

# Notes to the Financial Statements

## 1 Organisation and operations

CEC International Holdings Limited (the “Company”) was incorporated in Bermuda on 10th September 1999 as an exempted company under the Companies Act 1981 of Bermuda (as amended). The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 15th November 1999.

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

## 2 Principal accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. Principal accounting policies are summarised below:

### (a) Adoption of new/revised Statements of Standard Accounting Practice

Effective from the year ended 30th April 2002, the Company and its subsidiaries (together the “Group”) have adopted, for the first time, the following SSAPs issued by the Hong Kong Society of Accountants:

SSAP 9 (revised)	: Events after the balance sheet date
SSAP 14 (revised)	: Leases
SSAP 26	: Segment reporting
SSAP 28	: Provisions, contingent liabilities and contingent assets
SSAP 29	: Intangible assets
SSAP 30	: Business combinations
SSAP 31	: Impairment of assets
SSAP 32	: Consolidated financial statements and accounting for investments in subsidiaries

The adoption of the above new/revised SSAPs had no material effect on the Group’s financial statements, other than those described below:

#### (i) SSAP 9 (revised) – Events after the balance sheet date

In accordance with SSAP 9 (revised), dividends proposed or declared after the balance sheet date in respect of the financial year ended on the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of shareholders’ equity on the face of the balance sheet. This change in accounting policy has been applied retrospectively as a prior year adjustment, resulting in an increase of HK\$5,280,000 in shareholders’ equity as at 1st May 2001, which represents the proposed final dividend for the year ended 30th April 2001.

## 2 Principal accounting policies (Continued)

### (a) Adoption of new/revised Statements of Standard Accounting Practice (Continued)

#### (ii) SSAP 26 – Segment reporting

Segment information of the Group has been disclosed in Note 3 to the financial statements.

#### (iii) SSAP 30 – Business combinations

In accordance with SSAP 30, goodwill arising on acquisition of subsidiaries, associates and jointly controlled entities after 1st May 2001 is recognised as an asset in the balance sheet and is amortised to the income statement on a straight-line basis over its estimated useful life. Upon disposal of subsidiaries, associates or jointly controlled entities, goodwill not previously amortised to the income statement is included in the calculation of gain and loss on disposal.

In addition, the Group has adopted the consequential changes made to SSAP 10 – Accounting for investments in associates, SSAP 17 – Property, plant and equipment, SSAP 18 – Revenue and SSAP 21 – Accounting for interests in joint ventures. These consequential changes do not have a material effect on the Group's financial statements.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis as modified by the revaluation of land and buildings and quoted guaranteed return fund.

### (c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries together with the Group's share of post-acquisition results of subsidiaries and reserves of its jointly controlled entities under the equity method of accounting. The results of subsidiaries and jointly controlled entities acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. Significant intra-group transactions and balances have been eliminated on consolidation.

All subsidiaries incorporated in Mainland China adopt 31st December as their financial year end. For the purpose of preparing the Group's consolidated financial statements, management accounts of these subsidiaries as at and for the twelve months ended 30th April 2001 and 2002 were used, after making adjustments which are considered necessary by the directors of the Company for compliance with SSAPs and accounting principles generally accepted in Hong Kong.

### (d) Goodwill

Goodwill arises where the fair value of the consideration given exceeds the Group's share of the aggregate fair values of the identifiable net assets acquired. Goodwill is recognised as an asset in the balance sheet and is amortised on a straight-line basis over its estimated useful life from three to five years. The carrying value of goodwill is assessed periodically or when factors indicating an impairment are present. Any impairment of goodwill is recognised as an expense in the period in which the impairment occurs.

## Notes to the Financial Statements

### 2 Principal accounting policies (Continued)

#### (e) Subsidiaries

A subsidiary is a company in which the Company can exercise controls directly or indirectly, which is normally evidenced when the Company has the power to govern the financial and operating policies of that company so as to benefit from its activities. In the Company's financial statements, investment in subsidiaries is stated at cost less provision for any impairment in value, while income from subsidiaries is recorded to the extent of dividends received and receivable.

#### (f) Jointly controlled entities

Jointly controlled entities are joint ventures where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. In the consolidated financial statements, the Group's interests in jointly controlled entities are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement under the equity method of accounting.

#### (g) Turnover and revenue recognition

Turnover represents the net invoiced value of merchandise sold after allowances for discounts and returns.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Sales revenue is recognised when the merchandise is delivered and title has passed to customers. Interest income is recognised on a time proportion basis on the principal outstanding and at the rates applicable.

#### (h) Taxation

Individual companies within the Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method, at the current tax rate, in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

#### (i) Advertising and promotion costs

Costs of advertising and promotion are charged to the income statement as incurred.

## 2 Principal accounting policies (Continued)

### (j) Research and development costs

Research expenditures are written off as incurred. Development expenditures are charged against income in the period incurred except for those incurred for specific projects which are deferred where recoverability can be foreseen with reasonable assurance and which comply with the following criteria: (i) the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; (ii) the technical feasibility of the product or process can be demonstrated; (iii) there is an intention to produce and market, or use, the product or process; (iv) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness, can be demonstrated; and (v) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process. Capitalised development expenditures are amortised on a straight-line basis over the period in which the related products are expected to be sold, starting from the commencement of sales.

All research and development costs for the years ended 30th April 2001 and 2002 have been expensed as no expenditure met the criteria for deferral.

### (k) Employee retirement benefits

Costs of employee retirement benefits are recognised as an expense in the period in which the employees' services are rendered.

### (l) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### (m) Property, plant and equipment and depreciation

Property, plant and equipment, other than land and buildings, are stated at cost less accumulated depreciation and accumulated impairment loss. Land and buildings are stated at valuation less accumulated depreciation. Major expenditures on modifications and betterments of property, plant and equipment which will increase their future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed as incurred. Depreciation is provided on a straight-line basis to write off the cost or the revalued amount less estimated residual value of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Land	2% (lease terms)
Buildings	2.5%
Machinery	10%
Furniture and equipment	16.7% to 25%
Motor vehicles	16.7% to 30%

Independent valuations for land and buildings are performed periodically. Any increase in valuation of land and buildings is credited to the property revaluation reserve; any decrease is first offset against increases from earlier valuations in respect of the same land and buildings and is thereafter charged to the income statement.

## Notes to the Financial Statements

### 2 Principal accounting policies (Continued)

#### (m) Property, plant and equipment and depreciation (Continued)

Gains or losses on disposal of property, plant and equipment are recognised in the income statement based on the net disposal proceeds less the carrying amount of the assets, with previously recognised revaluation surpluses transferred from property revaluation reserve to retained profits.

Property, plant and equipment held under finance leases are recorded and depreciated on the same basis as described above.

Buildings under construction are stated at cost, which include the original cost of land, construction expenditures incurred, borrowing and other direct costs attributable to the buildings under construction. No depreciation is provided.

#### (n) Intangible asset

Intangible asset, representing acquisition costs for a non-exclusive distribution right, is stated at cost and is amortised on a straight-line basis over the expected future economic life of three years. Where appropriate, provision is made for any impairment in value.

#### (o) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method of costing and includes costs of purchase, costs of conversion and other costs incurred in bringing the goods to their present location and condition. Net realisable value is based on estimated selling prices in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### (p) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

#### (q) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 2 Principal accounting policies (Continued)

### (r) Investment

Investment which is held for trading purpose is carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of investment are recognised in the income statement. Profits or losses on disposal of investment, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

### (s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of property, plant and equipment, intangible asset, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to property, plant and equipment (Note 11) and intangible asset (Note 12).

In respect of geographical segment reporting, turnover is based on the country in which customers are located. Total assets and capital expenditure are based on where the assets are located.

### (t) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset, is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the income statement.

### (u) Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

## Notes to the Financial Statements

### 2 Principal accounting policies (Continued)

#### (v) Leases

Finance leases represent those leases under which substantially all the rewards and risks of ownership of the leased assets are transferred to the Group. Property, plant and equipment held under finance leases are initially recorded at the present value of the minimum payments at the inception of the leases, with equivalent liabilities categorised as appropriate under current or non-current liabilities. Interest, which represents the difference between the minimum payments at the inception of the finance leases and the corresponding fair value of the assets acquired, is allocated to accounting periods over the period of the relevant leases to produce a constant rate of charge on the outstanding balances.

Operating leases represent those leases under which substantially all the rewards and risks of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

#### (w) Subsequent events

Post-year-end events that provide financial information about financial position as at the balance sheet date or those that indicate the going concern assumption is not appropriate (“adjusting events”) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

#### (x) Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations (“functional currencies”). In the financial statements of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains or losses are dealt with in the income statements of the individual companies.

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, all of the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date and income and expense items are translated into Hong Kong dollars at the average applicable exchange rates during the year. Exchange differences arising from such translation are dealt with as movements of cumulative translation adjustments. Upon disposal of a foreign entity, the cumulative translation adjustment is included in the consolidated income statement as part of the gain or loss on disposal.

#### (y) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Notes to the Financial Statements

## 3 Turnover, revenue and segment information

Turnover and revenue (consolidated) consisted:

	2002 HK\$'000	2001 HK\$'000
Turnover – Sale of merchandise	363,896	347,004
Interest income from bank deposits	1,031	2,422
<b>Total revenue</b>	<b>364,927</b>	<b>349,426</b>

## (a) Business segment

The Group is principally engaged in the design, development, manufacture and sale of a wide range of coils, capacitors, power supply devices and other electronic components. An analysis by business segment is as follows:

	Coils		Capacitors		Power supply devices		Other electronic components		Other operations		Eliminations		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover														
External sales	293,122	309,886	33,240	21,899	3,380	-	34,154	15,219	-	-	-	-	363,896	347,004
Intersegment sales	3,159	431	2,075	436	1,141	-	344	1,119	-	-	(6,719)	(1,986)	-	-
	<b>296,281</b>	<b>310,317</b>	<b>35,315</b>	<b>22,335</b>	<b>4,521</b>	<b>-</b>	<b>34,498</b>	<b>16,338</b>	<b>-</b>	<b>-</b>	<b>(6,719)</b>	<b>(1,986)</b>	<b>363,896</b>	<b>347,004</b>
Operating results														
Profit/(loss) from operations	30,983	51,908	(368)	332	202	-	(980)	(493)	-	-	-	-	29,837	51,747
Interest income	1,031	2,422	-	-	-	-	-	-	-	-	-	-	1,031	2,422
Interest expense	(21,516)	(19,362)	(289)	(105)	-	-	(490)	(32)	-	-	-	-	(22,295)	(19,499)
Share of profits less losses of jointly controlled entities	-	-	-	-	-	-	-	-	(138)	(2)	-	-	(138)	(2)
Profit before taxation													8,435	34,668
Taxation													(2,361)	(3,805)
Profit after taxation but before minority interests													6,074	30,863
Other information														
Total assets	634,907	554,989	17,917	21,448	2,476	-	11,714	12,385	-	-	-	-	667,014	588,822
Total liabilities	362,890	296,065	7,174	9,198	1,303	-	1,641	12,047	-	-	-	-	373,008	317,310
Capital expenditures	101,807	216,247	1,094	5,331	1,018	-	4	4,919	-	-	-	-	103,923	226,497
Depreciation and amortisation	50,088	33,739	794	362	75	-	1,067	611	-	-	-	-	52,024	34,712



## Notes to the Financial Statements

## 3 Turnover, revenue and segment information (Continued)

## (b) Geographical segment

The Group's activities are conducted predominately in Hong Kong, Mainland China, Taiwan, Europe and Singapore. An analysis by geographical segment is as follows:

	Turnover		Profit/(loss) from operations		Total assets		Capital expenditures	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	253,463	271,532	23,785	52,504	179,358	162,266	3,216	9,888
Mainland China	21,919	23,210	2,938	3,863	461,974	401,337	100,674	207,246
Taiwan	45,456	16,409	829	(125)	3,822	1,475	-	28
Europe	16,879	15,849	2,162	3,633	-	-	-	-
Singapore	21,691	15,320	818	(1,426)	20,787	22,643	33	9,280
Others	4,488	4,684	(695)	(6,702)	1,073	1,101	-	55
<b>Total</b>	<b>363,896</b>	<b>347,004</b>	<b>29,837</b>	<b>51,747</b>	<b>667,014</b>	<b>588,822</b>	<b>103,923</b>	<b>226,497</b>

## 4 Profit before taxation

Profit before taxation in the consolidated income statement is stated after crediting and charging the following:

	2002 HK\$'000	2001 HK\$'000
Crediting		
Net exchange gain	-	1,934
Charging		
Cost of inventories (excluding provision for slow-moving and obsolete inventories)	274,276	237,448
Employment costs (including directors' emoluments)	91,264	87,210
Advertising and promotion costs	1,768	2,125
Research and development expenses	6,162	8,670
Operating lease rental of premises	3,345	2,697
Depreciation of property, plant and equipment		
– owned assets	43,616	22,381
– assets held under finance leases	7,342	11,975
Amortisation of intangible asset	1,066	356
Loss on disposal of property, plant and equipment	10	-
Deficit on revaluation of properties	69	-
Unrealised loss on investment	430	-
Interest expense on		
– bank overdrafts and loans wholly repayable within five years	13,656	8,831
– factoring of trade receivables	2,372	3,755
– finance leases	6,267	6,913
Provision for bad and doubtful debts	1,259	3,019
Provision for slow-moving and obsolete inventories	502	-
Net exchange loss	1,134	-
Auditors' remuneration	770	778

## Notes to the Financial Statements

## 5 Directors' and senior executives' emoluments

## (a) Details of directors' emoluments are:

	2002 HK\$'000	2001 HK\$'000
Fees for executive directors	–	–
Fee for non-executive director	300	–
Fees for independent non-executive directors	600	600
Other emoluments for executive directors		
– Basic salaries and allowances	4,136	4,216
– Contributions to pension schemes	227	253
Other emoluments for non-executive director		
– Basic salary and allowances	–	495
	5,263	5,564

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

Analysis of directors' emoluments by number of directors and emolument range is as follows:

	2002	2001
Executive directors		
– Nil to HK\$1,000,000	4	3
– HK\$1,000,001 to HK\$1,500,000	1	1
– HK\$1,500,001 to HK\$2,000,000	1	1
	6	5
Non-executive director and independent non-executive directors		
– Nil to HK\$1,000,000	3	3

## Notes to the Financial Statements

## 5 Directors' and senior executives' emoluments (Continued)

(b) Details of emoluments paid to the five highest paid individuals (including directors and other employees) are:

	2002 HK\$'000	2001 HK\$'000
Basic salaries and allowances	4,201	4,544
Contributions to pension schemes	248	244
	<u>4,449</u>	<u>4,788</u>

	2002	2001
Number of directors	4	5
Number of employees	1	–
	<u>5</u>	<u>5</u>

During the year, no emoluments were paid to the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

Analysis of emoluments paid to the five highest paid individuals by number of individuals and emolument range is as follows:

	2002	2001
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	1
	<u>5</u>	<u>5</u>

## Notes to the Financial Statements

**6 Taxation**

Taxation (consolidated) consisted:

	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries		
Current taxation –		
Hong Kong profits tax		
– current year	200	–
– over-provision in prior years	–	(51)
Mainland China enterprise income tax		
– current year	485	231
Deferred taxation (Note 23) – Hong Kong profits tax	1,675	3,625
	<b>2,360</b>	<b>3,805</b>
Jointly controlled entities		
Current taxation – Hong Kong profits tax	1	–
	<b>2,361</b>	<b>3,805</b>

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit arising in or derived from Hong Kong.

Zhongshan Tonichi Ferrite Products Co., Ltd., Zhongshan Coils Metalwork Co., Ltd. and Zhongshan Coils Electronic Co., Ltd., wholly foreign owned enterprises established in Zhongshan, the open coastal area of Mainland China, are subject to Mainland China enterprise income tax at a rate of 24%, while Xiamen Coils Electronic Co., Ltd., a wholly foreign owned enterprise established in Xiamen, a special economic zone in Mainland China, is subject to Mainland China enterprise income tax at a rate of 15%.

For all other companies within the Group, profits tax was provided at tax rates in the respective jurisdictions in which they operate.

**7 Profit attributable to shareholders**

The consolidated profit attributable to shareholders includes a loss of approximately HK\$944,000 (2001: profit of approximately HK\$9,085,000) dealt with in the financial statements of the Company.

**8 Dividends**

No dividend was declared in respect of the year ended 30th April 2002 (2001: final dividend of HK\$5,280,000).

## Notes to the Financial Statements

**9 Retained profits**

Retained profits consisted:

	2002 HK\$'000	2001 HK\$'000
Company	3,621	4,576
Subsidiaries	142,786	135,730
Jointly controlled entities	(141)	(2)
	<b>146,266</b>	<b>140,304</b>

**10 Earnings per share**

The calculation of basic earnings per share for the year ended 30th April 2002 is based on the profit attributable to shareholders of approximately HK\$5,973,000 (2001: HK\$30,863,000) and on the weighted average number of 649,040,127 (2001: 615,628,735) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 30th April 2002 is based on the profit attributable to shareholders of approximately HK\$5,973,000 (2001: HK\$30,863,000) and on the weighted average number of 649,040,127 (2001: 653,516,681) shares, adjusted to reflect the effect of all dilutive potential shares in issue during the year.

The comparative weighted average number of shares in issue, basic earnings per share and diluted earnings per share for the year ended 30th April 2001 have been adjusted to reflect the bonus issue of shares on the basis of one bonus share for every five shares held by shareholders on 14th September 2001 (see Note 24(b)).

A reconciliation of the weighted average number of shares used in the calculation of basic earnings per share for the year ended 30th April 2002 to that used in the calculation of diluted earnings per share is as follows:

	2002	2001
Weighted average number of shares used in the calculation of basic earnings per share	649,040,127	615,628,735
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the year (Note 26)	–	37,887,946
Weighted average number of shares used in the calculation of diluted earnings per share	<b>649,040,127</b>	<b>653,516,681</b>

The outstanding share options and warrants during the year ended 30th April 2002 were anti-dilutive. The outstanding share options during the year ended 30th April 2001 were anti-dilutive.

## Notes to the Financial Statements

## 11 Property, plant and equipment

(a) Movements in property, plant and equipment (consolidated) were:

	2002					2001	
	Land and buildings HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Buildings under construction HK\$'000	Total HK\$'000	Total HK\$'000
<b>Cost or valuation</b>							
Beginning of year	55,676	423,463	42,549	4,823	18,615	545,126	322,841
Additions	5,065	92,075	5,900	883	-	103,923	223,297
Disposals	-	-	(18)	-	-	(18)	-
Transfer	13,630	4,759	226	-	(18,615)	-	-
Revaluation	(249)	-	-	-	-	(249)	-
Translation adjustments	8	96	(10)	(10)	-	84	(1,012)
End of year	74,130	520,393	48,647	5,696	-	648,866	545,126
<b>Representing -</b>							
At cost	-	520,393	48,647	5,696	-	574,736	498,325
At professional valuation	74,130	-	-	-	-	74,130	46,801
	74,130	520,393	48,647	5,696	-	648,866	545,126
<b>Accumulated depreciation</b>							
Beginning of year	2,212	83,118	24,740	2,639	-	112,709	78,777
Provision for the year	1,571	41,492	7,263	632	-	50,958	34,356
Disposals	-	-	(8)	-	-	(8)	-
Write-back upon revaluation	(3,770)	-	-	-	-	(3,770)	-
Translation adjustments	(13)	(8)	(9)	(5)	-	(35)	(424)
End of year	-	124,602	31,986	3,266	-	159,854	112,709
<b>Net book value</b>							
End of year	74,130	395,791	16,661	2,430	-	489,012	432,417
Beginning of year	53,464	340,345	17,809	2,184	18,615	432,417	244,064

## Notes to the Financial Statements

## 11 Property, plant and equipment (Continued)

## (b) Details of land and buildings (consolidated) were:

	2002 HK\$'000	2001 HK\$'000
Hong Kong – medium-term leases	8,140	8,204
Mainland China – medium-term leases	65,595	44,865
Mainland China – long-term leases	395	395
	<b>74,130</b>	<b>53,464</b>

Approximately HK\$65,595,000 (2001: HK\$44,865,000) of land and buildings located in Mainland China are held under land use rights for 50 years up to 2048, while approximately HK\$395,000 (2001: HK\$395,000) of land and buildings located in Mainland China are held under land use rights for 70 years up to 2068.

Approximately HK\$8,140,000 (2001: HK\$6,668,000) of land and buildings located in Hong Kong were stated at open market value as at 30th April 2002 (date of last valuation) as determined by Castores Magi Surveyors Limited, independent qualified valuers. Approximately HK\$65,990,000 (2001: HK\$38,456,000) of land and buildings located in Mainland China were stated on a replacement cost basis as at 30th April 2002 as determined by the same firm.

Had all land and buildings been carried at cost less accumulated depreciation, the net book value of the Group's land and buildings as at 30th April 2002 would have been approximately HK\$55,159,000 (2001: HK\$37,587,000).

Land and buildings with a net book value of approximately HK\$6,190,000 (2001: HK\$6,319,000) were mortgaged as collateral for the Group's banking facilities (see Note 31(a)).

## (c) Machinery and motor vehicles:

Certain machinery and motor vehicles included in Note 11(a) above were held under finance leases. Details of these assets are as follows:

	2002 HK\$'000	2001 HK\$'000
Cost	71,813	149,291
Less: Accumulated depreciation	(13,239)	(16,770)
Net book value	<b>58,574</b>	<b>132,521</b>

Machinery with net book value of approximately HK\$14,649,000 (2001: HK\$35,778,000) was pledged as collateral for the Group's banking facilities (see Note 31(d)).

## Notes to the Financial Statements

## 12 Intangible asset

Movements in intangible asset (consolidated) were:

	2002 HK\$'000	2001 HK\$'000
<b>Cost</b>		
Beginning of year	3,200	–
Additions	–	3,200
End of year	3,200	3,200
<b>Accumulated amortisation</b>		
Beginning of year	356	–
Amortisation for the year	1,066	356
End of year	1,422	356
<b>Net book value</b>		
End of year	1,778	2,844
Beginning of year	2,844	–

## 13 Investment in subsidiaries

In the Company's balance sheet, investment in subsidiaries consisted:

	2002 HK\$'000	2001 HK\$'000
Unlisted shares/investments, at cost	137,348	137,348
Due from subsidiaries	205,530	88,608
	342,878	225,956

The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so.

The underlying value of the investment in subsidiaries is, in the opinion of the Company's directors and the Group's management, not less than the carrying value as at 30th April 2002.

As at 30th April 2002, the Company had given guarantees to banks of approximately HK\$227,756,000 (2001: HK\$296,622,000) to secure banking and finance lease facilities of certain subsidiaries (see Note 29(c)).



## Notes to the Financial Statements

## 13 Investment in subsidiaries (Continued)

Details of the Company's subsidiaries as at 30th April 2002 are:

Name	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group (a)	Principal activities
Coils International Holdings Limited	British Virgin Islands	Ordinary US\$10,000	100%	Investment holding
CEC-Coils Hong Kong Co., Limited	Hong Kong	Ordinary HK\$2	100%	Dormant
		Non-voting deferred HK\$1,000,000 (b)	100%	
CEC-Coils Singapore Pte Ltd.	Singapore	Ordinary S\$1,500,000	100%	Manufacture and sale of coils and other electronic components
CEC-ECAP Limited	Hong Kong	Ordinary HK\$1,000,000	100%	Manufacture and sale of electrolytic capacitors
CEC-Electric Co., Limited	Hong Kong	Ordinary HK\$2	100%	Manufacture and sale of power supply devices
CEC-Smart Good Enterprises Limited	Hong Kong	Ordinary HK\$10,000	100%	Trading of electronic components
CEC-Technology Limited	Hong Kong	Ordinary HK\$10,000	100%	Provision of information technology management services
Coils Electronic Co., Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding; manufacture and sale of coils and other electronic components
		Non-voting deferred HK\$14,000,000 (b)	–	

## Notes to the Financial Statements

## 13 Investment in subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group (a)	Principal activities
Coils Investment (BVI) Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
CEC-Unitech Electronics Limited (c)	Hong Kong	Ordinary HK\$10,000	100%	Trading of electronic components
Jin Yuan Moulds Limited	Hong Kong	Ordinary HK\$100	100%	Dormant
Xiamen Coils Electronic Co., Ltd. (d)	Mainland China	Registered capital HK\$2,900,000	100%	Manufacture and sale of coils and other electronic components
Zhongshan Tonichi Ferrite Products Co., Ltd. (d)	Mainland China	Registered capital HK\$81,600,000	100%	Manufacture and sale of coils and other electronic components
Zhongshan Coils Metalwork Co., Ltd. (d)	Mainland China	Registered capital US\$66,185 (e)	100%	Manufacture of coils
Zhongshan Coils Electronic Co., Ltd. (d)	Mainland China	Registered capital US\$76,371 (e)	100%	Dormant

## Notes to the Financial Statements

### 13 Investment in subsidiaries (Continued)

*Notes:*

- (a) The shares of Coils International Holdings Limited are held directly by the Company. The shares of other subsidiaries are held indirectly.
- (b) The non-voting deferred shares of CEC-Coils Hong Kong Co., Limited are owned by Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company, whereas the non-voting deferred shares of Coils Electronic Co., Limited are owned by Mr. Lam Wai Chun, a director of the Company, Ms. Law Ching Yee, the spouse of Mr. Lam Wai Chun, 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 CEC-Coils Hong Kong Co., Limited and Coils Electronic Co., Limited exceeds HK\$100,000,000,000,000 respectively, 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) During the year ended 30th April 2002, the Group acquired an additional 49% interest in CEC-Unitech Electronics Limited from the minority shareholder for a consideration of HK\$4,900, representing the Group's share of the net asset value of CEC-Unitech Electronics Limited being acquired.
- (d) Xiamen Coils Electronic Co., Ltd., Zhongshan Tonichi Ferrite Products Co., Ltd., Zhongshan Coils Metalwork Co., Ltd. and Zhongshan Coils Electronic Co., Ltd. are wholly foreign owned enterprises established in Mainland China to be operated for 15 years up to December 2012, September 2008, February 2016 and April 2016, respectively.
- (e) Zhongshan Coils Metalwork Co., Ltd. and Zhongshan Coils Electronic Co., Ltd. were established with registered capital of US\$3,000,000 and US\$8,000,000, respectively. As at 30th April 2002, the Group had outstanding commitments of approximately US\$2,934,000 and US\$7,924,000, respectively, for capital contributions to the two subsidiaries.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30th April 2002.