013: HK$71,469,000). The reason for such great reduction was attributed to the Group's reallocation of the resources of the Hong Kong headquarters and overseas from supporting the electronic component business to developing the retail business. Account receivables and inventory were recorded at HK$80,582,000 and HK$84,474,000 (2013: HK$105,703,000 and HK$107,599,000), decreased by 23.8% and 21.5%, respectively following the decline of segment revenue and the extent of such fall was greater than the reduction of revenue. The Group will actively enforce stringent credit policy and inventory control to avoid liquidity backlog.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Investment Properties

The rental income for the Group in the financial year was HK$2,529,000 (2013: HK$2,343,000), approximately the same as compared with that in last year.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2014, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$110,385,000 (2013: HK$108,620,000). As at 30 April 2014, the Group had aggregated banking facilities of HK$609,325,000 (2013: HK$544,036,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK$98,431,000 (2013: HK$111,946,000). At 30 April 2014, the utilized banking facilities amounting to HK$510,894,000 were secured by charges on the Group's certain land and buildings, investment properties, pledges of the Group's accounts receivable, bank deposits, available-for-sale financial assets and inventories. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 30 April 2014, 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$499,085,000 at 30 April 2014 (2013: HK$431,137,000), increased by HK$67,948,000. As at 30 April 2014, the Group's gearing ratio* was 0.42 (2013: 0.39), reporting an increase of 0.03 as compared with that of the last financial year-end date. The Group did not have any contingent liabilities (2013: 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

On 30 April 2014, the Group had inventories of HK$218,516,000 (2013: HK$163,021,000). The increase in inventories was mainly attributable to the opening of new branches of 759 STORE, and the increase in imports from regions, including Europe and America, which are relatively far away from Hong Kong. As a result, shipment in transit amounted to HK$42,443,000 as at 30 April 2014 (2013: HK$19,434,000), which was up by 1.2 times. At the same time, the Group's prepayment, deposit and other receivables (including prepaid rent and deposit for retail stores) went up to HK$103,789,000 (2013: HK$59,721,000) as a result of the increase in retail network of 759 STORE.

Interest Expenses

Interest expense of the Group amounted to HK$15,085,000 for the year ended 30 April 2014 (2013: HK$13,451,000), increased by 12%.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Financial Resources and Capital Structure

In the financial year, the Group recorded a net cash outflow of HK$12,536,000 (2013: net cash inflow of HK$35,502,000). Net cash inflow from operating activities amounted to HK$31,797,000 (2013: HK$36,045,000). During the year, the Group expanded its retail network, which resulted in an increase in rental deposits, rental in advance and prepaid rents of HK$30,781,000 and an increase in consolidated inventory of HK$55,495,000. All these factors negatively impacted the net cash inflow from operating activities for the financial year. During the financial year, net cash outflow from investing activities of HK$81,572,000 (2013: HK$132,250,000) was mainly deployed for properties purchase and retail shop fitting-out. During the year, net cash inflow from financing activities accounted for HK$37,239,000 (2013: HK$131,707,000), which was mainly attributed to the significant decrease in new borrowings.

Cash Flow Summary

	2014	2013
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**31,797**	36,045
Net cash outflow from investing activities	**(81,572)**	(132,250)
Net cash inflow from financing activities	**37,239**	131,707
(Decrease)/increase in cash and cash equivalents	**(12,536)**	35,502

As at 30 April 2014, the net current liabilities was HK$139,778,000 (2013: HK$117,399,000), and the current ratio was 0.77 (2013: 0.78). It included pledged loans of approximately HK$142,025,000 (HK$44,057,000 repayable within one year; HK$97,968,000 repayable after one year). Such loans due for repayment after one year but contained a repayment on demand clause amounting to approximately HK$97,968,000 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 expansion of the retail business in the past twelve months, an 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 focused on maximizing its internal resources usage, and the pledge of properties and other assets 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 the Group have adequate working capital to meet the existing development plans.

Charges on Assets

As at 30 April 2014, certain assets of the Group with an aggregate carrying value of approximately HK$371,890,000 (2013: HK$362,832,000) were pledged to secure banking facilities of the Group.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

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 Japanese Yen has a remarkable appreciation, there will be impact on the Group's cost. In this connection, the Group will closely monitor the fluctuation trend of Japanese Yen.

EMPLOYEES

As at 30 April 2014, the Group employed approximately 3,100 staff (2013: 3,500). 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.

CORPORATE SOCIAL RESPONSIBILITY

The Group has actively performed its corporate citizenship responsibility. Through our participation in various charitable, volunteer, and athletic and recreational activities, we have encouraged our staff force to care about the society, to promote healthy and balanced physical and mental development. We have also made donations ourselves to charity organizations and educational institutions, and endeavored to participate in the community's public welfare activities.

Nurturing the Youth

Realizing the importance of education as a building block to foster social wellness, we have been supportive to youth education. Apart from setting up scholarship, we have endeavored to provide a practicing platform for students and promote athletic activities with a view to help youngsters to command an all-facets balanced development and life. During the year, we have jointly held or sponsored the following activities with their respective launching educational institutions and colleges:

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

- Sponsored secondary school students to participate in the "Twelfth Junior Entrepreneur Programme" run by the Hong Kong Polytechnic University in order to nurture youngsters' leadership development.

- Co-held "759 Visual Design Art Competition" with Hong Kong Design Institute, which provides a platform of design creativity concept for students to encourage creativity development, by sponsoring the activity's expenses and providing scholarship.

- Launched "TWC Co-op 759 Store" that provides a practicing opportunity for Tung Wah College students.

Management Discussion and Analysis

CORPORATE SOCIAL RESPONSIBILITY *(continued)*

Nurturing the Youth (continued)

- Participated in the "Hong Kong Business Leadership Programme 2013" that provided domestic college students with practicing opportunities.

- Arranged various educational visits for students from kindergartens to secondary schools through site visits and workshops so that students could physically experience and learn extracurricular knowledge.

- Sponsored the tenth Chinese University of Hong Kong's "Rowing Championship and Asian University Invitation Competition" and Hong Kong Polytechnic University for participation in the Standard Chartered Hong Kong Marathon in order to promote team spirit and physical health among students.

Caring the Society

Further to our care of education, we have also actively mobilized the platform of 759 Store's more than 200 stores to help integrate social responsibilities into our daily business and allowed our staff force and customers to participate in it, and thus harnessing a more extensive and intensive coverage of our social responsibilities.

- Cooperated with New Life Psychiatric Rehabilitation Association to promote the association's proprietary brand of organic soymilk - the "O Beans" in our stores, which helped cultivate job opportunities for rehabilitators and promote healthy life concept.

- Participated in the "Food Sharing Programme" promoted by the New Life Psychiatric Rehabilitation Association to offer help in providing free food for the disadvantaged group.

- Worked together with M&M (Mentors and Mentees) to hold the "Practice Kindness" activity in 759 Store with a hope that "kindness echoes kindness, kind hearts echoes kind hearts".

- Helped Orbis in raising charity funds by placing donation boxes in the stores of 759 Store.

- Organized our staff volunteers to help keep flag sacks in the Company in order to raise charity funds on flag selling days for the Hong Kong Rehabilitation Association.

Other donations and sponsorship:

- Sponsored the Hong Kong Wakyokai in its charity show "落語會" for the donation support of charity fund raising for the earthquake disaster occurred in Northeast Japan.

- Sponsored the "Barefoot Builders" activity held by Habitat for Humanity China and invited our staff to voluntarily participate in raising funds for Habitat for Humanity China so that those needy families can have their own homes.

- Sponsored the Orbis "Moonwalkers" 2013 fund raising activity and helped Orbis to extend its saving the blind mission to cover more far away areas, which will bring colorful life to the blind.

Management Discussion and Analysis

CORPORATE SOCIAL RESPONSIBILITY *(continued)*

Caring the Society (continued)

- Donated gifts and privileged cards to various charity organizations and students unions, such as the second "Boogie on Board" Hong Kong Youth Dance Gala held by the Hong Kong Association of Youth Development, the Lion's Club's Secondary School Charity Bazaar, the "Physically Handicapped and Able-Bodied Happy Together" activity held by the Volunteer Space, the Hong Kong Blind Union's "Cane-athon", Lingnan University's Fund Raising Walkathon 2013, The Chinese Gold and Silver Exchange Society's "Winter Solstice Thousand People's Poon Choi Feast", etc.

APPRECIATION AND COMMENDATION

We have the honor to be recognized by our customers and all circles, and have been awarded with various prizes that encourage us to work devotedly:

Prizes	**Awarding Organization**
Coils Electronic Company Limited "5 Year Plus Caring Company" 2013/14	The Hong Kong Council of Social Service
759 Store "Yahoo! Emotive Brand Award 2012-2013" – Chain Stores	Yahoo, Hong Kong
"Hong Kong Business Awards 2013" – Enterprise Award	DHL and South China Morning Post
"Hong Kong Enterprise Leading Brand 2014" – Outstanding Food Retail Service Brand	Metro Finance
"Hong Kong Service Awards 2014" – Supermarket Award	Eastweek
"Junzi Enterprise Survey 2013" – Junzi Enterprise Gold Award	Hang Seng Management College
Smiling Enterprise Award	Mystery Shopping Providing Association

PLAN AND FUTURE PROSPECTS

Retail Business

By the date of the release of this annual report, the Group's retail business, "759 STORE" has recorded 4 full years of operations. In this 4 years' ordered development, revenue and operating profit of retail business had already been the main source of income for the Group, amounted to nearly 80% of the income for the whole group. To make further progress and to establish firmer market position, the Group has to review the issues that came across the way during its development processes, study in detail the external competition situation for 759 STORE in the market, analyse past operation data and review the result after policy implemented, so as to ensure that effective management and development could be sustained in retail business.

Management Discussion and Analysis

PLAN AND FUTURE PROSPECTS *(continued)*

Retail Business *(continued)*

Market positioning and competition trend

After facing holdbacks in local supply and conflicts that emerged since setting prices independently, 759 STORE developed a "Parallel import in container unit" model for procurement, sourcing products all over the world by management team in the existing manufacturing business. The founder established an independent price setting program, adopted from existing manufacturing logic - introducing fixed markup percentage to simple costing. He further encourages procurement team to hunt food products, necessities and groceries in all parts of the world to expand consumers' choices. In the beginning of the year, management had tried to seek product supply from local suppliers again, especially those small and medium sized suppliers. However, apart from the fundamental conflicts existing in price setting nonetheless, those small and medium sized suppliers still consider large retail chains so called "key chains" as their ultimate targets, even though quite a lot of them felt deeply interested in 759 STORE, which has nearly 200 retail selling points, since we does not request listing fee from them. Mutual consents with local suppliers on price setting were hard to make since local suppliers needed to control their market prices and apparently still not able to accept our Group's price setting model which was created in industrial manufacturing logic. In light of that, the Group had decided to stick firmly on the "low margin high turnover" policy with existing price setting program, further expanding our product sourcing spectrum, enriching the product choices on our shelves.

The Group believes that, 759 STORE's procurement model is different in today's market. Compared with other sizeable supermarket chains, 759 STORE does not resemble any of the feature of the traditional supermarket chain, it basically does not display any well-known brand products that are supplied by local distributers. In contrast, 759 STORE's procurement team worked hard to explore the products that gains popularity in oversea markets while lacks promotion in HK. In terms of product selection, it is obvious that basically there is no overlapping between 759 STORE and major supermarket chains. (Both are running on its own in different tracks). The Group believed that large supermarket chains were absolutely capable to increase the proportion of products that are imported on their own so as to import exactly the same products as 759 STORE's, without much difficulty. However, their existing operation model would have to be changed. In light of that, 759 STORE will continue to explore new products and their substitutes all over the world to expand customers' selection.

Product category mix

759 STORE started with selling mainly snacks, beverages, noodles and food groceries. In the year, 759 STORE increased the weighting of rice, noodle and food groceries, introducing frozen food items, household items, kitchenwares, baby items, personal care items, cosmetics, small electrical home appliances and etc. The Group once tried to sell fresh vegetables and fruits. However, management decided to hold the development on fresh vegetable category since sales result was not satisfactory and management is fully aware that 759 STORE was hard to compete with traditional market booths and shops for lack of ability to process fresh vegetables and fruits. Prospects for other product category are as follows:

Management Discussion and Analysis

PLAN AND FUTURE PROSPECTS *(continued)*

Retail Business *(continued)*

Product category mix (continued)

1. Snacks and beverages
   As a product category, Snack is still extremely major. The import volume and sales volume of snack increased steadily as the business expands. However, in the meantime while other product categories develop, its share in total sales amount has moved from more than 70% to less than 40% roughly. For beverages, it is no longer an important category to expand for 759 STORE, because of the fact that, firstly 759 STORE is not positioned as convenience stores and the shop locations are not that convenient and easily accessible as traditional convenience store, secondly the Group has no intention to change policy on our independent price setting – so as to increase the gross profit of beverage to cover the huge inventory and logistics cost so caused. In view of that, the number of new-order refrigerators for beverages gradually decreased in the year, and some beverages refrigerators had changed their usage to display chilled food items like kimchi, butter, cheese, yogurt, iberico ham, etc.

2. Rice, noodles, grocery items
   Rice is the main staple of Hong Kong people. However, some landlords have not given permission to all 759 STORE to sell rice. The Group will further discuss with the landlords on the feasibility of extending the scope and scale of the selling rice. Besides, the noodles imported by 759 STORE are popular and fast-moving items, reflecting customers are keen to have noodles as their staple food. The Group is strive to introduce wider varieties and flavours of noodles in the future. To show its determination in serving local residents, 759 STORE is committed to developing wider range of grocery products, such as edible oil, canned meat and fish, seasoning, flour, sauce, etc.

3. Frozen food
   759 STORE has commenced selling frozen food since the third quarter of the year and presently over 120 stores are installed with frozen refrigerators with self-imported frozen food, including seafood, meat (lamb, chicken, pork and beef), instant food, noodles, vegetables, etc. Customers' responses to these foods were overwhelming. Targeting to serve local residents, the Group will strive to introduce more high quality frozen food at reasonable price and enriching customers' choice of selection for their daily meal. Management has also set a target of increasing the sales of the frozen food category to 40%.

4. Personal care product
   In addition to the seven 759 KAWAIILAND branches, at present there are over sixty 759 STORE and 759 STORE SUPERMARKET branches, which are more spacious, that can accommodate more self-imported personal care products. Based on the actual sales data, the Group has already included personal care product as 759 Store's important regular category. 759 Store will continue to expand the sales network and develop extensive supply sources on this category.

5. Household products, kitchenware and small electrical home appliance
   There was steady demand on household products such as cleaning detergents, dehumidifier, consumables and many various products. Kitchenwares like frying pans were also customers' preference so that the Group will continue to fill up the products regularly according to sales demand, introducing other products of different specifications and different styles to cope with customers' different needs. For small electrical home appliances, 759 STORE will sell them in promotion way at suitable 759 STORE shops in different districts.

Management Discussion and Analysis

PLAN AND FUTURE PROSPECTS *(continued)*

Retail Business *(continued)*

Outlook for branch network

To cope with the customers' preference on spacious shop and wide varieties of products such as rices, noodles, food groceries, non-staple food items, frozen food items, personal care products, household appliances, 759 STORE will strive to communicate with landlords in search of much spacious shop locations with nearly 10,000 sq ft as target, building up "micro-department store" style 759 STORE in which much more products from all parts of the world can be available for kai-fongs to choose. So, the Group in future will no longer set the number of branches as its development benchmark, cancelling the target of opening 300 branches that made previously.

Shop location of 759 STORE went deep inside residential area, where most of the shops were located in shopping malls and shop units in private and public housing estates. The founder of 759 STORE deeply believed that the landlords of shopping malls were professional on evaluating customer flows, making population analysis and well understanding local need to organize the location arrangement of shops in shopping mall. The Group trusted tenancy invitation given by landlords according to their planning, in general doing our best to increase new shops in a cooperative way. As the more the landlords learn about 759 STORE, the more they are willing to provide much more large sized shop locations and allowing 759 STORE could have much more product category in shops.

Diversified attempts

759 STORE attempts to diversify its development, by adding new branches or re-renovating existing shops to specialty stores of specific categories which aims at collecting necessary data for future decisions on possible development. For the plan in progress: 759 KAWAIILAND and 759 STORE will strengthen on baby daily necessities, foods, appliances, clothes, toys and etc. 759 WINE STORE, 759 WONTON NOODLE and 759茶餐廳 will be opened to collect market testing data. Online sales will be implemented step by step from district to district focusing initially on products such as rices, household products and small electrical home appliances.

Management is well aware that, as a company of capital structure not tremendously strong, the development of core business including industrial manufacturing and retail business relies heavily on the credence and long term support of our principal banks. We will move forward in an "orderly, sustainably, and improving continuously" as our Group's motto.

Management Discussion and Analysis

PLAN AND FUTURE PROSPECTS *(continued)*

Electronic Components Manufacturing Business

Over the years, the Group's coils manufacturing business has developed into a fully vertically integrated production, that is, production starts from its own raw materials and spare parts such as ferrite cores, plastic parts, metallic parts and ceramic parts. In the next 2 years, the Group will study on disintegrating and ceasing some of its vertically integrated operations in raw material and spare part production - that had run for over 10 years and occupied relatively large floor spaces, including ferrite material - Mn/Zn series production department and metallic parts production department. Mn/Zn magnetic core and metallic parts would be outsourced so that resources could be combined and focus on coils assembly processes to give supply to customers. The Group will invest automatic equipments on processes that had manufacturing bottlenecks. That is to improve production capacity in the way of high-precision automation, without sorting to increase the number of head-count in production. On the other hand, the factory floor that would be released from disintegration of some production process, would be a valuable asset for the Group's future development plans.

APPRECIATION

The chairman would like to represent the management to give true gratitude to the kai-fong who supported 759 STORE, the clients of coils business, hard working staff, partner suppliers of retail and coils business and our essential financing banks.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 28 July 2014

Directors and Senior Management Profile

Directors

Executive Directors

Mr. LAM Wai Chun, aged 55, 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 43 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 44, 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. 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 34, 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.

Independent Non-Executive Directors

Mr. AU Son Yiu, aged 68, 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 55, 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 33 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. On 20 November 2013, Dr. Tang was appointed as an independent non-executive director of Springfield Asset Management Limited, the fund manager of Spring Real Estate Investment Trust whose units are listed on The Stock Exchange of Hong Kong Limited.

Mr. GOH Gen Cheung, aged 67, 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.

Senior Management

Group Consultant

Professor ZHU Yuhe, aged 76, is the consultant of the Group. He is a former independent non-executive director of the Company (appointed on 1 April 2007 and retired on 27 September 2013). 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. Professor Zhu joined the Group in 2007.

Directors and Senior Management Profile

Company Secretary

Ms. HO Wing Yi, aged 40, 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.

Electronic Components Manufacturing Business

Ms. MAI Shaoling, aged 50, is the head of factory affairs of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the factory affairs management functions of Zhongshan main plant. Ms. Mai is also the Party branch secretary of 中共中山市東鳳鎮高雅線圈製品有限公司 (Zhongshan Dong Feng Zhen Coils Electronic Company Limited). She has over 30 years of experience in administration. Ms. Mai joined the Group in 1983.

Mr. WANG Zhengwen, aged 46, 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.

Ms. HUANG Shaobing, aged 35, is the head of business, responsible for the management of sales functions of the Group. She has over 16 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 45, 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.

Mr. SHINODA Akira, aged 64, 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 43 years of experience in production engineering of electronic components. Mr. Shinoda joined the Group in 2010.

Mr. ZHAO Xiangqun, aged 52, 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.

Mr. LAO Xin, aged 42, 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.

Directors and Senior Management Profile

Retail Business

Purchasing Management

Mr. YIP Chi Ping, aged 49, is the general manager of merchandising of retail business responsible for the local supplies of food grocery of 759 STORE SUPERMARKET. Mr. Yip worked in a large-scale chained supermarket and has over 28 years of experience in retail operations and merchandising. Mr. Yip joined the Group in 2013.

Mr. OGISHIMA Yoshimasa, aged 29, 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.

Ms. SIU Pui Yan, aged 32, is the purchasing manager of retail business, responsible for coordinating the purchases and supplies of the retail business. She has been admitted to the degree of Bachelor of Business Administration in Lingnan University, Hong Kong in 2003. Ms. Siu joined the Group in 2010.

Ms. TANG Yuk Lin, aged 49, is the purchasing manager of retail business, responsible for the purchasing of Korean food products of 759 STORE. She has over 23 years of working experience in purchasing in electronic industry. Ms. Tang joined the Group in 2012.

Ms. LAI Wanru, aged 42, is the head of purchasing of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the purchase, materials procurement and logistics management functions of the Group's coil business as well as the purchasing of Taiwan food products of 759 STORE. Ms. Lai has over 24 years of experience in materials procurement, coils production as well as sales and marketing. She has been admitted to the executive diploma in Management Studies in The Hong Kong Polytechnic University in 2005. Ms. Lai joined the Group in 1990.

Mr. MORI Kenji, aged 39, is the purchasing manager of retail business, responsible for the purchasing of Japanese snacks and food products of 759 STORE. Mr. Mori has over 14 years of experience in such areas as retail of snack, confectionary and grocery, purchase management, etc. Mr. Mori joined the Group in 2011.

Mr. CHEUNG Ming Yat, aged 38, is the senior purchasing manager of retail business responsible for the local supplies of household product and small electrical home appliance of 759 STORE SUPERMARKET. 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. FUKUOKA Kazuaki, aged 50, is the retail business development manager, responsible for the development of sourcing in Japan of 759 STORE. Mr. Fukuoka has over 28 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.

Directors and Senior Management Profile

Retail Management

Mr. HO Kwok Keung, aged 56, 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 38 years of experience in electronics and electrical industry. Mr. Ho joined the Group in 1996.

Mr. CHUA You Sing, aged 66, is the head of logistic responsible for the logistic and stock management of 759 STORE's warehouse in Tsuen Wan. He is a former executive director of the Company (appointed on 1 May 2005 and retired on 27 September 2007). Mr. Chua has over 44 years' extensive experience in management and electronic manufacturing business. Mr. Chua joined the Group in 2005.

Mr. CAO Huizhong, aged 44, is the quality assurance manager responsible for the management of food quality and labeling functions. He has been admitted to the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. Cao joined the Group in 1994.

Mr. QING Liang, aged 36, 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 33, 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.

Mr. MA Hei Shing, aged 47, is the area manager responsible for regional shop management of 759 Kawaiiland. Mr. Ma has over 27 years of experience in retail industry. Mr. Ma joined the Group in 2012.

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 2014, 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. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

   The Chairman of the Board did not attend the Annual General Meeting of the Company held on 27 September 2013 (the "2013 AGM") due to illness at the material time. Ms. Tang Fung Kwan, the executive director of the Company, who took the chair of the 2013 AGM and other members of the Board (including the chairman of the Audit Committee and the members of the Remuneration Committee and the Nomination Committee) attended the 2013 AGM to ensure effective communication with the shareholders of the Company.

3. Under code provision A.6.7 of the Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

   Mr. Au Son Yiu was unable to attend the 2013 AGM due to his overseas commitments at the material time.

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 2013 to 30 April 2014.

BOARD OF DIRECTORS

The Board currently comprises three executive directors, namely Mr. Lam Wai Chun (Chairman and Managing Director), Ms. Tang Fung Kwan and Mr. Ho Man Lee; and three independent non-executive directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek and Mr. Goh Gen Cheung. 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. Mr. Au Son Yiu and Dr. Tang Tin Sek have served as independent non-executive directors for more than nine years. Pursuant to code provision A.4.3 of the Code, further appointments of Mr. Au and Dr. Tang as the independent non-executive directors should be subject to separate resolutions to be approved by the shareholders of the Company. In this regard, resolutions were passed at the annual general meetings of the Company held on 27 September 2012 and 27 September 2013 to elect Mr. Au and Dr. Tang as independent non-executive directors respectively.

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 engagement of new business consultant, establishing the board diversity policy and the inside information policy, 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 2014 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 2014, the individual attendance of each Board and committee member at these meetings and the attendance of the Board members at the 2013 AGM are set out below:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Accounts Receivable Supervisory Committee	2013 AGM
Executive Directors						
Lam Wai Chun	5/5	–	–	1/1	–	0/1
Tang Fung Kwan	5/5	–	4/4	–	1/1	1/1
Li Hong *(resigned on 1 October 2013)*	3/3	–	–	–	–	1/1
Ho Man Lee	5/5	–	–	–	–	1/1
Independent Non-Executive Directors						
Au Son Yiu	5/5	4/4	4/4	1/1	1/1	0/1
Tang Tin Sek	5/5	4/4	4/4	1/1	–	1/1
Goh Gen Cheung	5/5	4/4	4/4	1/1	–	1/1
Zhu Yuhe *(retired on 27 September 2013)*	2/2	–	1/1	–	–	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 three non-executive directors are independent and have entered into their respective letters of appointment for a term of 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 2014, all directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Mr. Ho Man Lee, Mr. Au Son Yiu, Dr. Tang Tin Sek and Mr. Goh Gen Cheung 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 the new Companies Ordinance. The Company has received from all directors of their respective training records for the year ended 30 April 2014.

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 2014 are set out below:

	Number of members	
Emolument bands	**2014**	2013
Nil to HK$1,000,000	**23**	15

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 23 to the financial statements.

Corporate Governance Report

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

During the year ended 30 April 2014, the Remuneration Committee held four meetings. 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 engaged business consultant, 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 four members including one executive director, namely Ms. Tang Fung Kwan, and three independent non-executive directors, namely Mr. Au Son Yiu (chairman of the Remuneration Committee), Dr. Tang Tin Sek and Mr. Goh Gen Cheung.

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, composition and diversity (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.

The Company recognizes the importance of the diversity of the composition of the Board for the sustainable and balanced development of the Group in the long term. On 26 August 2013, the Board adopted a policy that sets out the approach to achieving the Board's diversity. Selection of candidates for the Board will be based on a range of perspectives, including but not limited to gender, age, cultural and educational background, experience, professional qualifications, expertise, skills and the business plans of the Group at the material time. The Board and the Nomination Committee monitors the implementation of this policy and due consideration on the Board diversity shall be made by them before any appointment of directors of the Company is made.

During the year ended 30 April 2014, 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 Professor Zhu Yuhe as an independent non-executive director, and assess the independence of Dr. Tang Tin Sek 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 2014, the fees paid/payable to the external auditor of the Company, PricewaterhouseCoopers, amounted to approximately HK$2,180,000 for statutory audit services and approximately HK$93,000 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 2014.

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. Four meetings including two post-meeting sessions with the external auditor in the absence of management were held during the year ended 30 April 2014.

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. One meeting was held during the year ended 30 April 2014.

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 2014, 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 the shops and 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.

An effective cash management system has been established to oversee the Group's cash operations.

During the year ended 30 April 2014, 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 42 of this annual report.

Corporate Governance Report

INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is fully aware of its obligations under the new Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong effective from 1 January 2013 and the Listing Rules. During the year, a policy has been adopted by the Board which sets out guidelines to the directors, officers and all relevant employees of the Group to ensure inside information of the Company is to be disseminated to the public in equal and timely manner.

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 reinforcing 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 2014.

Principal activities and geographical analysis of operations

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) retail of food and beverage, household and personal care products, (ii) design, development, manufacture and sale of a wide range of coils, ferrite powder and other electronic components, 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 2014 are set out in the consolidated income statement on page 46 of this annual report.

No interim dividend has been declared for the year ended 30 April 2014 (2013: 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 HK0.70 cent (2013: HK0.50 cent) per share for the year ended 30 April 2014 payable on or about 24 October 2014 to the shareholders whose names appear on the Company’s register of members on 9 October 2014.

Reserves

Movements in the reserves of the Group and of the Company during the year ended 30 April 2014 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 2014 amounted to HK$610,000 (2013: HK$1,575,000).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year ended 30 April 2014 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 110 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 2014, the Company's contributed surplus of approximately HK$131,338,000 (2013: HK$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained earnings of approximately HK$9,952,000 (2013: HK$13,283,000) 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 2014. 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 2014.

Directors

The Directors who held office during the year ended 30 April 2014 and up to the date of this report were:

Executive Directors

Mr. Lam Wai Chun *(Chairman and Managing Director)*
Ms. Tang Fung Kwan
Mr. Ho Man Lee
Ms. Li Hong *(resigned on 1 October 2013)*

Independent non-executive Directors

Dr. Tang Tin Sek
Mr. Au Son Yiu
Mr. Goh Gen Cheung
Professor Zhu Yuhe *(retired on 27 September 2013)*

Pursuant to Bye-law 87 of the Company's Bye-laws, Ms. Tang Fung Kwan, Mr. Ho Man Lee and Mr. Goh Gen Cheung shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves 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 of Hong Kong Limited (the "Listing Rules") and the Company considers such Directors to be independent.

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. On 19 May 2014, Ms. Tang entered into a new service agreement with the Company for a term of three years, commencing on 1 May 2014 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.

Mr. Ho Man Lee entered into a service agreement with the Company on 27 September 2011, which was subsequently amended on 30 January 2012, 21 March 2012, 5 April 2013 and 27 March 2014 respectively, 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.

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 2014.

Report of the Directors

Interests of directors and chief executive in securities

As at 30 April 2014, 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%
Mr. Ho Man Lee	30,000	–	–	30,000	0.0045%
Mr. Au Son Yiu	3,001,440	–	–	3,001,440	0.45%
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

Name of director	Number of non-voting deferred shares of HK$1.00 each held				Percentage of issued non-voting deferred shares
	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 2014, 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.

Save as disclosed above, as at 30 April 2014, 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.

Report of the Directors

Directors' rights to acquire shares or debentures

At no time during the year ended 30 April 2014 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 2014, according to the register kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shares of the Company

Substantial shareholders (as defined in the Listing Rules)

	Number of shares of HK$0.10 each held				
Name	**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%

Notes:

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

2. Of the 472,250,848 shares, 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. The remaining 29,955,188 shares were held by Mr. Law Wai Chun as beneficial owner. 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 2014, 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.

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 2014.

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 29 to 30 of this annual report.

Major suppliers

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

Purchases	
– the largest supplier	42 %
– five largest suppliers combined	57 %

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.

Major customers

During the year, the Group sold less than 30% of its goods and services to its five largest customers.

Related party transactions

Details of significant related party transactions entered into by the Group are set out in note 32 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 28 July 2014 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 2014 and up to the date of this report.

Report of the Directors

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, 28 July 2014

Independent Auditor's Report

pwc 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 43 to 109, which comprise the consolidated and company statements of financial position as at 30 April 2014, 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 2014, 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, 28 July 2014

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

As at 30 April 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Land use rights	6	**20,173**	20,645
Property, plant and equipment	7	**502,163**	480,700
Investment properties	8	**81,460**	76,065
Available-for-sale financial assets	10	**9,120**	9,686
Prepaid rent on operating leases	13	**61,280**	33,166
Deposits paid for acquisition of property, plant and equipment		**3,636**	3,212
Deferred tax assets	18	**2,194**	1,115
		680,026	624,589
Current assets			
Inventories	11	**218,516**	163,021
Accounts and bills receivable	12	**86,402**	106,928
Deposits, prepayments and other receivables	13	**42,509**	26,555
Pledged bank deposits	14	**30,906**	27,616
Cash and cash equivalents	14	**79,479**	81,004
		457,812	405,124
Total assets		**1,137,838**	1,029,713
EQUITY			
Share capital	15	**66,619**	66,619
Reserves	16		
Proposed final dividend		**4,663**	3,331
Others		**461,705**	431,996
Total equity		**532,987**	501,946

Consolidated Statement of Financial Position

As at 30 April 2014

	Note	2014 HK$'000	2013 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	18	**633**	1,669
Provision for reinstatement cost	20	**6,628**	3,575
		7,261	5,244
Current liabilities			
Borrowings	17	**499,085**	431,137
Accounts payable	19	**23,770**	32,352
Accruals and other payables	20	**63,559**	54,033
Taxation payable		**11,176**	5,001
		597,590	522,523
Total liabilities		**604,851**	527,767
Total equity and liabilities		**1,137,838**	1,029,713
Net current liabilities		**(139,778)**	(117,399)
Total assets less current liabilities		**540,248**	507,190

LAM WAI CHUN
Director

TANG FUNG KWAN
Director

The notes on pages 50 to 109 are an integral part of these financial statements.

Statement of Financial Position

As at 30 April 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**233,422**	238,293
Current assets			
Deposits, prepayments and other receivables	13	**111**	123
Due from subsidiaries	9	**4,663**	3,331
Cash and cash equivalents	14	**92**	93
		4,866	3,547
Total assets		**238,288**	241,840
EQUITY			
Share capital	15	**66,619**	66,619
Reserves	16		
Proposed final dividend		**4,663**	3,331
Others		**166,744**	171,407
Total equity		**238,026**	241,357
Current liabilities			
Accruals and other payables	20	**262**	483
Total liabilities		**262**	483
Total equity and liabilities		**238,288**	241,840
Net current assets		**4,604**	3,064
Total assets less current liabilities		**238,026**	241,357

LAM WAI CHUN
Director

TANG FUNG KWAN
Director

The notes on pages 50 to 109 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 30 April 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	5	**1,830,561**	1,279,701
Cost of sales	22	**(1,283,190)**	(922,519)
Gross profit		**547,371**	357,182
Other (losses)/gains, net	21	**(4,037)**	14,948
Selling and distribution expenses	22	**(360,716)**	(216,374)
General and administrative expenses	22	**(136,058)**	(119,765)
Operating profit		**46,560**	35,991
Finance income		**58**	42
Finance costs		**(15,085)**	(13,451)
Finance costs, net	24	**(15,027)**	(13,409)
Profit before income tax		**31,533**	22,582
Income tax expense	25	**(7,760)**	(2,432)
Profit attributable to equity holders of the Company	26	**23,773**	20,150
Earnings per share, basic and diluted	27	**HK3.57 cents**	HK3.02 cents

The notes on pages 50 to 109 are an integral part of these financial statements.

Dividend	28	**4,663**	3,331

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2014

	2014 *HK$'000*	2013 *HK$'000*
Profit for the year	**23,773**	20,150
Other comprehensive income/(loss)		
Item that will not be reclassified subsequently to profit or loss		
Revaluation surplus upon transfer from buildings to investment properties	**7,450**	–
Items that may be reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	**(566)**	614
Currency translation differences	**3,715**	3,909
Total comprehensive income for the year	**34,372**	24,673

The notes on pages 50 to 109 are an integral part of these financial statements.

Consolidated Statement of Changes In Equity

For the year ended 30 April 2014

	Attributable to equity holders of the Company		
	Share capital (Note 15) *HK$'000*	**Reserves** *(Note 16)* *HK$'000*	**Total** *HK$'000*
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
Balance at 1 May 2013	66,619	435,327	501,946
Profit for the year	–	23,773	23,773
Other comprehensive income:			
Change in fair value of available-for-sale financial assets	–	(566)	(566)
Currency translation differences	–	3,715	3,715
Revaluation surplus upon transfer from buildings to investment properties	–	7,450	7,450
Total comprehensive income	–	34,372	34,372
Transactions with owners:			
2012/2013 final dividend	–	(3,331)	(3,331)
Balance at 30 April 2014	66,619	466,368	532,987

The notes on pages 50 to 109 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 April 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash generated from operations	29 (a)	35,461	38,902
Hong Kong profits tax paid		(3,541)	(2,241)
Overseas tax paid		(170)	(616)
Hong Kong tax refunded		47	–
Net cash generated from operating activities		31,797	36,045
Cash flows from investing activities			
Purchase of property, plant and equipment		(77,936)	(72,078)
Deposits paid for acquisition of property, plant and equipment		(3,636)	(3,212)
Proceeds from disposal of property, plant and equipment		–	107
Purchase of investment properties		–	(57,067)
Net cash used in investing activities		(81,572)	(132,250)
Cash flows from financing activities			
Proceeds from borrowings		1,146,222	814,696
Repayments of borrowings		(1,087,335)	(666,383)
(Increase)/decrease in pledged bank deposits		(3,290)	134
Interest received		58	42
Interest paid		(15,085)	(13,451)
Dividend paid		(3,331)	(3,331)
Net cash generated from financing activities		37,239	131,707
(Decrease)/increase in cash and cash equivalents		(12,536)	35,502
Exchange difference		1,950	3,143
Cash and cash equivalents at the beginning of the year		56,592	17,947
Cash and cash equivalents at the end of the year	29 (b)	46,006	56,592

The notes on pages 50 to 109 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) retail of food and beverage, household and personal care products, (ii) design, development, manufacture and sale of a wide range of coils, ferrite powder and other electronic components, 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 28 July 2014.

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 2014, the Group's current liabilities exceeded its current assets by approximately HK$139,778,000 as a result of (i) bank borrowings contractually due for repayment after one year that contain a repayment on demand clause amounting to approximately HK$97,968,000 being 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) certain of the Group's non-current assets as at 30 April 2014 were 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 (i) the Group will continue to generate positive cash flow from operations, (ii) the Group will have continuous financial support from its banks in the coming twelve months and (iii) 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 2014

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 May 2013 and have a material impact on the Group:

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether or not they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

New/amended standards and interpretations and amendment to existing standards mandatory for the first time for the financial year beginning 1 May 2013 but which currently do not have significant impact on the Group's results of operation and financial position (although they may affect the accounting for future transactions and events):

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

New/revised HKFRS effective during the year ended 30 April 2014 (continued)

- HKAS 19 (2011), 'Employee Benefits'
- HKAS 27 (2011), 'Separate Financial Statements'
- HKAS 28 (2011), 'Investments in Associates and Joint Ventures'
- Amendment to HKFRS 1, 'Government Loans'
- Amendment to HKFRS 7, 'Disclosures – Offsetting Financial Assets and Financial Liabilities'
- HKFRS 10, 'Consolidated Financial Statements'
- HKFRS 11, 'Joint Arrangements'
- HKFRS 12, 'Disclosure of Interests in Other Entities'
- Amendment to HKFRS 10, HKFRS 11 and HKFRS 12, 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transaction Guidance'
- HK(IFRIC)-Int 20, 'Stripping Costs in the Production Phase of Surface Mine'
- Annual Improvement Project, 'Annual Improvements 2009 – 2011 Cycle'

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

The following new/revised standards and interpretations and amendments to existing standards have been issued but are not mandatory for the year ended 30 April 2014:

HKAS 32 (Amendment)	Presentation – offsetting financial assets and financial liabilities(1)
HKAS 36 (Amendment)	Impairment of assets – recoverable amount disclosures(1)
HKAS 39 (Amendment)	Recognition and measurement – novation of derivatives(1)
HKFRS 10, 12 and HKAS 27 (Amendments)	Consolidation for investment entities(1)
HK(IFRIC)-Int 21	Levies(1)
HKAS 19 (Amendment)	Defined benefits plan(2)
Annual improvement project	Annual improvement 2010-2012 cycle(2)
	Annual improvement 2011-2013 cycle(2)
HKAS 16 and HKAS 38 (Amendment)	Classification of acceptable methods of depreciation and amortisation(3)
HKFRS 11 (Amendment)	Accounting for acquisitions of interest in joint operations(3)
HKFRS 14	Regulatory deferral accounts(3)
HKFRS 15	Revenue from contracts with customers(4)
HKFRS 9	Financial instruments(5)

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

(1) Effective for the Group for annual period beginning on 1 May 2014
(2) Effective for the Group for annual period beginning on 1 May 2015
(3) Effective for the Group for annual period beginning on 1 May 2016
(4) Effective for the Group for annual period beginning on 1 May 2017
(5) Effective for the Group for annual period beginning on 1 May 2018

The Group is in the process of making an assessment on the impact of these new/revised standards and interpretations 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 interpretations 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 2013 and 2014 were used, after making adjustments which are considered necessary by the directors of the Company for compliance with HKFRS.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries (continued)

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.

Intra-group 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 for 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(b) *Associated company*

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. Investment in an associated company is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in an associated company includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associated company, any difference between the cost of the associate and the Group's share of the net fair value of the associated company's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate 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 legal or constructive obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in an associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount adjacent to 'other gains/(losses), net' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated company. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in an associated company is recognised in the consolidated income statement.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

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 Hong Kong dollars (HK$), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions 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 consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

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 consolidated 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

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 consolidated income statement during the financial period in which they are incurred.

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/(losses), net" in the consolidated income statement.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

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 offer prices, recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of "other gains/(losses), 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.

2.7 Impairment of investments in subsidiaries and other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

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 end of the reporting period. These are classified as non-current assets. Loans and receivables are classified as accounts and bills receivables, deposits and other receivables and cash and bank balance in the consolidated 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 from the end of the reporting period.

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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets *(continued)*

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 consolidated 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 'other gains/(losses), net' in the consolidated income statement as 'gains/(losses) from investment securities'. Dividends on available-for-sale equity instruments are recognised in the consolidated 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 consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated 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 the end of each reporting period 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 profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the consolidated 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 in the consolidated 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 consolidated 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 end of the reporting period.

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company's subsidiaries and associated company 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.14 Current and deferred taxation *(continued)*

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 end of the reporting period.

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.

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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

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 collectability of the related receivables is reasonably assured.

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

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

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

(e) 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.

2.19 Leases

(a) Operating lease

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.19 Leases *(continued)*

(b) Finance lease

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased 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 consolidated income statement immediately.

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).

Notes to the Financial Statements

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk. The 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 functional currency of the Group's entities.

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

As at 30 April 2014, 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$114,000 (2013: HK$68,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of Renminbi denominated monetary assets of the Group's 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.

As at 30 April 2014, 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$5,739,000 (2013: HK$3,922,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of Japanese Yen denominated payables and borrowings.

As at 30 April 2014, 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$770,000 (2013: HK$827,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of Euro denominated payables and borrowings.

Notes to the Financial Statements

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

Credit risk is managed on a group basis. The Group's financial assets mainly comprise accounts and bills 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 in relation to the electronic components manufacturing business. Sales to the top five customers accounted for approximately 34% of the Group's segment sales in relation to the electronic components manufacturing business; while as at 30 April 2014, approximately 24% 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, all transactions are settled in cash or other form of electronic monies and therefore no credit risk is anticipated.

The credit risk on bills receivable and cash at banks is limited because the counterparties are major financial institutions located in Hong Kong and Mainland China.

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 banks 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 2014, the Group's current liabilities exceeded its current assets by approximately HK$139,778,000, as a result of (i) certain bank borrowings contractually due for repayment after one year that contain a repayment on demand clause were being 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) certain of the Group's non-current assets as at 30 April 2014 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 the end of each reporting period.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date 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*

	On demand#	Less than 1 year
	HK$'000	*HK$'000*
Group		
At 30 April 2014		
Borrowings	**499,085**	**–**
Accounts payable	**–**	**23,770**
Other payables	**–**	**46,005**
Interest payable	**9,588**	**–**
	508,673	**69,775**
At 30 April 2013		
Borrowings	431,137	–
Accounts payable	–	32,352
Other payables	–	39,664
Interest payable	10,891	–
	442,028	72,016

\# 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 17. As at 30 April 2014, 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$1,625,000 (2013: HK$1,347,000) 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.

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 2014 and 2013 were as follows:

	2014	2013
	HK$'000	*HK$'000*
Total borrowings *(Note 17)*	**499,085**	431,137
Less: Bank balances and cash (including pledged bank deposits) *(Note 14)*	**(110,385)**	(108,620)
Net debt	**388,700**	322,517
Total equity	**532,987**	501,946
Total capital	**921,687**	824,463
Gearing ratio	**42%**	39%

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.

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 consolidated 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 2014:

	Level 1 ***HK$'000***	**Level 2** ***HK$'000***	**Level 3** ***HK$'000***	**Total** ***HK$'000***
Assets				
Available-for-sale financial assets				
– Investment fund	**–**	**8,904**	**–**	**8,904**
– Equity securities	**216**	**–**	**–**	**216**
Total assets	**216**	**8,904**	**–**	**9,120**

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

There were no transfers between level 1 and 2 during the year.

Notes to the Financial Statements

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

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.

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.

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 consolidated 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 the end of each reporting period.

(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 judgements and estimates. Management reassesses the provision at the end of each reporting period.

(f) Estimation of reinstatement provision of retail shops

Most of the Group's retail shops are leased under operating lease and are subject to reinstatement obligation as stipulated in the lease agreements. Management assesses the amount of provision made for each shop based on various factors, including the size of the shop, the complexity of refurbishment and specific requirement from landlords. The Group's management assess the adequacy of such provision at the end of each reporting period.

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) retail business; (ii) electronic components manufacturing; 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 2014 and 2013 is as follows:

	Retail business		Electronic components manufacturing		Investment property holding		Eliminations		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**1,442,981**	812,150	**385,051**	465,208	**2,529**	2,343	**–**	–	**1,830,561**	1,279,701
Intersegment sales	**–**	–	**–**	–	**1,571**	1,400	**(1,571)**	(1,400)	**–**	–
	1,442,981	812,150	**385,051**	465,208	**4,100**	3,743	**(1,571)**	(1,400)	**1,830,561**	1,279,701
Segment results										
Operating profit	**51,157**	11,617	**1,577**	15,369	**1,592**	16,966			**54,326**	43,952
Corporate expenses									**(7,766)**	(7,961)
Finance costs, net									**(15,027)**	(13,409)
Profit before income tax									**31,533**	22,582
Income tax expense									**(7,760)**	(2,432)
Profit for the year									**23,773**	20,150
Depreciation and amortisation	**36,348**	21,003	**23,545**	28,130	**11**	31			**59,904**	49,164
Distribution cost and administrative expenses	**437,098**	242,516	**50,281**	84,690	**1,629**	972			**489,008**	328,178
Additions to non-current assets (other than financial instruments)	**104,021**	99,694	**5,665**	2,501	**–**	50,974			**109,686**	153,169

Notes to the Financial Statements

5 Segment information *(continued)*

	Retail business		Electronic components manufacturing		Investment property holding		Eliminations		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**653,769**	369,978	**407,743**	586,697	**82,188**	76,620	**(8,259)**	(4,910)	**1,135,441**	1,028,385
Unallocated assets										
– Deferred income tax									**2,194**	1,115
– Corporate assets									**203**	213
									1,137,838	1,029,713
Segment liabilities	**61,724**	35,113	**32,095**	54,563	**8,135**	4,711	**(8,259)**	(4,910)	**93,695**	89,477
Borrowings									**499,085**	431,137
Unallocated liabilities										
– Deferred income tax									**633**	1,669
– Taxation payable									**11,176**	5,001
– Corporate liabilities									**262**	483
Total liabilities									**604,851**	527,767

Geographical information

	Revenue		Non-current assets	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including the Hong Kong Special Administrative Region)	**1,717,863**	1,155,821	**679,922**	624,588
Other regions	**112,698**	123,880	**104**	1
	1,830,561	1,279,701	**680,026**	624,589

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.

The Group has a large number of customers. For the year ended 30 April 2014, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2013: Nil).

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:

	2014 HK$'000	2013 HK$'000
In Mainland China, held on:		
Land use rights of between 10 to 50 years	18,737	19,494
Land use rights of over 50 years	1,436	1,151
	20,173	20,645

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

	2014 HK$'000	2013 HK$'000
At 1 May	20,645	21,080
Exchange differences	73	100
Amortisation (included in cost of sales)	(545)	(535)
At 30 April	20,173	20,645

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 30 April 2013						
Opening net book amount	238,650	16,444	104,684	16,510	3,612	379,900
Exchange differences	308	–	110	93	8	519
Additions	37,697	30,980	717	12,299	1,196	82,889
Disposal/written off	–	(5)	(44)	–	–	(49)
Transfer from investment properties *(Note 8)*	67,050	–	–	–	–	67,050
Depreciation	(7,599)	(14,487)	(20,688)	(4,262)	(1,593)	(48,629)
Impairment	–	(980)	–	–	–	(980)
Closing net book amount	336,106	31,952	84,779	24,640	3,223	480,700
At 30 April 2013						
Cost	373,771	53,710	747,755	99,560	12,989	1,287,785
Accumulated depreciation and impairment	(37,665)	(21,758)	(662,976)	(74,920)	(9,766)	(807,085)
Net book amount	336,106	31,952	84,779	24,640	3,223	480,700
Year ended 30 April 2014						
Opening net book amount	336,106	31,952	84,779	24,640	3,223	480,700
Exchange differences	1,202	–	447	30	9	1,688
Additions	16,270	37,809	1,592	21,685	3,792	81,148
Disposal/written off	–	(276)	(1,578)	(376)	–	(2,230)
Transfer from investment properties *(Note 8)*	7,420	–	–	–	–	7,420
Transfer to investment properties *(Note 8)*	(4,238)	–	–	–	–	(4,238)
Depreciation	(9,909)	(20,456)	(19,125)	(7,769)	(2,100)	(59,359)
Impairment	–	–	(2,862)	(57)	(47)	(2,966)
Closing net book amount	346,851	49,029	63,253	38,153	4,877	502,163
At 30 April 2014						
Cost	393,908	89,239	732,527	117,019	16,818	1,349,511
Accumulated depreciation and impairment	(47,057)	(40,210)	(669,274)	(78,866)	(11,941)	(847,348)
Net book amount	346,851	49,029	63,253	38,153	4,877	502,163

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:

	2014	2013
	HK$'000	*HK$'000*
In Hong Kong, held on:		
– Leases between 10 to 50 years	**128,111**	120,365

During the year, buildings with carrying amount of approximately HK$4,238,000 (2013: Nil) were transferred to investment properties *(Note 8)*. Revaluation surplus of approximately HK$7,450,000 upon transfer was included in property revaluation reserve.

During the year, investment properties with carrying amount of approximately HK$7,420,000 (2013: HK$67,050,000) were transferred to land and buildings.

During the year, depreciation expense of approximately HK$27,165,000 (2013: HK$26,274,000) and HK$32,194,000 (2013: HK$22,355,000) was charged to cost of sales and distribution costs and administrative expenses respectively.

Land and buildings with an aggregate carrying amount of approximately HK$256,161,000 as at 30 April 2014 (2013: HK$239,559,000) were pledged against certain of the Group's borrowing *(Note 31)*.

8 Investment properties

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 May	**76,065**	70,178
Additions	**–**	57,067
Fair value gains *(Note 21)*	**1,159**	15,870
Transfer from property, plant and equipment, net *(Note 7)*	**11,688**	–
Transfer to property, plant and equipment *(Note 7)*	**(7,420)**	(67,050)
Exchange difference	**(32)**	–
At 30 April	**81,460**	76,065

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:

	2014	2013
	HK$'000	*HK$'000*
In Hong Kong, held on leases between 10 to 50 years	**68,920**	76,065
In PRC, held under land use rights between 10 to 50 years	**12,540**	–
	81,460	76,065

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$68,920,000 as at 30 April 2014 (2013: HK$76,065,000) were pledged against certain of the Group's borrowings *(Note 31)*.

The consolidated income statement includes rental income from investment property of HK$2,529,000 (2013: HK$2,343,000) and related direct operating expenses of approximately HK$467,000 (2013: HK$274,000).

The Group's investment properties were valued at 30 April 2014 by Castores Magi (Hong Kong) Limited, an independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. The revaluation gains or losses are included in 'other gains/losses, net' in the consolidated income statement *(Note 21)*.

The Group reviews the valuation performed by independent valuer for financial reporting purposes. Discussion of valuation process and results are held between management and independent qualified valuer once a year for financial reporting purposes.

Notes to the Financial Statements

8 Investment properties *(continued)*

The following table analyses the investment properties carried at fair value, by valuation method.

Fair value hierarchy	**Fair value measurements at 30 April 2014 using**		
Description	**Quoted prices in active markets for identical assets (Level 1)** *HK$'000*	**Significant other observable inputs (Level 2)** *HK$'000*	**Significant unobservable inputs (Level 3)** *HK$'000*
Recurring fair value measurements:			
Investment properties	–	–	81,460

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

Fair value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The investment properties were revalued on an open market basis. Fair value of the investment properties is derived from comparing the properties to be valued directly with other comparable properties in close proximity, which have recently transacted or offered. However, given the heterogeneous nature of the properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration. The most significant impact into this valuation approach is price per square feet.

There was no change to the valuation technique with that of prior year.

Notes to the Financial Statements

9 Investments in and balance with subsidiaries – Company

	2014	2013
	HK$'000	*HK$'000*
Unlisted investments, at cost	**137,348**	137,348
Due from subsidiaries	**96,074**	100,945
	233,422	238,293

The amounts due from subsidiaries included above were unsecured, interest free and not repayable within the next twelve months from 30 April 2014 (2013: same).

Other balances 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 2014:

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	Property investment holding	Registered capital US$750,000	100%
CEC-Technology Limited	Hong Kong	Investment holding	Ordinary HK$10,000	100%
重慶高雅科技有限公司 (Chongqing CEC-Technology Limited) (c)	Mainland China	Provision of information technology services and manufacture and sale of coils and electronic components	Registered capital HK$2,900,000	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)
Coils Electronic Co., Limited	Hong Kong	Investment holding; manufacture and sale of coils and other electronic components; retail business	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%
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	100%

Notes to the Financial Statements

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

The underlying value of the investments in subsidiaries is, in the opinion of Directors, not less than the carrying value as at 30 April 2014.

As at 30 April 2014, the Company had given guarantees to banks and financial institutions of approximately HK$510,893,000 (2013: HK$432,089,000) 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 2014 (2013: 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.

(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 was established with registered capital of US$1,000,000. As at 30 April 2014, the Group had outstanding commitments of approximately US$750,012 for capital contribution to the subsidiary.

Notes to the Financial Statements

10 Available-for-sale financial assets

	Group 2014 HK$'000	2013 HK$'000
Investment fund	**8,904**	9,169
Equity securities:		
– listed in Hong Kong	**216**	517
	9,120	9,686

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

	Group 2014 HK$'000	2013 HK$'000
United States dollars	**8,904**	9,169
Hong Kong dollars	**216**	517
	9,120	9,686

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 2013 and 30 April 2014, the Group's investment fund was pledged as collateral for the Group's borrowings (Note 31).

11 Inventories

	Group 2014 HK$'000	2013 HK$'000
Retail business		
– Merchandise	**134,042**	55,422
Electronic components manufacturing		
– Raw materials	**49,136**	63,169
– Work-in-progress	**13,908**	16,305
– Finished goods	**21,430**	28,125
	218,516	163,021

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$1,101,451,000 (2013: HK$754,951,000).

As at 30 April 2014, certain of the Group's inventories were pledged as collateral for the Group's trust receipts import bank loan arrangements (Note 31).

Notes to the Financial Statements

12 Accounts and bills receivable

	Group 2014 HK$'000	2013 HK$'000
Bills receivable	**14,424**	9,819
Accounts receivable	**78,506**	103,007
Less: provision for impairment of receivables	**(6,528)**	(5,898)
Amounts and bills receivable – net	**86,402**	106,928

The ageing analysis of accounts receivable is as follows:

	Group 2014 HK$'000	2013 HK$'000
0-30 days	**42,790**	51,194
31-60 days	**18,257**	27,173
61-90 days	**8,738**	8,879
91-120 days	**2,984**	3,560
120 days to 1 year	**5,737**	12,201
	78,506	103,007
Less: provision for impairment of receivables	**(6,528)**	(5,898)
	71,978	97,109

As at 30 April 2014 and 30 April 2013, the carrying amount of accounts and bills 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 (2013: 30 to 240 days).

As at 30 April 2014, a subsidiary of the Company factored receivables of approximately HK$6,999,000 (2013: HK$10,423,000) (the "Factored Receivables") to banks for cash under 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 17).

Notes to the Financial Statements

12 Accounts and bills receivable *(continued)*

As at 30 April 2014, accounts receivable of HK$10,746,000 (2013: HK$14,700,000) 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:

	2014 HK$'000	2013 HK$'000
Overdue by 0 – 3 months	10,746	14,566
Overdue by more than 3 months	–	134
	10,746	14,700

As at 30 April 2014, accounts receivable of HK$6,528,000 (2013: HK$5,898,000) 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:

	2014 HK$'000	2013 HK$'000
Overdue by 1-3 months	2,125	3,235
Overdue by more than 3 months	4,403	2,663
	6,528	5,898

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

	2014 HK$'000	2013 HK$'000
At the beginning of the year	5,898	2,555
Provision for impairment	1,041	3,343
Write-off of provision	(411)	–
At the end of the year	6,528	5,898

The creation and release of provision for impaired receivables have been included in "general and administrative expenses" in the consolidated income statement (Note 22).

As at 30 April 2014, bills receivable of HK$14,424,000 (2013: HK$9,819,000) represent bank acceptance notes with maturity dates of six months or less from the end of the reporting period (2013: same).

Notes to the Financial Statements

12 Accounts and bills receivable *(continued)*

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

	2014 HK$'000	2013 HK$'000
Hong Kong dollars	**19,697**	22,358
Renminbi	**40,585**	53,911
United States dollars	**25,624**	30,149
Other currencies	**496**	510
	86,402	106,928

13 Deposits, prepayments and other receivables

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments and deposits for purchase of inventories	**17,541**	9,399	**–**	–
Prepaid rent on operating leases	**79,426**	45,358	**–**	–
Other deposits and other receivables	**6,822**	4,964	**111**	123
	103,789	59,721	**111**	123
Less:				
Non-current portion	**(61,280)**	(33,166)	**–**	–
	42,509	26,555	**111**	123

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

	2014 HK$'000	2013 HK$'000
Hong Kong dollars	**3,684**	1,775
Renminbi	**2,710**	2,603
Japanese Yen	**4,542**	1,190
Other currencies	**422**	586
	11,358	6,154

Notes to the Financial Statements

14 Pledged bank deposits and cash and cash equivalents

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and cash equivalents	**79,479**	81,004	**92**	93
Pledged bank deposits	**30,906**	27,616	**–**	–
	110,385	108,620	**92**	93

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**87,695**	84,728	**92**	93
Renminbi	**9,226**	9,830	**–**	–
United States dollars	**9,862**	11,052	**–**	–
Other currencies	**3,602**	3,010	**–**	–
	110,385	108,620	**92**	93

Notes:

(a) The effective interest rate on bank fixed deposits was approximately 0.14% (2013: 0.09%) per annum. These deposits have a weighted average maturity of 56 (2013: 37) 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 2014, the Group's cash and cash equivalents amounting to HK$7,328,000 (2013: HK$8,077,000) were denominated in RMB and deposited with banks in the PRC.

(c) As at 30 April 2014, the Group's bank deposits of approximately HK$30,906,000 (2013: HK$27,616,000) were pledged as collateral for the Group's borrowings (Note 31).

Notes to the Financial Statements

15 Share capital

	2014 Number of shares	2014 HK$'000	2013 Number of Shares	2013 HK$'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 and 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 *(note a)* HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve *(note b)* HK$'000	Statutory reserves *(note c)* HK$'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

Notes to the Financial Statements

16 Reserves *(continued)*

Group *(continued)*

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve *(note a)* HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve *(note b)* HK$'000	Statutory reserves *(note c)* HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 May 2013	25,075	5,042	13,934	1,013	3,124	19,632	104,044	263,463	435,327
Currency translation differences	–	–	–	–	–	–	3,715	–	3,715
Change in fair value of available-for-sale financial assets *(Note 10)*	–	–	–	(566)	–	–	–	–	(566)
Revaluation surplus upon transfer from buildings to investment properties	–	–	–	–	7,450	–	–	–	7,450
Profit for the year	–	–	–	–	–	–	–	23,773	23,773
2012/2013 final dividend	–	–	–	–	–	–	–	(3,331)	(3,331)
At 30 April 2014	25,075	5,042	13,934	447	10,574	19,632	107,759	283,905	466,368

Notes:

(a) Capital reserve represents the difference between the nominal value of the Company's shares issued and the combined share capital of the subsidiaries acquired through an exchange of shares pursuant to the reorganisation in 1999.

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

(c) 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 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
2012/13 final dividend	–	–	–	(3,331)	(3,331)
At 30 April 2014	25,075	5,042	131,338	9,952	171,407

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 Borrowings

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank borrowings	**458,613**	396,302	**–**	–
Bank advances for factored receivables *(note)*	**6,999**	10,423	**–**	–
Bank overdrafts	**33,473**	24,412	**–**	–
Total borrowings	**499,085**	431,137	**–**	–

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 2014.

Notes to the Financial Statements

17 Borrowings *(continued)*

The maturity of borrowings is analysed as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**401,117**	333,276	**–**	–
Between one and two years	**30,993**	34,053	**–**	–
Between two and five years	**64,621**	50,710	**–**	–
More than five years	**2,354**	13,098	**–**	–
	499,085	431,137	**–**	–

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.

As at 30 April 2014 and 30 April 2013, the ranges of effective interest rates of loans of major currencies were as follows:

	Group							
	2014				2013			
	HK$	**US$**	**JPY**	**EUR**	HK$	US$	JPY	EUR
	%	**%**	**%**	**%**	%	%	%	%
Borrowings	**1.01-6.25**	**2.16-3.99**	**2.54-3.51**	**2.33-3.46**	0.99-6.25	2.33-4.16	2.19-3.69	2.16-3.67

The carrying amounts of borrowings approximate their fair values.

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**273,251**	265,938	**–**	–
United States dollars	**64,636**	56,109	**–**	–
Japanese Yen	**139,386**	89,288	**–**	–
Euro	**18,527**	19,802	**–**	–
Others	**3,285**	–	**–**	–
	499,085	431,137	**–**	–

Details of the Group's banking facilities and pledges of assets are listed in Note 31.

Notes to the Financial Statements

18 Deferred income tax

Deferred tax is calculated on temporary differences under the liability method using tax rates enacted or substantively enacted by the end of the reporting period in the respective jurisdictions.

The movements of the net deferred tax (assets)/liabilities are as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 May	**554**	3,135
Credited to consolidated income statement *(Note 25)*	**(2,083)**	(2,509)
Payment of dividend withholding tax upon distribution of unremitted profits	**(32)**	(72)
At 30 April	**(1,561)**	554

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**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 May	**1,516**	613	**646**	591	**2,162**	1,204
(Charged)/credited to consolidated income statement	**(1,368)**	903	**3,757**	55	**2,389**	958
At 30 April	**148**	1,516	**4,403**	646	**4,551**	2,162

Deferred tax liabilities	**Accelerated depreciation allowance**		**Withholding tax**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 May	**2,684**	4,316	**32**	23	**2,716**	4,339
Charged/(credited) to consolidated income statement	**306**	(1,632)	**–**	81	**306**	(1,551)
Payment of dividend withholding tax upon distribution of unremitted profits	**–**	–	**(32)**	(72)	**(32)**	(72)
At 30 April	**2,990**	2,684	**–**	32	**2,990**	2,716

Notes to the Financial Statements

18 Deferred income tax *(continued)*

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:

	2014	2013
	HK$'000	*HK$'000*
Deferred tax assets	**2,194**	1,115
Deferred tax liabilities	**(633)**	(1,669)
	1,561	(554)

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$25,116,000 (2013: HK$29,339,000) 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$9,462,000 (2013: HK$11,234,000) have no expiry date, the remaining losses will expire at variable dates up to and including 2018.

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. No deferred tax liabilities have been provided for (2013: HK$32,000) as there are no 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.

Notes to the Financial Statements

19 Accounts payable

The ageing analysis of accounts payable is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
0-30 days	**20,413**	26,025
31-60 days	**2,443**	4,759
61-90 days	**641**	451
91-120 days	**64**	494
Over 120 days	**209**	623
	23,770	32,352

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

	2014	2013
	HK$'000	*HK$'000*
Hong Kong dollars	**4,148**	4,120
Renminbi	**11,676**	20,699
Japanese Yen	**4,074**	5,836
United States dollars	**2,625**	1,531
Other currencies	**1,247**	166
	23,770	32,352

Notes to the Financial Statements

20 Accruals and other payable

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Receipts in advance	**1,684**	2,394	**–**	–
Salaries and other staff welfare payable	**28,868**	24,311	**–**	–
Rental and store utilities payable	**15,628**	13,754	**–**	–
Provision for reinstatement cost	**8,070**	4,040	**–**	–
Other taxes payable	**2,167**	3,101	**–**	–
Interest payable	**1,509**	1,599	**–**	–
Others	**12,261**	8,409	**262**	483
	70,187	57,608	**262**	483
Less:				
Non-current portion of provision for reinstatement cost	**(6,628)**	(3,575)	**–**	–
	63,559	54,033	**262**	483

21 Other (losses)/gains, net

	2014	2013
	HK$'000	*HK$'000*
Fair value gains on investment properties *(Note 8)*	**1,159**	15,870
Net (loss)/gain on written off/disposal of property, plant and equipment	**(2,230)**	58
Impairment loss on properties, plant and equipment *(Note 7)*	**(2,966)**	(980)
	(4,037)	14,948

Notes to the Financial Statements

22 Expenses by nature

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

	2014	2013
	HK$'000	*HK$'000*
Auditors' remuneration	**2,322**	2,285
Amortisation of land use rights *(Note 6)*	**545**	535
Cost of inventories recognised as expenses included in cost of sales	**1,101,451**	754,951
Depreciation of property, plant and equipment *(Note 7)*	**59,359**	48,629
Direct operating expenses arising from investment properties that generate rental income	**467**	274
Employee benefit expenses (including directors' emoluments) *(Note 23)*	**307,935**	253,490
Net exchange (gains)/losses		
– recognised in cost of sales	**(7,118)**	(13,662)
– recognised in general and administrative expenses	**(402)**	614
Operating lease rentals		
– basic rent	**132,074**	70,952
– turnover rent	**16,306**	11,719
Provision for impairment of accounts receivable *(Note 12)*	**1,041**	3,343
Provision/(write-back of provision) for impairment of inventories	**12,958**	(91)
Utility expenses	**51,994**	43,406
Freight and transportation	**34,810**	22,212
Other expenses	**66,222**	60,001
Total cost of sales, distribution and selling expenses and general and administrative expenses	**1,779,964**	1,258,658

Notes to the Financial Statements

23 Employee benefit expenses

	2014 HK$'000	2013 HK$'000
Wages and salaries	285,082	233,127
Pension costs – defined contribution plans *(Note a)*	18,762	16,150
Staff welfare	4,091	4,213
	307,935	253,490

(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. 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$1,250 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

23 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 2014, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK$18,762,000 (2013: HK$16,150,000), with no deduction of forfeited contributions (2013: Nil). As at 30 April 2014, 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:

	2014	2013
	HK$'000	*HK$'000*
Directors' fees for independent non-executive directors	**1,570**	1,818
Other emoluments for executive directors		
– basic salaries, allowances and other benefits in kind	**3,551**	4,366
– contributions to pension schemes	**262**	294
	5,383	6,478

No directors waived any emoluments during the year (2013: 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

23 Employee benefit expenses *(continued)*

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

The remuneration of the Directors for the year ended 30 April 2014 is set out below:

	Fees HK$'000	Basic salaries and allowances HK$'000	Bonuses HK$'000	Employer's contribution to pension schemes HK$'000	2014 Total HK$'000
Executive directors:					
Mr. Lam Wai Chun	–	1,304	–	100	1,404
Ms. Tang Fung Kwan	–	1,351	–	120	1,471
Mr. Ho Man Lee	–	641	–	24	665
Ms. Li Hong *(resigned on 1 October 2013)*	–	255	–	18	273
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 *(retired on 27 September 2013)*	172	–	–	–	172
	1,570	3,551	–	262	5,383

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 September 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

Notes to the Financial Statements

23 Employee benefit expenses *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2013: two) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining three (2013: three) individuals during the year are as follows:

	2014	2013
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits in kind	**2,318**	2,083
Contributions to pension schemes	**63**	106
	2,381	2,189

The emoluments fell within the following band:

	Number of individuals	
	2014	2013
Emolument bands		
Nil to HK$1,000,000	**3**	3

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

(d) Senior management's emoluments by band

The senior management's emolument fell within the following bands:

	Number of members	
	2014	2013
Emolument bands		
Nil to HK$1,000,000	**23**	15

Notes to the Financial Statements

24 Finance costs, net

	2014 HK$'000	2013 HK$'000
Interest expense on bank borrowings *(note)*		
– wholly repayable within five years	**14,116**	12,779
– not wholly repayable within five years	**969**	672
Total interest expense incurred during the year	**15,085**	13,451
Interest income from bank deposits	**(58)**	(42)
	15,027	13,409

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.

25 Income tax expense

The amount of income tax expense charged to the consolidated income statement represents:

	2014 HK$'000	2013 HK$'000
Hong Kong profits tax		
– current tax	**9,737**	4,232
– under-provision in prior years	**32**	69
Overseas income tax including Mainland China		
– current tax	**146**	640
– over-provision in prior years	**(72)**	–
Deferred income tax *(Note 18)*	**(2,083)**	(2,509)
Total income tax expense	**7,760**	2,432

The Company is incorporated in Bermuda and is exempted from income tax in Bermuda until 2035. Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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% (2013: 25%) on their taxable income determined according to Mainland China tax laws. Other overseas income tax has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

Notes to the Financial Statements

25 Income tax expense *(continued)*

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:

	2014	2013
	HK$'000	*HK$'000*
Profit before income tax	**31,533**	22,582
Tax calculated at weighted average domestic tax rates applicable to profits in the respective territories	**3,685**	2,994
Tax effect on income not subject to income tax	**(274)**	(2,645)
Tax effect on expenses not deductible for income tax purposes	**2,501**	491
Utilisation of previously unrecognised tax losses	**(272)**	(187)
Unrecognised tax losses	**2,018**	1,714
(Over)/under provision in prior years	**(41)**	69
Withholding tax on unremitted profit	**–**	81
Others	**143**	(85)
	7,760	2,432

26 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 2014 and 30 April 2013.

27 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holder of approximately HK$23,773,000 (2013: HK$20,150,000) and the weighted average number of 666,190,798 (2013: 666,190,798) shares in issue during the year.

For the years ended 30 April 2014 and 30 April 2013, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

28 Dividend

	2014	2013
	HK$'000	*HK$'000*
Proposed final dividend of HK0.70 cent (2013: HK0.50 cent) per share	**4,663**	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

29 Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2014 HK$'000	2013 HK$'000
Profit for the year	**23,773**	20,150
Adjustments for:		
– Income tax expense	**7,760**	2,432
– Interest income	**(58)**	(42)
– Interest expense	**15,085**	13,451
– Amortisation of land use rights	**545**	535
– Depreciation of property, plant and equipment	**59,359**	48,629
– Net loss/(gain) on written off/disposal of property, plant and equipment	**2,230**	(58)
– Provision for impairment of accounts receivable	**1,041**	3,343
– Fair value gains on investment properties	**(1,159)**	(15,870)
– Impairment loss on properties, plant and equipment	**2,966**	980
	111,542	73,550
Changes in working capital:		
– Increase in inventories	**(55,495)**	(44,638)
– Decrease in accounts and bills receivable	**19,485**	15,875
– Increase in prepayments, deposits and other receivables	**(44,068)**	(24,388)
– Decrease in accounts payable	**(8,582)**	(4,497)
– Increase in accruals and other payables	**12,579**	23,000
Cash generated from operations	**35,461**	38,902

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

	2014 HK$'000	2013 HK$'000
Net book value	**2,230**	49
Net (loss)/gain on written off/disposal of property, plant and equipment	**(2,230)**	58
Proceeds from disposal of property, plant and equipment	**–**	107

Notes to the Financial Statements

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

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

	2014 HK$'000	2013 HK$'000
Cash and cash equivalents	**79,479**	81,004
Bank overdrafts	**(33,473)**	(24,412)
	46,006	56,592

30 Commitments and contingent liabilities

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

	Group	
	2014 HK$'000	2013 HK$'000
Contracted but not provided for	**3,422**	9,391

The Company did not have significant capital commitments as at 30 April 2014 (2013: Nil).

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

At 30 April 2014, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	2014 HK$'000	2013 HK$'000
Note later than one year	**173,367**	97,692
Later than one year and not later than five years	**236,914**	123,780
	410,281	221,472

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

30 Commitments and contingent liabilities *(continued)*

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

At 30 April 2014, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2014	2013
	HK$'000	*HK$'000*
Note later than one year	**2,241**	1,907
Later than one year and not later than five years	**1,221**	880
	3,462	2,787

31 Banking facilities and pledge of assets

As at 30 April 2014, the Group had aggregate banking facilities of approximately HK$609,325,000 (2013: HK$544,036,000) 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$98,431,000 (2013: HK$111,946,000). These facilities were secured by corporate guarantees executed by the Company and certain of its subsidiaries and the followings:

(a) pledges of the Group's land and buildings of approximately HK$256,161,000 (2013: HK$239,559,000) (Note 7).

(b) pledges of the Group's investment properties of approximately HK68,920,000 (2013: HK$76,065,000) (Note 8).

(c) pledges of the Group's available-for-sale financial assets of approximately HK$8,904,000 (2013: HK$9,169,000) (Note 10).

(d) pledges of the Group's factored accounts receivable of approximately HK$6,999,000 (2013: HK$10,423,000) (Note 12).

(e) pledges of the Group's bank deposits of approximately HK$30,906,000 (2013: HK$27,616,000) (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

32 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, which were carried out in the normal course of the Group's business at mutually agreed prices:

		2014	2013
		HK$'000	*HK$'000*
(a)	Rental expense paid to a related company which is owned by directors of the Company	**664**	692
	Rental expense paid to a director of the Company	**294**	294
	Commission paid to a related company	**700**	–
	Purchase from a related company	**–**	809

		2014	2013
		HK$'000	*HK$'000*
(b)	Prepayment to a related party for purchase of inventory	**–**	233

(c) Key management compensation is as below:

	2014	2013
	HK$'000	*HK$'000*
Wages and salaries	**5,121**	6,184
Pension costs – defined contribution plans	**262**	294
	5,383	6,478

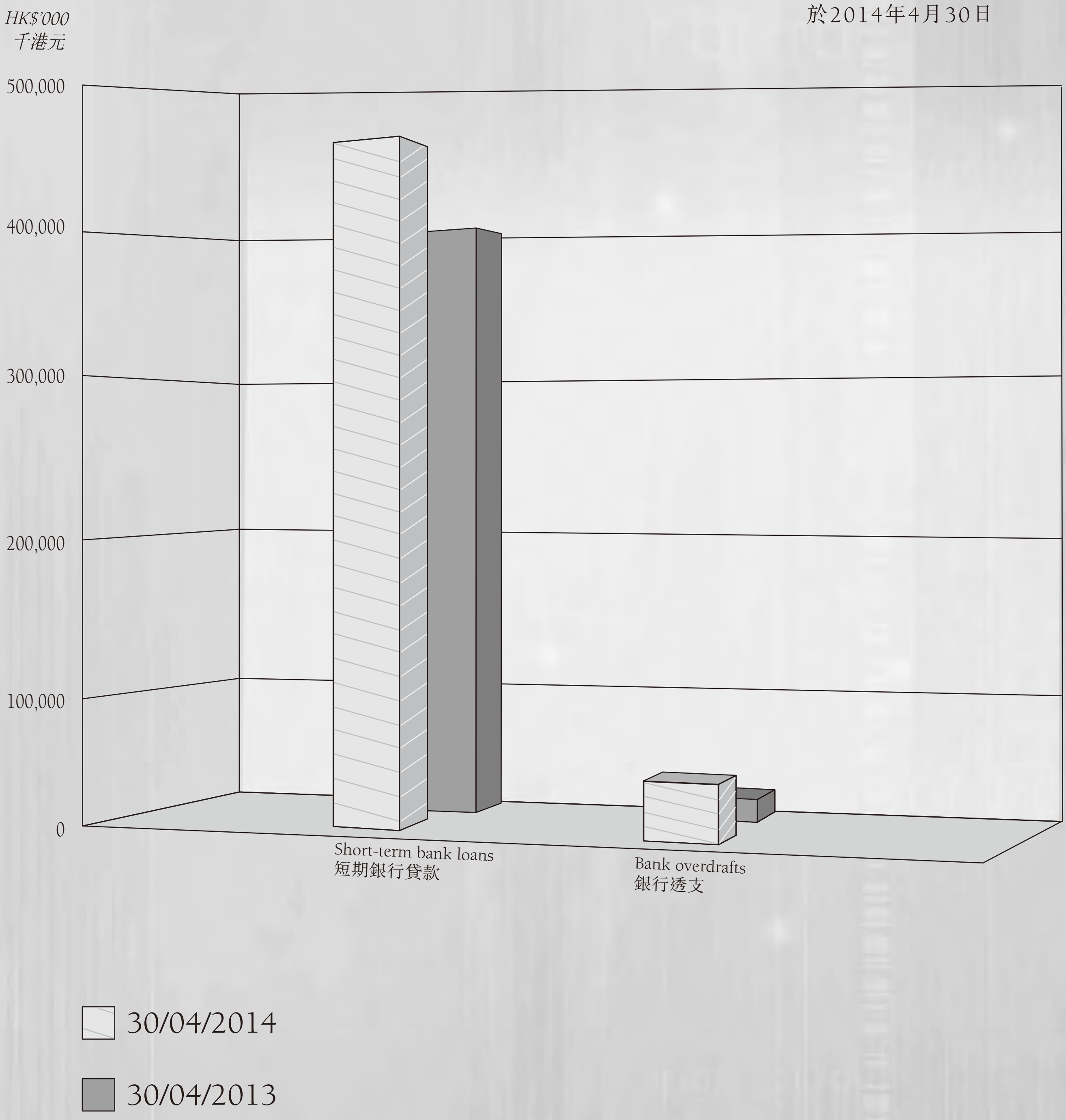
Schedule of Principal Investment Properties

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.	Units 1012A and 1012B on level 10, No. 8 Caihefang Road, Haidian District, Beijing, The PRC	IV-1-4-82(1)	Office Premises
2.	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
3.	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
4.	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
5.	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
6.	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
7.	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
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 2014
於2014年4月30日



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