

## Notes to the Financial Statements

## 14 Investment in jointly controlled entities

Investment in jointly controlled entities (consolidated) consisted:

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	105	105
Share of undistributed post-acquisition results	(141)	(2)
Due from jointly controlled entities	908	136
Due to a jointly controlled entity	-	(5)
	872	234

The outstanding balances with jointly controlled entities are unsecured, non-interest bearing and not repayable until the jointly controlled entities are financially capable to do so.

The underlying value of the investment in jointly controlled entities 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.

Details of the jointly controlled entities as at 30th April 2002 are:

Name	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group (a)	Principal activities
Yat Chun Motor Car Services Limited (Formerly known as CEC-East Tower Co., Limited)	Hong Kong	Ordinary HK\$10,000	50%	Repairs and maintenance of motor vehicles
CEC-Chung Cheuk Electronics Limited	Hong Kong	Ordinary HK\$200,000	50%	Dormant

Note:

(a) The shares of the jointly controlled entities are held indirectly by the Company.

## Notes to the Financial Statements

**15 Inventories**

Inventories (consolidated) consisted:

	2002 HK\$'000	2001 HK\$'000
Raw materials	41,623	39,593
Work-in-progress	16,572	9,513
Finished goods	14,550	11,578
	<b>72,745</b>	<b>60,684</b>
Less: Provision for slow-moving and obsolete inventories	(2,424)	(1,922)
	<b>70,321</b>	<b>58,762</b>

The Group's inventories with a carrying amount of approximately HK\$54,985,000 (2001: HK\$56,562,000) were held under trust receipts bank loan arrangements (see Note 31(d)). Approximately HK\$4,256,000 (2001: Nil) of the Group's inventories were stated at net realisable value as at 30th April 2002.

**16 Trade receivables**

Aging analysis of trade receivables (consolidated) is:

	2002 HK\$'000	2001 HK\$'000
Current	27,527	20,707
Overdue by 0–1 month	9,937	6,559
Overdue by 1–2 months	3,284	4,250
Overdue by 2–3 months	842	1,010
Overdue by more than 3 months	2,218	2,869
	<b>43,808</b>	<b>35,395</b>
Less: Provision for bad and doubtful debts	(1,808)	(4,615)
	<b>42,000</b>	<b>30,780</b>

Management of the Group performs ongoing credit and collectibility evaluations of each customer. Provisions for potential credit losses are maintained and such losses in aggregate have not exceeded management's estimates. The Group offers an average credit period ranging from one to three months to its trade customers who have good payment records and well-established relationships with the Group.

## Notes to the Financial Statements

**17 Investment**

Details of investment (consolidated) are:

	2002 HK\$'000	2001 HK\$'000
Quoted guaranteed return fund	7,370	–

As at 30th April 2002, the Group's investment was pledged as collateral for the Group's banking facilities (see Note 31(b)).

**18 Pledged bank deposits**

As at 30th April 2002, the Group's bank deposits of approximately HK\$35,847,000 (2001: HK\$47,387,000) were pledged as collateral for the Group's banking facilities (see Note 31(c)).

**19 Short-term bank borrowings**

Short-term bank borrowings (consolidated) consisted:

	2002 HK\$'000	2001 HK\$'000
Bank overdrafts	20,370	12,075
Short-term bank loans	13,675	5,575
Trust receipts bank loans	54,985	71,153
	<b>89,030</b>	<b>88,803</b>

Refer to Note 31 for details of the Group's banking facilities.

**20 Long-term bank loans**

Details of long-term bank loans, which are secured, are:

	Consolidated		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts repayable within a period of				
– not exceeding one year	44,798	73,266	20,000	–
– more than one year but not exceeding two years	43,820	6,174	20,000	–
– more than two years but not exceeding five years	90,829	5,078	55,000	–
	<b>179,447</b>	<b>84,518</b>	<b>95,000</b>	<b>–</b>
Less: Amounts repayable within one year included under current liabilities	(44,798)	(73,266)	(20,000)	–
	<b>134,649</b>	<b>11,252</b>	<b>75,000</b>	<b>–</b>

Refer to Note 31 for details of the Group's banking facilities.

## Notes to the Financial Statements

**21 Finance lease obligations**

Finance lease obligations (consolidated) consisted:

	2002 HK\$'000	2001 HK\$'000
Amounts repayable within a period of		
– not exceeding one year	16,414	38,139
– more than one year but not exceeding two years	10,493	29,923
– more than two years but not exceeding five years	7,877	22,962
	<u>34,784</u>	<u>91,024</u>
Less: Future finance charges on finance leases	(3,172)	(8,787)
Present value of finance lease obligations	<u>31,612</u>	<u>82,237</u>

The present value of finance lease obligations is as follows:

	2002 HK\$'000	2001 HK\$'000
Amounts repayable within a period of		
– not exceeding one year	14,552	33,092
– more than one year but not exceeding two years	9,671	27,510
– more than two years but not exceeding five years	7,389	21,635
	<u>31,612</u>	<u>82,237</u>
Less: Amounts repayable within one year included under current liabilities	(14,552)	(33,092)
	<u>17,060</u>	<u>49,145</u>

**22 Trade payables**

Aging analysis of trade payables (consolidated) is:

	2002 HK\$'000	2001 HK\$'000
Current	25,386	12,212
Overdue by 0–1 month	7,525	4,432
Overdue by 1–2 months	3,112	1,665
Overdue by 2–3 months	2,344	257
Overdue by more than 3 months	3,229	4,861
	<u>41,596</u>	<u>23,427</u>

## Notes to the Financial Statements

**23 Deferred taxation**

Movements in deferred taxation (consolidated) were:

	2002 HK\$'000	2001 HK\$'000
Beginning of year	13,262	9,637
Provision for net timing differences (Note 6)	1,675	3,625
End of year	<u>14,937</u>	<u>13,262</u>

Deferred taxation represents the taxation effect of the following timing differences:

	2002 HK\$'000	2001 HK\$'000
Accelerated depreciation allowance of property, plant and equipment	26,276	20,397
Cumulative tax losses carried forward of certain subsidiaries	(10,989)	(6,922)
General provisions	(350)	(213)
	<u>14,937</u>	<u>13,262</u>

As at 30th April 2002, the Group had unprovided deferred tax liability of approximately HK\$3,300,000, representing the tax effect on the surpluses arising on the revaluation of the Group's land and buildings in Mainland China, which would be recorded as a reduction of surplus on revaluation of properties. The deferred tax liability has not been provided for as the Company's directors and the Group's management are of the opinion that the related land and buildings will not be disposed of in the foreseeable future and, accordingly, such deferred tax liability will not crystallise in the foreseeable future. There was no other significant unprovided deferred taxation as at 30th April 2002.

## Notes to the Financial Statements

## 24 Share capital

Movements in share capital were:

	2002		2001	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised shares of HK\$0.10 each	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid shares of HK\$0.10 each				
Beginning of year	528,027,108	52,803	200,000,000	20,000
Issue of shares upon exercise of warrants (Note 26)	1,050,000	105	23,750,000	2,375
Bonus issue (b)	105,815,421	10,581	300,000,000	30,000
Issue of shares pursuant to scrip dividend scheme (a)	5,548,047	555	4,277,108	428
Issue of new shares (c)	20,588,235	2,059	–	–
End of year	661,028,811	66,103	528,027,108	52,803

Notes:

- (a) On 15th October 2001, the Company issued 5,548,047 new shares at HK\$0.676 each to certain shareholders as scrip dividend in lieu of cash in respect of a final dividend of HK\$0.01 per share for the year ended 30th April 2001.
- (b) On 31st July 2001, the directors of the Company recommended a bonus issue on the basis of one bonus share for every five then existing shares held (the "2001 Bonus Share Issue"). The bonus shares were allotted, issued and credited as fully paid at par and ranked pari passu with the then existing shares in all respects when issued on 18th September 2001.
- (c) On 9th October 2001, the Company issued 20,588,235 new shares at HK\$0.68 each to Nittoku Engineering Co., Ltd., an independent third party, to broaden the capital base of the Company and strengthen the financial position of the Company. The subscription price represented a discount of 11.69% to the closing price of the Company's shares of HK\$0.77 each as quoted on The Stock Exchange of Hong Kong Limited on 11th September 2001, the date of the subscription agreement. The net proceeds of approximately HK\$13,808,000 were used as general working capital of the Group.

## Notes to the Financial Statements

**25 Share options**

On 26th October 1999, the sole shareholder of the Company approved a share option scheme under which the directors may grant options to any employees or executives of the Company or any of its subsidiaries, including executive directors (but excluding independent non-executive directors of the Company) of the Company or any of its subsidiaries, to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time, excluding for this purpose shares duly allotted and issued upon exercise of options granted pursuant to the share option scheme. The subscription price per share will be determined by the Board of Directors, and will not be less than (i) 80% of the average closing price of the shares of the Company quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the options or (ii) the nominal value of the shares, whichever is the higher.

Movements in share options during the year were as follows:

Date of grant	Subscription price per share (a)	Number of shares under options				End of year
		Beginning of year	Adjustment for bonus issue (Note 24(b))	Exercised during the year	Lapsed during the year	
21st September 2000	HK\$1.02 (b)	11,795,864	2,312,912	-	-	14,108,776
1st November 2000	HK\$0.75 (c)	35,400,000	6,680,000	-	(7,340,000)	34,740,000
		47,195,864	8,992,912	-	(7,340,000)	48,848,776

Notes:

- (a) The subscription price per share has been adjusted for the effect of the 2001 Bonus Share Issue (see Note 24(b)).
- (b) Such share options are exercisable from 22nd September 2002 to 21st January 2005, both dates inclusive.
- (c) Such share options are exercisable from 1st November 2002 to 28th February 2005, both dates inclusive.

**26 Warrants**

As at 30th April 2002, the Company had outstanding warrants of 300,800,000 units, exercisable at any time from 3rd July 2000 to 30th September 2003, both dates inclusive. These warrants entitled the warrant holders to subscribe for 90,546,938 shares in the Company at HK\$0.49 per share (subject to adjustment). During the year ended 30th April 2002, the Company issued 1,050,000 new shares (2001: 23,750,000) (see Note 24) as a result of the exercise of 4,200,000 units of warrants (2001: 95,000,000). The net proceeds arising from such issue amounted to HK\$619,500 (2001: HK\$14,012,500) and were used as general working capital of the Group.

## Notes to the Financial Statements

## 27 Reserves and proposed final dividends

Movements were:

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained profits HK\$'000	Total HK\$'000	Proposed final dividends HK\$'000
<b>Consolidated</b>									
As at 1st May 2000									
– as previously reported	24,607	13,934	5,810	–	17,476	(37)	114,721	176,511	–
– effect of adopting SSAP 9 (revised) (Note 2(a))	–	–	–	–	–	–	–	–	10,000
As restated	24,607	13,934	5,810	–	17,476	(37)	114,721	176,511	10,000
Proceeds from issue of warrants	–	–	–	25,000	–	–	–	25,000	–
Warrant issue expense	–	–	–	(2,109)	–	–	–	(2,109)	–
Bonus issue	(24,190)	–	(5,810)	–	–	–	–	(30,000)	–
Premium arising from issue of shares pursuant to the scrip dividend scheme	7,177	–	–	–	–	–	–	7,177	–
Proceeds from exercise of warrants	11,637	–	–	–	–	–	–	11,637	–
Premium arising from issue of shares on exercise of warrants	5,437	–	–	(5,437)	–	–	–	–	–
Share issue expense	(178)	–	–	–	–	–	–	(178)	–
Profit for the year	–	–	–	–	–	–	30,863	30,863	–
Proposed dividends	–	–	–	–	–	–	(5,280)	(5,280)	5,280
Dividends paid	–	–	–	–	–	–	–	–	(7,605)
– scrip dividends	–	–	–	–	–	–	–	–	(2,395)
– cash dividends	–	–	–	–	–	–	–	–	–
Translation adjustments	–	–	–	–	–	(197)	–	(197)	–
As at 30th April 2001	24,490	13,934	–	17,454	17,476	(234)	140,304	213,424	5,280
As at 1st May 2001									
– as previously reported	24,490	13,934	–	17,454	17,476	(234)	140,304	213,424	–
– effect of adopting SSAP 9 (revised) (Note 2(a))	–	–	–	–	–	–	–	–	5,280
As restated	24,490	13,934	–	17,454	17,476	(234)	140,304	213,424	5,280
Bonus issue (Note 24(b))	(10,581)	–	–	–	–	–	–	(10,581)	–
Premium arising from issue of shares pursuant to the scrip dividend scheme (Note 24(a))	3,196	–	–	–	–	–	–	3,196	–
Proceeds from exercise of warrants (Note 26)	514	–	–	–	–	–	–	514	–
Premium arising from issue of shares on exercise of warrants	240	–	–	(240)	–	–	–	–	–
Premium arising from issue of new shares (Note 24(c))	11,941	–	–	–	–	–	–	11,941	–
Share issue expense	(239)	–	–	–	–	–	–	(239)	–
Surplus on revaluation of properties	–	–	–	–	3,590	–	–	3,590	–
Profit for the year	–	–	–	–	–	–	5,973	5,973	–
Dividends paid	–	–	–	–	–	–	–	–	(3,751)
– scrip dividends	–	–	–	–	–	–	–	–	–
– cash dividends (Note (b))	–	–	–	–	–	–	(11)	(11)	(1,529)
Translation adjustments	–	–	–	–	–	96	–	96	–
As at 30th April 2002	29,561	13,934	–	17,214	21,066	(138)	146,266	227,903	–



## Notes to the Financial Statements

## 27 Reserves and proposed final dividends (Continued)

Company	Share premium HK\$'000	Contributed surplus HK\$'000	Subscription right reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Proposed final dividends HK\$'000
As at 1st May 2000						
– as previously reported	24,607	137,148	–	771	162,526	–
– effect of adopting SSAP 9 (revised) (Note 2(a))	–	–	–	–	–	10,000
As restated	24,607	137,148	–	771	162,526	10,000
Proceeds from issue of warrants	–	–	25,000	–	25,000	–
Warrant issue expense	–	–	(2,109)	–	(2,109)	–
Bonus issue	(24,190)	(5,810)	–	–	(30,000)	–
Premium arising from issue of shares pursuant to the scrip dividend scheme	7,177	–	–	–	7,177	–
Proceeds from exercise of warrants	11,637	–	–	–	11,637	–
Premium arising from issue of shares on exercise of warrants	5,437	–	(5,437)	–	–	–
Share issue expense	(178)	–	–	–	(178)	–
Profit for the year	–	–	–	9,085	9,085	–
Proposed dividends	–	–	–	(5,280)	(5,280)	5,280
Dividends paid						
– scrip dividends	–	–	–	–	–	(7,605)
– cash dividends	–	–	–	–	–	(2,395)
As at 30th April 2001	24,490	131,338	17,454	4,576	177,858	5,280
As at 1st May 2001						
– as previously reported	24,490	131,338	17,454	4,576	177,858	–
– effect of adopting SSAP 9 (revised) (Note 2(a))	–	–	–	–	–	5,280
As restated	24,490	131,338	17,454	4,576	177,858	5,280
Bonus issue (Note 24(b))	(10,581)	–	–	–	(10,581)	–
Premium arising from issue of shares pursuant to the scrip dividend scheme (Note 24(a))	3,196	–	–	–	3,196	–
Proceeds from exercise of warrants (Note 26)	514	–	–	–	514	–
Premium arising from issue of shares on exercise of warrants	240	–	(240)	–	–	–
Premium arising from issue of new shares (Note 24(c))	11,941	–	–	–	11,941	–
Share issue expense	(239)	–	–	–	(239)	–
Loss for the year	–	–	–	(944)	(944)	–
Dividends paid						
– scrip dividends	–	–	–	–	–	(3,751)
– cash dividends (Note (b))	–	–	–	(11)	(11)	(1,529)
As at 30th April 2002	29,561	131,338	17,214	3,621	181,734	–

## Notes to the Financial Statements

## 27 Reserves and proposed final dividends (Continued)

Notes:

- (a) Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, on 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 accounts.
- (b) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the financial statements for the year ended 30th April 2001 were approximately HK\$5,280,000. The additional amount of approximately HK\$11,000 paid was as a result of additional shares issued pursuant to the exercise of warrants prior to the record date (14th September 2001) for the payment of the final dividend of HK\$0.01 per share in respect of the year ended 30th April 2001.

## 28 Notes to the consolidated cash flow statement

- (a) Reconciliation of profit before taxation to net cash inflow from operating activities is:

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	8,435	34,668
Interest income	(1,031)	(2,422)
Interest expense	22,295	19,499
Depreciation of property, plant and equipment	50,958	34,356
Amortisation of intangible asset	1,066	356
Loss on disposal of property, plant and equipment	10	-
Deficit on revaluation of properties	69	-
Share of profits less losses of jointly controlled entities	138	2
Unrealised loss on investment	430	-
Increase in inventories	(11,559)	(15,874)
Increase in trade receivables	(11,220)	(7,779)
Increase in prepayments, deposits and other current assets	(2,161)	(2,751)
Increase/(decrease) in trade payables	18,169	(16,188)
(Decrease)/increase in bills payable	(9,581)	11,971
Increase/(decrease) in accruals and other payables	841	(1,526)
Net cash inflow from operating activities	<u>66,859</u>	<u>54,312</u>

## Notes to the Financial Statements

## 28 Notes to the consolidated cash flow statement (Continued)

## (b) Analysis of changes in financing is:

	Share capital and share premium HK\$'000	Subscription right reserve HK\$'000	Long-term bank loans HK\$'000	Finance lease obligations HK\$'000	Minority interests HK\$'000	Total HK\$'000
As at 1st May 2000	44,607	-	8,447	53,341	-	106,395
Issue of warrants for cash	-	25,000	-	-	-	25,000
Warrant issue expense	-	(2,109)	-	-	-	(2,109)
Bonus issue	5,810	-	-	-	-	5,810
Issue of shares pursuant to the scrip dividend scheme	7,605	-	-	-	-	7,605
Share issue expense	(178)	-	-	-	-	(178)
Issue of new shares in a subsidiary to minority interests	-	-	-	-	5	5
New long-term bank loans	-	-	88,325	-	-	88,325
Repayment of long-term bank loans	-	-	(12,254)	-	-	(12,254)
Inception of finance leases	-	-	-	56,794	-	56,794
Repayment of capital element of finance leases	-	-	-	(27,620)	-	(27,620)
Translation adjustments	-	-	-	(278)	-	(278)
Exercise of warrants for cash	14,012	-	-	-	-	14,012
Premium arising from issue of shares on exercise of warrants	5,437	(5,437)	-	-	-	-
As at 30th April 2001	77,293	17,454	84,518	82,237	5	261,507
Issue of shares pursuant to the scrip dividend scheme (Note 24(a))	3,751	-	-	-	-	3,751
Issue of new shares for cash (Note 24(c))	14,000	-	-	-	-	14,000
Share issue expense	(239)	-	-	-	-	(239)
Exercise of warrants for cash (Note 26)	619	-	-	-	-	619
Premium arising from issue of shares on exercise of warrants	240	(240)	-	-	-	-
New long-term bank loans	-	-	134,117	-	-	134,117
Repayment of long-term bank loans	-	-	(39,188)	-	-	(39,188)
Inception of finance leases	-	-	-	12,194	-	12,194
Repayment of capital element of finance leases	-	-	-	(62,864)	-	(62,864)
Translation adjustments	-	-	-	45	-	45
Acquisition of additional interests in a subsidiary	-	-	-	-	(5)	(5)
Minority interests' share in net profit of a subsidiary	-	-	-	-	101	101
Dividend declared by a subsidiary	-	-	-	-	(101)	(101)
As at 30th April 2002	95,664	17,214	179,447	31,612	-	323,937

## Notes to the Financial Statements

## 28 Notes to the consolidated cash flow statement (Continued)

## (c) Major non-cash transactions:

- (i) During the year, the Group entered into finance lease arrangements for approximately HK\$12,194,000 (2001: HK\$56,794,000) in respect of new machinery and motor vehicles.
- (ii) During the year, 5,548,047 new shares were issued at HK\$0.676 each as scrip dividend in lieu of cash in respect of the final dividend of HK\$0.01 per share for the year ended 30th April 2001 (see Note 24(a)).

## (d) Analysis of cash and cash equivalents:

	2002 HK\$'000	2001 HK\$'000
Cash and other bank deposits	9,587	8,327
Bank overdrafts	(20,370)	(12,075)
Short-term bank loans	(13,675)	(5,575)
Trust receipts bank loans	(54,985)	(71,153)
	<u>(79,443)</u>	<u>(80,476)</u>

## 29 Commitments and contingent liabilities

## (a) Capital commitments

As at 30th April 2002, the Group had authorised and contracted capital commitments (consolidated) of approximately HK\$270,000 (2001: HK\$28,038,000) for acquisition of machinery and equipment. The Company had no capital commitments as at 30th April 2002 (2001: Nil).

## (b) Operating lease commitments

As at 30th April 2002, the Group had operating lease commitments in respect of rented premises under various non-cancellable operating lease agreements extending to May 2005. The total commitments payable under the agreements are:

	Consolidated		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable				
– within one year	2,626	2,359	–	–
– within two to five years	2,237	4,244	–	–
	<u>4,863</u>	<u>6,603</u>	<u>–</u>	<u>–</u>

## Notes to the Financial Statements

## 29 Commitments and contingent liabilities (Continued)

## (c) Contingent liabilities

Contingent liabilities not provided for in the financial statements are:

	Consolidated		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Discounted bills with recourse	205	1,402	–	–
Factoring of trade receivables with recourse	36,618	30,415	–	–
Guarantees given to banks in respect of banking and finance lease facilities of its subsidiaries	–	–	227,756	296,622
	<b>36,823</b>	<b>31,817</b>	<b>227,756</b>	<b>296,622</b>

## 30 Pension schemes

The Group had arranged for certain of its employees (including executive directors) in Hong Kong and certain selected employees in Mainland China a defined contribution provident fund under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme"), which was managed by an independent trustee. Each of the Group and its employees made monthly contributions to the scheme at 5% to 10% and 5%, respectively, of the employees' basic salaries. The employees were entitled to receive their entire contributions and the accrued interest thereon, and 100% of the Group's employer contributions and the accrued interest thereon upon retirement or leaving the Group after completing one year of service. The forfeited contributions made by the Group and related accrued interest were used to reduce the Group's employer contribution. This scheme is not available to new employees effective from 1st December 2000.

From 1st December 2000, companies within the Group in Hong Kong have participated in the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Members of the ORSO Scheme were given a one-time option to choose to transfer to the MPF Scheme or remain in the ORSO Scheme. Under the MPF Scheme, each of the Group and its employees make monthly mandatory contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance with the maximum mandatory contributions by each of the Group and its employees limited to HK\$1,000 per month and thereafter contributions are voluntary. The mandatory contributions were fully and immediately vested in the employees as accrued benefits. The employees were entitled to receive their entire voluntary contributions and 100% of the Group's employer voluntary contributions upon retirement or leaving the Group after completing one year of service. The forfeited voluntary contributions made by the Group were used to reduce the Group's employer voluntary contributions.

## Notes to the Financial Statements

### 30 Pension schemes (Continued)

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 approximately 10% to 15% of the basic salaries of its employees, and has no further obligation for the actual payment of pensions or post-retirement benefits beyond the annual contributions.

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 12% to 20% 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 30th April 2002, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK\$3,292,000 (2001: HK\$2,344,000), after deduction of forfeited contributions of approximately HK\$3,000 (2001: HK\$190,000). As at 30th April 2002, there were no material forfeitures available to offset the Group's future contributions.

### 31 Banking facilities and pledge of assets

As at 30th April 2002, the Group had aggregate banking facilities of approximately HK\$391,747,000 (2001: HK\$302,624,000) for overdrafts, loans, factoring of trade receivables and trade financing. Unused facilities as at the same date amounted to approximately HK\$68,786,000 (2001: HK\$65,727,000). These facilities were secured by:

- (a) mortgages over certain of the Group's land and buildings with a net book value of approximately HK\$6,190,000 (2001: HK\$6,319,000) (see Note 11(b));
- (b) pledge of the Group's investment of approximately HK\$7,370,000 (2001: Nil) (see Note 17);
- (c) pledges of the Group's bank deposits of approximately HK\$35,847,000 (2001: HK\$47,387,000) (see Note 18);
- (d) the Group's inventories with a carrying amount of approximately HK\$54,985,000 (2001: HK\$56,562,000) (see Note 15) and the Group's machinery with a net book value of approximately HK\$14,649,000 (2001: HK\$35,778,000) (see Note 11(c)) held under trust receipts bank loan arrangements; and
- (e) guarantees provided by the Company and certain of its subsidiaries.

### 31 Banking facilities and pledge of assets (Continued)

In addition, the Group is required to comply with certain restrictive financial covenants imposed by the banks. The financial covenants include, among other things, the maintenance of the following specific financial ratios, which were not fulfilled by the Group as at 30th April 2002:

- (i) the consolidated net gearing ratio, as defined by the relevant bank, shall not exceed 0.85:1; and
- (ii) the amount of capital expenditures, as defined by the relevant banks, for the year ended 30th April 2002 shall not exceed HK\$70,000,000.

The Group obtained waivers from the relevant banks in respect of such non-compliance subsequent to 30th April 2002.

### 32 Ultimate holding company

The directors consider Ka Yan China Investments Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

### 33 Subsequent event

On 14th May 2002, the Company entered into an agreement with Mr. Chen Guo Luan, an independent third party, to acquire the entire issued share capital of, and the benefit of a loan of HK\$9,367,720 advanced to, Good Signal Holdings Limited, a company incorporated in the British Virgin Islands, by the Company or through its nominated wholly-owned subsidiary at a total consideration of HK\$8,320,000. CEC-Technology Limited, the nominated wholly-owned subsidiary of the Company, acquired the aforesaid shares and loan, which was completed on 4th June 2002. The consideration of the acquisition was satisfied by the issue of 32,000,000 new shares of the Company at HK\$0.26 each. Good Signal Holdings Limited is an investment holding company. Its associate is principally engaged in software development, sale of software products and system integration.