

Notes to the Accounts

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 design, development, manufacture and sale of a wide range of coils, capacitors, ferrite powder and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of the accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention except that investment properties and investments held as current assets are stated at fair value and certain land and buildings are stated at valuations.

Recently issued accounting standards

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 30th April 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs have a significant impact on its results of operations and financial position.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 30th April.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

Notes to the Accounts

2 Principal accounting policies (Continued)

(b) Group accounting (Continued)

(i) Consolidation (Continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Gain or loss on disposal of a subsidiary represents the difference between the sales proceeds and the Group's share of its net assets together with any unamortised goodwill or negative goodwill and which was not previously charged or recognised in the consolidated income statement. Upon disposal of a foreign entity, the related accumulative exchange differences are included in the consolidated income statement as part of the gain or loss on disposal.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. Results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associates

An associate is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated income statement includes the Group's share of the results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, investment in associates is stated at cost less provision for impairment losses. Results of associates are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

Notes to the Accounts

2 Principal accounting policies (Continued)

(b) Group accounting (Continued)

(iii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The balance sheets of subsidiaries and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statements are translated at an average rate. Exchange differences are dealt with as movement in reserves.

(c) Intangible assets

(i) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associate at the date of acquisition.

Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life of five years.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets of five years; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

(ii) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than five years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Notes to the Accounts

2 Principal accounting policies (Continued)

(c) Intangible assets (Continued)

(ii) *Research and development costs (Continued)*

All research and development costs for the years ended 30th April 2004 and 2005 have been expensed as no expenditure met the criteria for deferral.

(iii) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(d) Fixed assets

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are included in the balance sheet at their open market value on the basis of an annual valuation by qualified valuers. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the income statement.

Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less in which case depreciation is provided on the carrying amount over the remaining term of the lease.

(ii) *Land and buildings*

Land and buildings other than investment properties are stated at valuation less accumulated depreciation and accumulated impairment losses. Independent valuations are performed periodically. The valuations are on an open market basis related to individual properties and separate values are not attributed to land and buildings. In the intervening years, the directors review the carrying value of the land and buildings and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Notes to the Accounts

2 Principal accounting policies (Continued)

(d) Fixed assets (Continued)

(iii) *Construction-in-progress*

Construction-in-progress is fixed assets under construction. The amount is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the construction.

(iv) *Other fixed assets*

Other fixed assets, comprising machinery, furniture and equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

(v) *Depreciation*

Leasehold land is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2.5%
Machinery	10%
Furniture and equipment	16.7% to 25%
Motor vehicles	16.7% to 30%

The plant components are depreciated over the period to overhaul. Major costs incurred in restoring the plant components to its normal working condition to allow continued use of the overall asset are capitalised and depreciated over the period to the next overhaul.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(vi) *Impairment and gain or loss on sale*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

Gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

Notes to the Accounts

2 Principal accounting policies (Continued)

(e) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital element and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the income statement over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(f) Investment in securities

(i) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognized as an expense in the income statement. This impairment loss is written back to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of the investment are recognised in the income statement. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amount, are recognised in the income statement as they arise.

Notes to the Accounts

2 Principal accounting policies (Continued)

(g) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate portion of all production overhead expenditures. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) 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.

(i) 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 with maturity of three months or less from date of investment and bank overdrafts.

(j) 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 a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Employee benefits

(i) *Employee leave entitlements*

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

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

(ii) *Pension obligations*

The Group operates a number of defined contribution plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

Notes to the Accounts

2 Principal accounting policies (Continued)

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

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

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from the provision of service is recognised when the services are rendered.

Revenue from rental income is recognised on a straight-line basis over the lease term.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Notes to the Accounts

2 Principal accounting policies (Continued)

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(p) 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.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash and exclude income tax assets. Segment liabilities comprise operating liabilities and exclude income tax liabilities. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

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

3 Turnover and revenue

Revenues recognised during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Turnover		
Sale of goods	552,777	487,953
Provision of information technology services	1,032	3,499
Rental income	482	211
	554,291	491,663
Other revenue		
Interest income	211	156
Total revenue	554,502	491,819

Notes to the Accounts

4 Segment information

(a) Primary segments

During the year, the directors of the Company re-classified certain segmental information. Coils manufacturing, capacitors manufacturing and ferrite powder manufacturing were combined and classified as “Electronic components manufacturing”. Besides, information technology services, electronic components trading and others, being the non-core business, were combined and classified as “Others”. Certain comparative figures of segmental information for the year ended 30th April 2004 have been re-classified to conform to current year’s presentation. An analysis by business segment is set out as follows:

	Electronic components manufacturing		Others		Eliminations		Total	
	2005 HK\$'000	2004 HK\$'000 (restated)	2005 HK\$'000	2004 HK\$'000 (restated)	2005 HK\$'000	2004 HK\$'000 (restated)	2005 HK\$'000	2004 HK\$'000
Turnover								
External sales	549,928	459,040	4,363	32,623	-	-	554,291	491,663
Intersegment sales	816	3	2,833	1,097	(3,649)	(1,100)	-	-
	550,744	459,043	7,196	33,720	(3,649)	(1,100)	554,291	491,663
Operating results								
Operating profit/(loss)	39,663	39,785	(370)	(1,031)	-	-	39,293	38,754
Interest income	211	156	-	-	-	-	211	156
Interest expense	(13,552)	(17,130)	(28)	(110)	-	-	(13,580)	(17,240)
Share of losses of associates							(8)	(20)
Profit before taxation							25,916	21,650
Taxation							(6,386)	(5,854)
Profit after taxation but before minority interests							19,530	15,796
Minority interests							-	61
Profit attributable to shareholders							19,530	15,857
Other information								
Segment assets	674,147	700,496	7,430	6,472	-	-	681,577	706,968
Unallocated assets							84	471
Total assets							681,661	707,439
Segment liabilities	314,857	366,470	1,121	1,711	-	-	315,978	368,181
Unallocated liabilities							30,725	25,496
Total liabilities							346,703	393,677
Capital expenditures	36,046	53,016	3,850	2,409	-	-	39,896	55,425
Depreciation	64,573	58,776	79	409	-	-	64,652	59,185

Notes to the Accounts

4 Segment information(Continued)

(b) Secondary segments

The Group has business operations in Hong Kong, Mainland China, Taiwan, Europe, Singapore and other regions. An analysis by geographical location is as follows:

	Turnover		Operating profit/(loss)		Total assets		Capital expenditures	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	239,967	270,428	12,454	19,525	125,227	151,822	7,455	4,761
Mainland China	182,972	109,976	21,663	10,554	518,209	527,546	28,775	50,656
Taiwan	45,656	39,784	(396)	11	15,883	9,781	-	-
Europe	26,983	33,807	552	1,896	-	-	-	-
Singapore	24,171	22,401	4,313	6,840	22,342	18,290	3,666	8
Others	34,542	15,267	707	(72)	-	-	-	-
Total	554,291	491,663	39,293	38,754	681,661	707,439	39,896	55,425

Notes to the Accounts

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2005 HK\$'000	2004 HK\$'000
Crediting		
Gain on disposals of other investment	–	321
Gain on disposals of investment properties	50	42
Gross rental income	482	211
Less: outgoings	(173)	(59)
Net rental income	309	152
Charging		
Advertising and promotion costs	881	761
Auditors' remuneration	880	798
Cost of inventories sold	427,078	365,304
Depreciation		
– owned fixed assets	62,952	57,055
– fixed assets held under finance leases	1,700	2,130
Loss on disposals of an associate	–	83
Loss on disposals of fixed assets	355	29
Net exchange losses	824	2,790
Operating lease rental on rented premises	3,255	3,060
Provision for/Write off of bad and doubtful debts	1,412	2,009
Provision for other receivables	2,100	–
Provision for slow moving and obsolete inventories	570	119
Research and development costs	2,558	1,615
Staff costs (including directors' emoluments) (Note 11)	127,364	106,313

6 Interest expense

	2005 HK\$'000	2004 HK\$'000
Interest expense on		
– bank overdrafts and loans wholly repayable within five years	11,753	14,780
– factoring of trade receivables	1,529	1,592
– finance leases	298	868
	13,580	17,240

Notes to the Accounts

7 Taxation

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 7.5% to 33% (2004: 7.5% to 33%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

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

	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
– current tax	5,711	1,477
– under/(over) provision in prior years	276	(79)
Overseas taxation		
– current tax	1,684	796
– under-provision in prior years	432	–
Deferred taxation (<i>Note 26</i>)	(1,717)	3,636
	6,386	5,830
Share of taxation attributable to an associate	–	24
Total taxation charge	6,386	5,854

Notes to the Accounts

7 Taxation (Continued)

The reconciliation between the Group's actual tax charge and the amount which is calculated based on the statutory tax rate of Hong Kong is as follows:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	25,916	21,650
Calculated at a taxation rate of 17.5% (2004: 17.5%)	4,535	3,789
Effect of different taxation rates of subsidiaries and associates operating in respective jurisdictions	(501)	379
Tax effect on income not subject to taxation	(44)	(95)
Tax effect on income exempt from taxation due to tax holiday in Mainland China	(2,724)	(1,586)
Tax effect on expenses not deductible for taxation purposes	3,787	3,141
Utilisation of previously unrecognised tax losses	(29)	(72)
Under/(over) provision in prior years	708	(79)
Others	654	377
Total taxation charge	6,386	5,854

8 Loss attributable to shareholders

Net loss of HK\$300 (2004: loss of HK\$43,000) has been dealt with in the accounts of the Company.

9 Dividend

	2005 HK\$'000	2004 HK\$'000
Proposed final dividend of HK0.7 cent (2004: HK0.5 cent) per share	4,851	3,465

At a meeting of the board of directors (the "Board") of the Company held on 15th August 2005, the Board recommended a final dividend of HK0.7 cent per share for the year ended 30th April 2005 to be paid in cash with a scrip option at the election of shareholders whose names appear on the Company's register of members on 23rd September 2005. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 30th April 2006.

Notes to the Accounts

10 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of approximately HK\$19,530,000 (2004: HK\$15,857,000) and 693,028,811 (2004: 693,028,811) shares in issue during the year.

No information in respect of diluted earnings per share is presented as the exercise of the outstanding options and warrants (if any) for the years ended 30th April 2004 and 30th April 2005 would have no dilutive effect.

11 Staff costs

	2005 HK\$'000	2004 HK\$'000
Wages, salaries and welfare	118,783	100,522
Unutilised annual leave	401	433
Pension costs – defined contribution plans (Note 32)	8,180	5,358
	127,364	106,313

12 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to directors of the Company during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Directors' fees		
– independent non-executive directors	900	850
– non-executive director	–	50
Other emoluments for executive directors		
– basic salaries, allowances and other benefits in kind	2,668	4,249
– contributions to pension schemes	237	293
	3,805	5,442

Notes to the Accounts

12 Directors' and senior management's emoluments (Continued)

(a) Directors' emoluments (Continued)

The emoluments of the directors fell within the following bands:

	Number of directors	
	2005	2004
Executive directors		
Nil to HK\$1,000,000	3	7
HK\$1,000,001 to HK\$1,500,000	1	1
	4	8
Independent non-executive directors		
Nil to HK\$1,000,000	3	3

No directors waived any emoluments during the year (2004: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

The remuneration of each of the directors (including independent non-executive directors) for the year ended 30th April 2005 is set out below:

	Fees HK\$'000	Basic salaries and allowances HK\$'000	Employer's contribution for pension schemes HK\$'000	2005	2004
				Total HK\$'000	Total HK\$'000
Mr. Lam Wai Chun	-	968	97	1,065	1,065
Ms. Tang Fung Kwan	-	720	72	792	792
Mr. Huang Kong (resigned on 6th December 2004)	-	380	8	388	612
Mr. Law Hoo Shan (resigned on 1st May 2005)	-	600	60	660	660
Dr. Tang Tin Sek	300	-	-	300	300
Mr. Au Son Yiu	300	-	-	300	300
Mr. Lee Wing Kwan, Denis	300	-	-	300	300
Mr. Ho Kwok Keung (resigned on 14th August 2003)	-	-	-	-	190
Mr. Chiu Chan, Charles (resigned on 21st January 2004)	-	-	-	-	452
Mr. Lam Wing Kin, Sunny (resigned on 21st February 2004)	-	-	-	-	537
Mr. Saito Misao (resigned on 30th June 2003)	-	-	-	-	234
	900	2,668	237	3,805	5,442

Notes to the Accounts

12 Directors' and senior management's emoluments (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2004: five) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining two (2004: nil) individuals during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries, allowances and other benefits in kind	908	—
Contributions to pension schemes	79	—
	987	—

The emoluments fell within the following band:

	Number of individuals	
	2005	2004
Emolument bands		
Nil to HK\$1,000,000	2	—

Notes to the Accounts

13 Fixed assets

	2005						2004	
	Investment properties	Construction in progress	Land and buildings	Machinery	Furniture and equipment	Motor vehicles	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:								
Beginning of year	2,083	724	76,348	589,296	55,360	7,343	731,154	675,761
Additions	3,782	1,233	977	27,872	4,705	1,327	39,896	55,425
Disposals	(430)	-	(758)	(4,159)	(200)	(1,112)	(6,659)	(1,649)
Transfer	715	(678)	(381)	344	-	-	-	-
Revaluation	520	-	2,458	-	-	-	2,978	-
Translation adjustments	-	(5)	(119)	(105)	65	(14)	(178)	1,617
End of year	6,670	1,274	78,525	613,248	59,930	7,544	767,191	731,154
Accumulated depreciation:								
Beginning of year	-	-	3,745	223,030	42,899	4,267	273,941	215,292
Charge for the year	-	-	1,903	55,990	5,807	952	64,652	59,185
Disposals	-	-	(35)	(1,000)	(150)	(1,078)	(2,263)	(1,036)
Revaluation	-	-	(5,607)	-	-	-	(5,607)	-
Translation adjustments	-	-	(6)	67	72	(7)	126	500
End of year	-	-	-	278,087	48,628	4,134	330,849	273,941
Net book value:								
End of year	6,670	1,274	78,525	335,161	11,302	3,410	436,342	457,213
Beginning of year	2,083	724	72,603	366,266	12,461	3,076	457,213	460,469

Notes to the Accounts

13 Fixed assets (Continued)

The analysis of the cost or valuation as at 30th April 2005 and 30th April 2004 is as follows:

	Investment properties HK\$'000	Construction in progress HK\$'000	Land and buildings HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	-	1,274	-	613,248	59,930	7,544	681,996
At valuation	6,670	-	78,525	-	-	-	85,195
As at 30th April 2005	6,670	1,274	78,525	613,248	59,930	7,544	767,191

	Investment properties HK\$'000	Construction in progress HK\$'000	Land and buildings HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	-	724	2,448	589,296	55,360	7,343	655,171
At valuation	2,083	-	73,900	-	-	-	75,983
As at 30th April 2004	2,083	724	76,348	589,296	55,360	7,343	731,154

The Group's interests in the properties (including investment properties) are analysed as follows:

	2005 HK\$'000	2004 HK\$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	16,920	10,053
In Mainland China, held on:		
Leases of between 10 to 50 years	67,537	64,127
Leases of over 50 years	738	506
	85,195	74,686

Investment properties are located in Hong Kong and were stated at open market value as at 30th April 2005 as determined by Castores Magi Surveyors Limited, independent qualified valuers.

Notes to the Accounts

13 Fixed assets (Continued)

The Group leased out its investment properties under operating leases, for an initial period of one to three years, with an option to renew on renegotiated terms. During the year, gross rental income received from investment properties amounted to approximately HK\$482,000 (2004: HK\$211,000). As at 30th April 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2005 HK\$'000	2004 HK\$'000
Not later than one year	449	250
Later than one year and not later than five years	132	139
	581	389

Approximately HK\$67,537,000 (2004: HK\$64,127,000) of land and buildings located in Mainland China are held under land use rights for 50 years up to 2048, while approximately HK\$738,000 (2004: HK\$506,000) of land and buildings located in Mainland China are held under land use rights for 70 years up to 2072.

Approximately HK\$10,250,000 (2004: HK\$7,681,000) of land and buildings located in Hong Kong were stated at open market value as at 30th April 2005 (date of last valuation) as appraised by Castores Magi Surveyors Limited, independent qualified valuers. Approximately HK\$68,275,000 (2004: HK\$63,271,000) of land and buildings located in Mainland China were stated on replacement cost basis as at 30th April 2005 as appraised by the same firm. The revaluation surplus net of applicable deferred taxes was credited to reserves in shareholders' equity (Note 28).

The carrying amount of land and buildings would have been approximately HK\$50,921,000 (2004: HK\$52,531,000) if stated at cost less accumulated depreciation.

At 30th April 2005, the net book value of land and buildings pledged as security for the Group's banking facilities amounted to approximately HK\$7,640,000 (2004: HK\$5,821,000) (Note 33).

At 30th April 2005, the net book value of certain machinery and motor vehicles purchased under finance leases amounted to approximately HK\$10,575,000 (2004: HK\$30,212,000).

At 30th April 2005, the Group's construction-in-progress with net book value of approximately HK\$1,233,000 was built on land in which the Group is in the process of obtaining the relevant land use right certificate.

Notes to the Accounts

14 Investment in subsidiaries

	2005 HK\$'000	2004 HK\$'000
Unlisted shares/investments, at cost	137,348	137,348
Due from subsidiaries	171,575	229,985
	308,923	367,333

The following is a list of the subsidiaries as at 30th April 2005:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and fully paid share capital/ registered capital	Interest held (a)
CEC-Coils Hong Kong Co., Limited	Hong Kong	Dormant	Ordinary HK\$2	100%
			Non-voting deferred HK\$1,000,000 (b)	100%
CEC-Coils Singapore Pte Ltd.	Singapore	Manufacture and sale of coils and other electronic components	Ordinary S\$1,500,000	100%
CEC-ECAP Limited	Hong Kong	Manufacture and sale of electrolytic capacitors	Ordinary HK\$1,000,000	100%
CEC-Electric Co., Limited	Hong Kong	Dormant	Ordinary HK\$2	100%
CEC-Smart Good Enterprises Limited	Hong Kong	Trading of electronic components	Ordinary HK\$3,200,000	100%
CEC-Technology Limited	Hong Kong	Investment holding	Ordinary HK\$10,000	100%
CEC-Unitech Electronics Limited	Hong Kong	Dormant	Ordinary HK\$10,000	100%

Notes to the Accounts

14 Investment in subsidiaries (Continued)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and fully paid share capital/ registered capital	Interest held (a)
重慶高雅科技有限公司 (Chongqing CEC-Technology Limited) (c)	Mainland China	Provision of information technology services	Registered capital HK\$500,000	100%
Coils Electronic Co., Limited	Hong Kong	Investment holding; manufacture and sale of coils and other electronic components	Ordinary HK\$2 Non-voting deferred HK\$14,000,000 (b)	100% –
Coils Electronic (Zhong Shan) Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$7,597,063 (d)	100%
Coils International Holdings Limited	British Virgin Islands	Investment holding	Ordinary US\$10,000	100%
Coils Investment (BVI) Limited	British Virgin Islands	Investment holding	Ordinary US\$1	100%
Coils Property Management Limited	Hong Kong	Property investment holding	Ordinary HK\$200,000	100%
Dongguan Coils Electronic Co. Ltd.(c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$200,000 (d)	100%
Gaozhou Coils Electronic Co. Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$128,440 (d)	100%
Good Signal Holdings Limited	British Virgin Islands	Investment holding	Ordinary US\$100	100%
Jin Yuan Moulds Limited	Hong Kong	Dormant	Ordinary HK\$100	100%
Kunshan CEC-Ferrite Manufacturing Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital HK\$2,000,000	100%

Notes to the Accounts

14 Investment in subsidiaries (Continued)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and fully paid share capital/ registered capital	Interest held (a)
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%
Qingdao Coils Electronic Co., Ltd. (c)	Mainland China	Dormant	Registered capital US\$40,000 (d)	100%
Sun-iOMS Technology Holdings Limited	British Virgin Islands	Investment holding	Ordinary HK\$500,000	51%
Sun-iOMS Development Limited	British Virgin Islands	Dormant	Ordinary US\$1	51%
Sun-iOMS (Hong Kong) Limited	Hong Kong	Provision of information technology services	Ordinary HK\$2	51%
Tonichi Ferrite Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital HK\$81,600,000	100%
Xiamen Coils Electronic Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital HK\$2,900,000	100%
Zhongshan Coils Metalwork Co., Ltd. (c)	Mainland China	Manufacture of coils	Registered capital US\$753,774 (d)	100%
珠海國仲電子材料 有限公司 (Zhuhai Guozhong Electronic Co., Ltd.) (c)	Mainland China	Dormant	Registered capital HK\$723,232 (d)	100%

The amounts due from subsidiaries are unsecured, non-interest bearing and are not repayable within the next 12 months.

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 2005.

As at 30th April 2005, the Company had given guarantees to banks and financial institutions of approximately HK\$214,839,000 (2004: HK\$207,536,000) to secure banking and finance lease facilities of certain subsidiaries (*Note 31(c)*).

Notes to the Accounts

14 Investment in subsidiaries (Continued)

None of the subsidiaries had any loan capital in issue at any time during the year ended 30th April 2005 (2004: Nil).

Notes:

- (a) The shares in Coils International Holdings Limited are held directly by the Company. The shares in other subsidiaries are held indirectly.
- (b) The non-voting deferred shares in Coils Electronic Co., Limited are owned by Mr. Lam Wai Chun, Ms. Law Ching Yee and Ka Yan China Development (Holding) Company Limited, the intermediate holding company of the Company, whereas the non-voting deferred shares of CEC-Coils Hong Kong Co., Limited are owned by Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company. Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of each of Coils Electronic Co., Limited and CEC-Coils Hong Kong Co., Limited exceeds HK\$100,000,000,000,000, and are not entitled to any distributions upon winding up unless a sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares.
- (c) 重慶高雅科技有限公司(Chongqing CEC-Technology Limited), Coils Electronic (Zhong Shan) Co., Ltd., Dongguan Coils Electronic Co. Ltd., Gaozhou Coils Electronic Co. Ltd., Tonichi Ferrite Co., Ltd., Xiamen Coils Electronic Co., Ltd. and Zhongshan Coils Metalwork Co., Ltd. are wholly foreign owned enterprises established in Mainland China to be operated for 15 years up to August 2017, April 2016, December 2019, November 2018, September 2008, December 2012 and February 2016, respectively.

Kunshan CEC-Ferrite Manufacturing Co., Ltd. and 珠海國仲電子材料有限公司(Zhuhai Guozhong Electronic Co., Ltd.) are wholly foreign owned enterprises established in Mainland China to be operated for 50 years up to August 2052 and September 2052, 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.

Qingdao Coils Electronic Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 12 years up to September 2014.

All subsidiaries established in Mainland China have financial accounting year end dated on 31st December in accordance with the local statutory requirements, which is not coterminous with the Group. The accompanying consolidated accounts of the Group were prepared based on the accounts of these subsidiaries for the twelve months ended 30th April 2005.

- (d) Coils Electronic (Zhong Shan) Co.,Ltd., Dongguan Coils Electronic Co. Ltd., Gaozhou Coils Electronic Co. Ltd., Qingdao Coils Electronic Co., Ltd., Zhongshan Coils Metalwork Co., Ltd. and Zhuhai Guozhong Electronic Co., Ltd. were established with registered capital of US\$8,000,000, US\$700,000, US\$500,000, US\$500,000, US\$3,000,000 and HK\$35,000,000 respectively. As at 30th April 2005, the Group had outstanding commitments of approximately US\$403,000, US\$500,000, US\$372,000, US\$460,000, US\$2,246,000 and HK\$34,277,000 respectively, for capital contribution to these six subsidiaries.

Notes to the Accounts

15 Investment in associate

	2005 HK\$'000	2004 HK\$'000
Share of net assets	25	33

The following are the details of the associate as at 30th April 2005:

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

16 Investment securities

	2005 HK\$'000	2004 HK\$'000
Guaranteed return fund	8,580	—

As at 30th April 2005, the Group's guaranteed return refund was pledged as collateral for the Group's banking facilities (*Note 33*).

17 Deposit for acquisition of land use rights

During the two years ended 30th April 2004 and 2005, the Group paid deposits with aggregate amount of approximately HK\$6,254,000 (2004:HK\$4,764,000) for acquisition of land use right of certain land in Zhongshan, Mainland China. As at 30th April 2005, the Group was still in the process of obtaining the relevant land use right certificate for the land.

Notes to the Accounts

18 Inventories

	2005	2004
	HK\$'000	HK\$'000
Raw materials	39,707	62,983
Work-in-progress	4,526	8,712
Finished goods	15,642	14,821
	59,875	86,516
Less: Provision for slow-moving and obsolete inventories	(3,113)	(2,543)
	56,762	83,973

As at 30th April 2005, no inventories (2004: Nil) were carried at net realisable value.

As at 30th April 2004 and 30th April 2005, certain inventories were held under trust receipts bank loans.

19 Trade receivables

The aging analysis of trade receivables is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current	86,812	78,954
Overdue by 0 – 1 month	7,075	7,048
Overdue by 1 – 2 months	1,635	2,648
Overdue by 2 – 3 months	2,413	2,961
Overdue by more than 3 months	2,727	3,686
	100,662	95,297
Less: Provision for bad and doubtful debts	(3,030)	(3,039)
	97,632	92,258

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 Accounts

20 Other investments

	2005	2004
	HK\$'000	HK\$'000
Equity securities:		
– listed in Hong Kong, at market value	1,192	–
Guaranteed return fund	–	8,580
	1,192	8,580

21 Cash and bank balances

As at 30th April 2005 the Group's bank deposits of approximately HK\$24,879,000 (2004: HK\$25,058,000) were pledged as collateral for the Group's banking facilities (*Note 33*).

As at 30th April 2005, approximately HK\$6,386,000 (2004: HK\$4,465,000) of the Group's cash and bank balances were denominated in Renminbi and kept in Mainland China. The conversion of Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange promulgated by the government of Mainland China.

22 Short-term bank borrowings

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts	15,438	15,409	–	–
Short-term bank loans	78,628	59,129	–	–
Trust receipts bank loans	28,388	48,885	–	–
Long-term bank loans, current portion (<i>Note 24</i>)	89,337	74,936	55,000	55,000
	211,791	198,359	55,000	55,000

As at 30th April 2005, approximately HK\$123,218,000 (2004: HK\$132,766,000) of the Group's short-term bank borrowings were secured loans. Please refer to *Note 33* for the details of pledge of assets.

Notes to the Accounts

23 Trade payables

The aging analysis of trade payables is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current	42,241	41,701
Overdue by 0 – 1 month	2,393	7,322
Overdue by 1 – 2 months	478	3,811
Overdue by 2 – 3 months	177	1,311
Overdue by more than 3 months	1,112	5,143
	46,401	59,288

24 Long-term bank loans

As at 30th April 2005, the Group's long-term bank loans are repayable as follows:

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	89,337	74,936	55,000	55,000
In the second year	12,231	71,545	–	55,000
In the third to fifth year	10,175	1,381	–	–
	111,743	147,862	55,000	110,000
Less: Current portion (Note 22)	(89,337)	(74,936)	(55,000)	(55,000)
	22,406	72,926	–	55,000

As at 30th April 2005, approximately HK\$31,326,000 (2004: HK\$36,726,000) of the Group's long-term bank loans were secured loans. Approximately HK\$19,337,000 (2004: HK\$18,801,000) of the secured loans were current portion. Please refer to Note 33 for the details of pledge of assets.

Notes to the Accounts

25 Finance lease obligations

Finance lease obligations are repayable as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	2,726	6,333
In the second year	937	2,486
In the third to fifth year	660	670
	4,323	9,489
Less: Future finance charges on finance leases	(244)	(501)
	4,079	8,988

The present value of finance lease obligations is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	2,588	6,017
In the second year	875	2,368
In the third to fifth year	616	603
	4,079	8,988
Less: Current portion	(2,588)	(6,017)
	1,491	2,971

Notes to the Accounts

26 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The movement of the net deferred tax liabilities is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Beginning of year	23,076	19,440
Deferred taxation		
– (credited)/charged to income statement (<i>Note 7</i>)	(1,717)	3,636
– charged to equity	2,785	–
End of year	<u>24,144</u>	<u>23,076</u>

Deferred tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 30th April 2005, the Group has unrecognised tax losses of approximately HK\$1,026,000 (2004: HK\$719,000). These tax losses have no expiry date.

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

Deferred tax assets	Provisions		Tax losses		Total	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of year	840	801	1,847	6,994	2,687	7,795
(Charged)/credited to income statement	(8)	39	(326)	(5,147)	(334)	(5,108)
End of year	<u>832</u>	<u>840</u>	<u>1,521</u>	<u>1,847</u>	<u>2,353</u>	<u>2,687</u>

Notes to the Accounts

26 Deferred taxation (Continued)

Deferred tax liabilities	Accelerated depreciation allowances		Property revaluation		Total	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of year	22,144	23,616	3,619	3,619	25,763	27,235
Credited to income statement	(2,051)	(1,472)	–	–	(2,051)	(1,472)
Charged to equity	–	–	2,785	–	2,785	–
End of year	20,093	22,144	6,404	3,619	26,497	25,763

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2005	2004
	HK\$'000	HK\$'000
Deferred tax liabilities	24,144	23,076

27 Share capital

Movements in share capital are as follows:

	2005 & 2004	
	Number of shares	Nominal value HK\$'000
Authorised shares of HK\$0.10 each	1,000,000,000	100,000
Issued and fully-paid shares of HK\$0.10 each		
Beginning of year and end of year	693,028,811	69,303

Notes to the Accounts

28 Reserves

Movements in reserves are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Mainland China statutory reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group									
At 1st May 2003	36,118	13,934	17,214	17,447	-	137	1,305	141,793	227,948
Profit for the year	-	-	-	-	-	-	-	15,857	15,857
Transfer from subscription right reserve to retained profits	-	-	(17,214)	-	-	-	-	17,214	-
Transfer from retained profits to Mainland China statutory reserve	-	-	-	-	-	953	-	(953)	-
Translation adjustments	-	-	-	-	-	-	654	-	654
At 30th April 2004	36,118	13,934	-	17,447	-	1,090	1,959	173,911	244,459
Representing:									
2004 final dividend proposed								3,465	
Others								170,446	
Retained profits as at 30th April 2004								173,911	
At 1st May 2004	36,118	13,934	-	17,447	-	1,090	1,959	173,911	244,459
Profit for the year	-	-	-	-	-	-	-	19,530	19,530
2004 final dividend	-	-	-	-	-	-	-	(3,465)	(3,465)
Surplus on revaluation of properties	-	-	-	5,280	520	-	-	-	5,800
Transfer from retained profits to Mainland China statutory reserve	-	-	-	-	-	2,478	-	(2,478)	-
Translation adjustments	-	-	-	-	-	-	(669)	-	(669)
At 30th April 2005	36,118	13,934	-	22,727	520	3,568	1,290	187,498	265,655
Representing:									
2005 final dividend proposed								4,851	
Others								182,647	
Retained profits as at 30th April 2005								187,498	

Notes to the Accounts

28 Reserves (Continued)

Retained profits comprised:

	2005 HK\$'000	2004 HK\$'000
Company	16,701	20,166
Subsidiaries	170,805	153,745
Associate	(8)	–
	187,498	173,911

	Share premium HK\$'000	Contributed Surplus HK\$'000	Subscription right reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company					
At 1st May 2003	36,118	131,338	17,214	2,995	187,665
Transfer from subscription right reserve to retained profits	–	–	(17,214)	17,214	–
Loss for the year	–	–	–	(43)	(43)
At 30th April 2004	36,118	131,338	–	20,166	187,622
Representing:					
2004 final dividend proposed				3,465	
Others				16,701	
Retained profits as at 30th April 2004				20,166	
At 1st May 2004	36,118	131,338	–	20,166	187,622
2003/2004 final dividend	–	–	–	(3,465)	(3,465)
At 30th April 2005	36,118	131,338	–	16,701	184,157
Representing:					
2005 final dividend proposed				4,851	
Others				11,850	
Retained profits as at 30th April 2005				16,701	

Notes to the Accounts

28 Reserves (Continued)

Notes:

- (a) Under the Companies Act 1981 of Bermuda (as amended), a company shall not declare or pay a dividend, or make a distribution out of contributed surplus unless 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.
- (b) In accordance with the laws and regulations of Mainland China, the Group's subsidiaries in Mainland China are required to set aside certain portion of their retained profits to a statutory reserve account. The general reserve fund can only be used to make up losses incurred, increase registered capital or used for collective welfare of employees.

29 Share options

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") announced certain amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in relation to share option scheme on 23rd August 2001, which came into effect on 1st September 2001. At the annual general meeting of the Company held on 26th September 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") with rules in compliance with the requirement of the amended Listing Rules and termination of the share option scheme adopted by the Company on 26th October 1999 (the "Old Scheme"). The principal terms of the Old Scheme are set out under the sub-paragraph headed "The Old Scheme" in the section headed "Share options" in the directors' report for the year ended 30th April 2005.

Under the New Scheme, the Company may grant options to any full-time employees and executive directors of the Company or any of its subsidiaries (including non-executive directors of the Company or any of its subsidiaries and independent non-executive directors of the Company) to subscribe for shares in the Company. The total number of shares available for issue upon exercise of all options to be granted under the New Scheme and other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company as at the date of approval of the New Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. The subscription price per share will be determined by the board of directors, and will not be less than the highest of (i) the closing price of the Company's share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's share as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of grant. No option under the New Scheme was granted during the year ended 30th April 2005 (2004: Nil).

Notes to the Accounts

29 Share options (Continued)

Movements in share options under the Old Scheme were as follows:

Date of grant	Subscription price per share	Exercisable period	Number of shares under options			End of year
			Beginning of year	Exercised during the year	Lapsed during the year	
21st September 2000	HK\$1.02	22nd September 2003 to 21st January 2005	7,936,188	-	(7,936,188)	-
1st November 2000	HK\$0.75	1st November 2003 to 28th February 2005	19,485,000	-	(19,485,000)	-
			27,421,188	-	(27,421,188)	-

30 Consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash inflow generated from operations

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	25,916	21,650
Interest income	(211)	(156)
Interest expense	13,580	17,240
Depreciation of fixed assets	64,652	59,185
Loss on disposal of fixed assets	405	29
Gain on disposal of investment properties	(50)	(42)
Loss on disposal of an associate	-	83
Share of losses of associates	8	20
Gain on disposal of other investment	-	(321)
Operating profit before working capital changes	104,300	97,688
Decrease/(increase) in inventories	27,211	(217)
Increase in trade receivables	(5,374)	(14,578)
Decrease/(increase) in bills receivable	2,093	(1,598)
Decrease in prepayments, deposits and other receivables	2,349	1,311
(Decrease)/increase in trade payables	(12,887)	7,412
Increase in bills payable	2,322	2,230
(Decrease)/increase in accruals and other payables	(246)	3,499
Net cash inflow generated from operations	119,768	95,747

Notes to the Accounts

30 Consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Share capital and share premium	Subscription right reserve	Short-term bank borrowings	Long-term bank loans	Finance lease obligations	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st May 2003	105,421	17,214	119,271	135,858	22,713	61	400,538
Transfer from subscription right reserve to retained profits	-	(17,214)	-	-	-	-	(17,214)
New short-term bank borrowings	-	-	398,695	-	-	-	398,695
Repayment of short-term bank borrowings	-	-	(409,952)	-	-	-	(409,952)
New long-term bank loans	-	-	-	165,000	-	-	165,000
Repayment of long-term bank loans	-	-	-	(152,996)	-	-	(152,996)
Inception of finance leases	-	-	-	-	1,231	-	1,231
Repayment of capital element of finance leases	-	-	-	-	(14,956)	-	(14,956)
Minority interests' share in net loss of subsidiaries	-	-	-	-	-	(61)	(61)
At 30th April 2004	105,421	-	108,014	147,862	8,988	-	370,285
New short-term bank borrowings	-	-	425,250	-	-	-	425,250
Repayment of short-term bank borrowings	-	-	(426,248)	-	-	-	(426,248)
New long-term bank loans	-	-	-	48,400	-	-	48,400
Repayment of long-term bank loans	-	-	-	(84,519)	-	-	(84,519)
Inception of finance leases	-	-	-	-	1,120	-	1,120
Repayment of capital element of finance leases	-	-	-	-	(6,029)	-	(6,029)
At 30th April 2005	105,421	-	107,016	111,743	4,079	-	328,259

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements of approximately HK\$1,120,000 (2004: HK\$1,231,000) in respect of new machinery.

Notes to the Accounts

31 Commitments and contingent liabilities

(a) Capital commitments

	Group	
	2005 HK\$'000	2004 HK\$'000
Contracted but not provided for		
– construction of a production plant in Zhongshan, Mainland China	11,672	–
– purchase of a piece of land in Zhongshan, Mainland China	1,464	2,954
– purchase of properties in Hong Kong	1,377	–
– purchase of other fixed assets	29	42
	14,542	2,996

The Company had no capital commitment as at 30th April 2005. (2004: Nil)

(b) Operating lease commitments

As at 30th April 2005, the Group had future aggregate minimum lease payments in respect of rented premises under various non-cancellable operating leases as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Not later than one year	1,359	2,552	–	–
Later than one year and not later than five years	576	818	–	–
	1,935	3,370	–	–

(c) Contingent liabilities

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Discounted bills with recourse	–	2,484	–	–
Factoring of trade receivables with recourse	21,896	35,568	–	–
Guarantees given to banks and financial institutions in respect of banking and finance lease facilities of the subsidiaries	–	–	214,839	207,536
	21,896	38,052	214,839	207,536

Notes to the Accounts

32 Pension schemes

The Group had 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 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 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.

As stipulated by the rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group contributes to the retirement plans at rates of approximately 10% to 28% of the basic salaries of its employees in Mainland China, and has no further obligation for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

The employees of the Company’s subsidiary in Singapore are members of the Central Provident Funds (the “Funds”) operated by the government of Singapore. The subsidiary contributes to the Funds approximately 13% of the salaries of its employees, and has no further obligation for the actual payment of pensions or post-retirement benefits beyond the contributions.

During the year ended 30th April 2005, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK\$8,180,000 (2004: HK\$5,358,000), with no deduction of forfeited contributions (2004: Nil). As at 30th April 2005, there were no material forfeitures available to offset the Group’s future contributions.

Notes to the Accounts

33 Banking facilities and pledge of assets

As at 30th April 2005, the Group had aggregate banking facilities of approximately HK\$652,643,000 (2004: HK\$385,620,000) for overdrafts, loans, factoring of trade receivables and trade financing. Unused facilities as at the same date amounted to approximately HK\$386,883,000 (2004: HK\$67,615,000). As at 30th April 2005, approximately HK\$135,207,000 (2004: HK\$150,691,000) of the total used facilities were secured by:

- (a) mortgages over certain of the Group's land and buildings with net book value of approximately HK\$7,640,000 (2004: HK\$5,821,000) (Note 13);
- (b) pledge of the Group's investment securities of approximately HK\$8,580,000 (2004: HK\$8,580,000) (Notes 16 and 20);
- (c) pledges of the Group's bank deposits of approximately HK\$24,879,000 (2004: HK\$25,058,000) (Note 21); and
- (d) corporate guarantees executed by the Company and certain of its subsidiaries.

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

34 Related party transaction

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Particulars of a related party transaction during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Construction cost paid to Rentz Technologies Co. Ltd., a former associate of the Group, in respect of construction of a production plant in Nanjing, Mainland China	-	9,023

35 Ultimate holding company

The directors regard Ka Yan China Investments Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

36 Approval of accounts

The accounts were approved by the board of directors on 15th August 2005.