07/08

CEC-COILS®

CEC國際控股有限公司
CEC INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號：759)

ANNUAL REPORT 2007/2008 年報

Corporate Profile 公司簡介

CEC is a dynamically growing producer of quality electronic components that specialises in the design and manufacture of a wide range of coils, ferrite materials, inductors, transformers, line filters and capacitors. Founded in 1979, it has been evolving to become one of the major international suppliers to a multiple of industry segments, including telecommunication and information technology equipment, data networking and power conversion applications, office automation equipment, audio and visual products, home electrical and electronic appliances.

Backed by the strong manufacturing facilities based in Mainland China, CEC is an experienced and competitive player in the electronics arena, with established research and development, sales and marketing, customer services and regional offices, and technical support centers in Hong Kong, Mainland China, Taiwan, Singapore, India and United States of America.

Listed on The Stock Exchange of Hong Kong Limited since November 1999, CEC's goal is to maximize its shareholders' value through working closely and actively with its customers, in an efficient and effective manner, to supply the products that suit their needs most. CEC's principal financial objective is to generate maximum long-term return on shareholders' investment by investing in markets that offer superior growth prospects.

Without such electronic components as coils, transformers, inductors and capacitors, etc, there would be no high-tech advances such as mobile phones and the Internet, and no intelligent safety and comfort applications for electronic and electrical appliances. With the continual technological revolution, CEC's wide range of products will continue to play its part to shape the future of the electronic world.

CEC為一家增長迅速之優質電子元件生產商，以設計及生產各類線圈、鐵氧體材料、電感、變壓器、電源濾波器及電容器等為主。本集團始創於1979年，經過多年來不斷發展蛻變，至今已成為一大型國際供應商，客戶來自不同行業，包括電訊及資訊科技設備、數據網絡及電壓轉換技術、辦公室自動化設備、影音產品，以及家居電器及電子產品等。

CEC於電子業經驗豐富且競爭力強，不但在中國內地設有龐大之生產設施作後盾，其研究與開發部門、銷售與推廣隊伍、客戶服務與地區辦事處，以及技術支援中心更遍佈香港、中國內地、台灣、新加坡、印度及美國。

CEC於1999年11月在香港聯合交易所有限公司上市，其宗旨為透過與客戶作緊密及積極之接觸，以快捷有效之方式提供最能滿足其需求之產品，從而提高股東之投資價值。CEC之主要財務目標為將財政資源投資於增長前景理想之市場，為股東帶來最高之長期投資回報。

線圈、變壓器、電感器及電容器等電子元件是生產高科技先進產品時不可或缺之元件，倘若沒有上述產品，人類將無法享受手提電話、互聯網、電子產品及電器之智能安全及舒適裝置等帶來之方便。CEC所生產之多項產品將繼續為未來電子世界之發展作出貢獻。

Contents

Corporate Information

DIRECTORS

Executive Directors
Mr. Lam Wai Chun *(Chairman)*
Ms. Tang Fung Kwan *(Deputy Chairman and Managing Director)*
Ms. Li Hong

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

AUDIT COMMITTEE

Dr. Tang Tin Sek *(Chairman)*
Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis
Mr. Goh Gen Cheung

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms. Li Lai Sheung

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co.
Appleby

PRINCIPAL BANKERS

China Construction Bank
CITIC Ka Wah Bank Limited
Dah Sing Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor, Hing Win Factory Building
110 How Ming Street
Kwun Tong, Kowloon
Hong Kong

HEADQUARTERS IN MAINLAND CHINA

Li Xin Jie, Yong An Lu
Dong Feng Zhen
Zhongshan
Guangdong
Mainland China

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Websites: http://www.0759.com
http://www.ceccoils.com
http://www.irasia.com/listco/hk/cecint

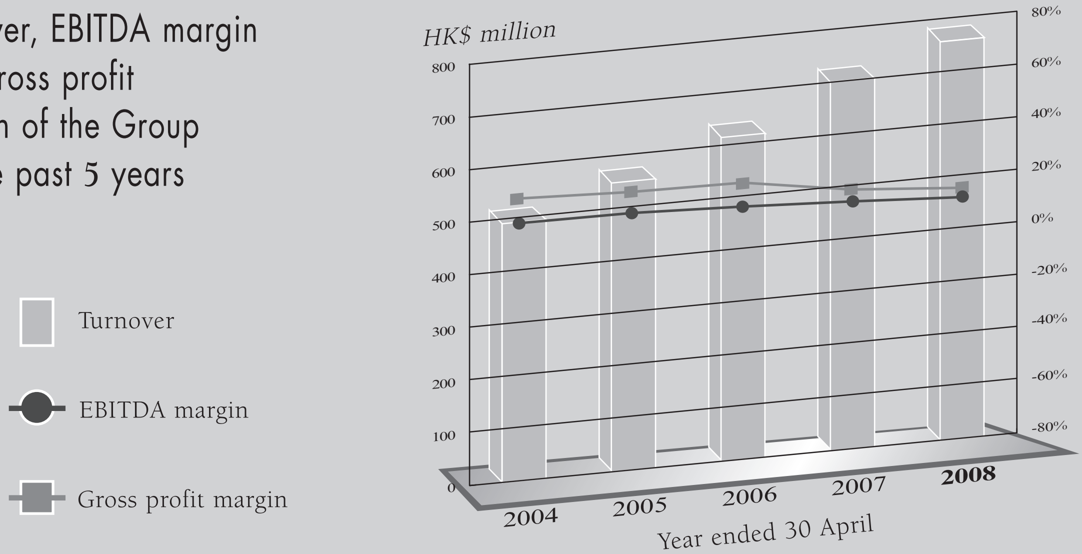
E-mail: info@ceccoils.com

Listed on The Stock Exchange of Hong Kong Limited

Stock Code: 759

Financial Highlights

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



	As at 30 April/ Year ended 30 April 2008 HK$'000	2007 HK$'000	% Change
Turnover	**788,727**	700,279	+12.6
Profit attributable to equity holders of the Company	**23,601**	23,810	–0.9
Total assets	**859,767**	727,587	+18.2
Net tangible assets	**427,863**	374,251	+14.3
Per Share Data			
Basic earnings per share (HK cents)	**3.29**	3.32	–0.9
Net tangible assets per share (HK cents)	**59.7**	52.2	+14.4
Financial Ratios			
Gross profit margin (%)	**18.0**	19.4	–1.4
EBITDA margin (%)	**15.3**	16.2	–0.9
Current ratio	**1.50**	1.05	+0.45
Interest coverage ratio	**7.14**	6.88	+3.8
Gearing ratio	**0.79**	0.70	+12.9

Definitions

Basic earnings per share = $\frac{\text{Profit attributable to equity holders of the Company}}{\text{Weighted average number of issued shares}}$

Net tangible assets per share = $\frac{\text{Net tangible assets}}{\text{Number of issued shares as at end of year}}$

Gross profit margin (%) = $\frac{\text{Gross profit x 100\%}}{\text{Turnover}}$

EBITDA margin (%) = $\frac{\text{Operating profit plus depreciation and amortisation less interest income x 100\%}}{\text{Turnover}}$

Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}}$

Interest coverage ratio = $\frac{\text{Operating profit plus depreciation and amortisation}}{\text{Interest expense less interest income}}$

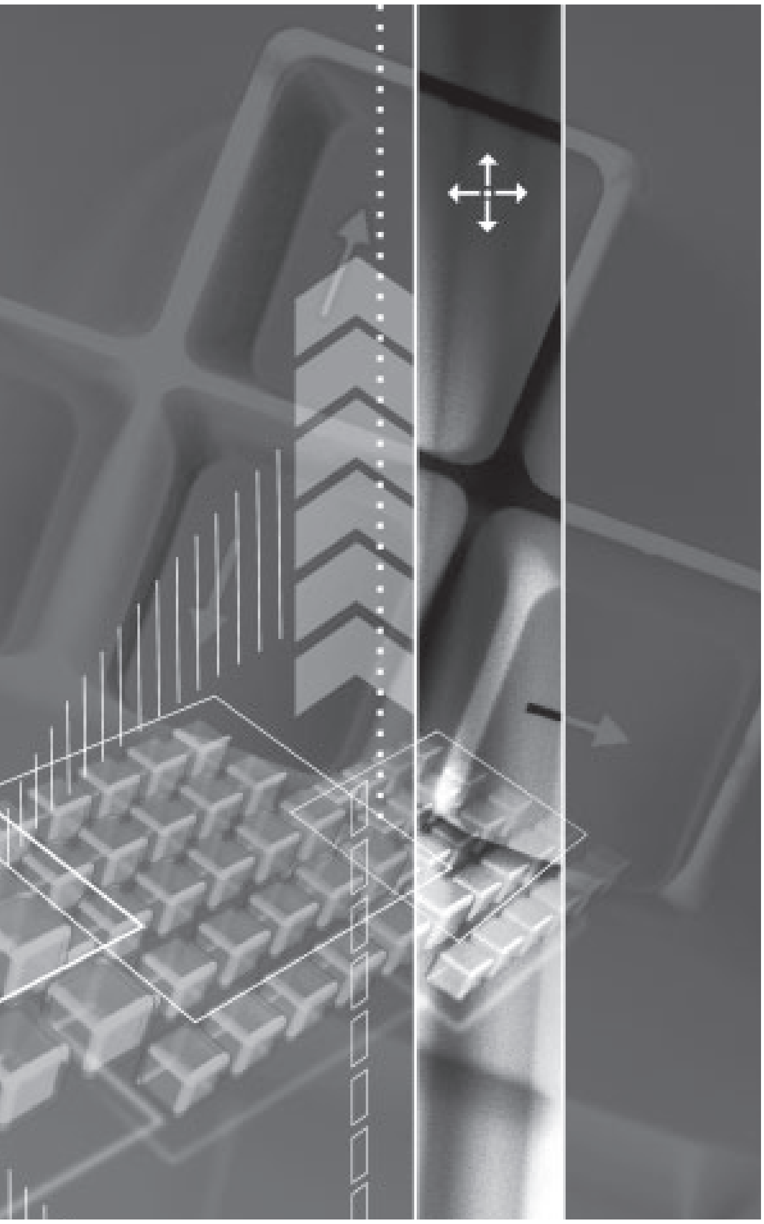
Gearing ratio = $\frac{\text{Total borrowings}}{\text{Total equity}}$

Five-Year Financial Summary

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

	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) attributable to:					
– Equity holders	**23,601**	23,810	23,296	20,001	16,267
– Minority interests	**(352)**	(897)	–	–	61
Total assets	**859,767**	727,587	721,667	654,057	687,429
Total liabilities	**(431,904)**	(353,336)	(380,691)	(340,299)	(390,058)
	427,863	374,251	340,976	313,758	297,371

Management Discussion and Analysis



Dear Shareholders,

On behalf of the Board of Directors (the "Board") of CEC International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present the ninth annual report of the Company since the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 15 November 1999.

2007/2008 SUMMARY OF RESULTS

– Turnover climbed 12.6% to HK$788,727,000 (2007: HK$700,279,000);

– Profit attributable to equity holders of the Company was HK$23,601,000 (2007: HK$23,810,000);

– Basic earnings per share was HK3.29 cents (2007: HK3.32 cents);

– Proposed final dividend of HK0.50 cent (2007: HK0.95 cent) per share;

– Net cash inflow from operating activities increased by 6.4% to HK$72,026,000 (2007: HK$67,713,000); and

– Gross profit margin decreased by 1.4% to 18.0% (2007: 19.4%).

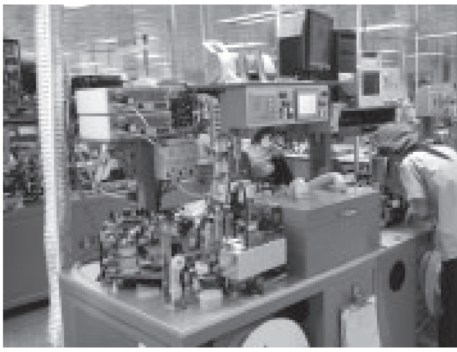
DIVIDEND

No interim dividend was declared for the year ended 30 April 2008 (2007: Nil).

The Board has resolved to recommend the payment of a final dividend of HK0.50 cent (2007: HK0.95 cent) per share for the year ended 30 April 2008 to shareholders whose names appear on the register of members of the Company on 26 September 2008.

The proposed final dividend of HK0.50 cent per share, the payment of which is subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 26 September 2008, is to be payable on Friday, 10 October 2008.

Management Discussion and Analysis



CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 September 2008 to Friday, 26 September 2008 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and to attend and vote at the annual general meeting of the Company to be held on 26 September 2008, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Friday, 19 September 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

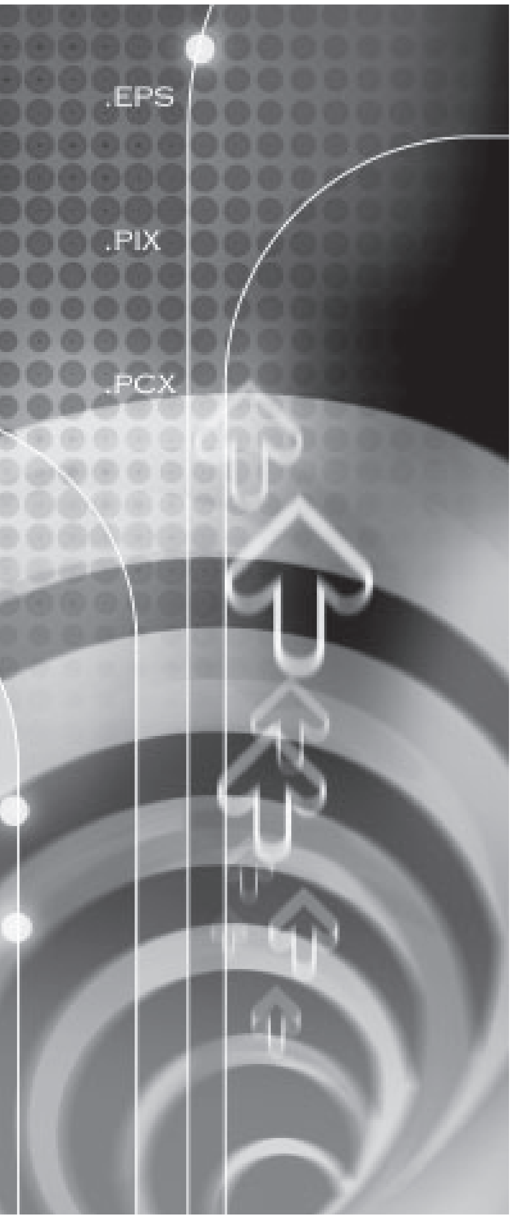
During the year ended 30 April 2008, the Group's turnover was HK$788,727,000 (2007: HK$700,279,000), achieving a 12.6% increase over that of last year. Gross profit of the Group recorded HK$142,340,000 (2007: HK$135,820,000), posting a 4.8% increase as compared with that of last year. Gross profit margin was 18.0% (2007: 19.4%), down 1.4% as compared with that of last year. During the year, the costs in production and operation of the Group were affected by several unfavourable market factors. Profit attributable to equity holders of the Company for the year was HK$23,601,000 (2007: HK$23,810,000), with a slight drop of 0.9% as compared with that of last year. The Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") was HK$120,344,000 (2007: HK$113,175,000). The Group's net cash inflow (increase in cash and cash equivalents) was HK$37,429,000 (2007: net cash outflow (decrease in cash and cash equivalents) of HK$13,326,000). The net cash inflow from operating activities for the year was HK$72,026,000 (2007: HK$67,713,000), up 6.4% as compared with that of last year.

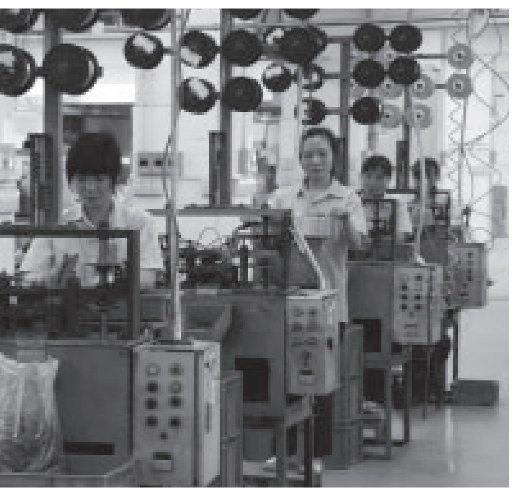
Management Discussion and Analysis

The past financial year was a challenging one to most manufacturers with major production bases in Mainland China. The Group experienced operating difficulties with the uptrend of raw materials cost, shortage of labour and sustained rise in staff cost. All these external factors brought about a direct increase in production cost. The transactions made between the Group and its major customers are mainly settled in Hong Kong dollar ("HKD") or United States dollar ("USD"). During the year, the persistent appreciation of Renminbi ("RMB") against HKD and USD, continuous record-high energy prices and the revised policy made by the government of Mainland China for the export and foreign investors were direct causes for the rising overall production cost and management expense. In view of these, the unpleasant operating environment posed a significant impact on those export-oriented enterprises, the business transactions of which are mainly settled in currencies other than RMB. Accordingly, the Group has been proactive in improving its production flow and efficiency during the year and the cost effectiveness derived from them could set off part of the negative impact imposed by the above unfavourable factors.

The Group has been adopting an operating model with high degree of vertical integration and the major materials for various magnetic components are also produced internally. The Group is engaged in the production procedures from devising its own formulae for various ferrites, moulding, sintering, processing to the production of different types of ferrite cores, which are used as major components in assembling different coil-related products. With such sophisticated processing model, the Group is more quickly and directly to experience the immense pressure in the short run due to the adverse change of external factors than other processing and assembly peers in the market when there are great fluctuations in metal raw materials prices and soaring energy prices. In the long run, the Board believes that its long-established and sophisticated operating model with vertical integration will be the important foundation for coping with difficulties in rigorous external environment in future.

Management Discussion and Analysis





The Board understands the difficult market environment and has been maintaining a long-term and close relationship with its customers. During the year, the Group made gradual price adjustments in some products to let both parties adapt to them gradually. Under ever changing electronic components market, revamping its product lines are essential to create new value for the Group. Accordingly, the Group has increased its investment in Hong Kong as being its headquarters for research and development, thereby developing more quality products with its customers under the stringent operating environment.

BUSINESS REVIEW

Electronic components manufacturing segment

The turnover of electronic components manufacturing segment (including coils, coils related accessories and capacitors), the Group's core business, for the year was HK$787,634,000 (2007: HK$699,038,000), which accounted for approximately 99.9% (2007: 99.8%) of the total turnover. This increase was mainly attributable to the growth in orders received from various consumer electronic product industries, in particular, cell phones, flat-panel televisions, computers, electronic video game consoles and power supply devices.

During the year, gross profit margin of the Group declined by 1.4% as compared with that of last year. Profit attributable to equity holders of the Company, including an amount of approximately HK$12,386,000 (2007: HK$812,000) contributed by an increase on investment property revaluation (net of tax), reduced by 0.9% as compared with that of last year. As a result, the profit of core business and the related profit margins for the year were relatively lower when compared with those of last year. The decline in profit was mainly due to the soaring RMB exchange rate, staff cost and energy prices exerting enormous pressure on the Group's cost of production. Looking back, since the implementation of reform for RMB by The People's Bank of China from July 2005 up to April 2008, RMB against HKD had been rising approximately 20%, with approximately 9.7% appreciation in RMB against HKD for the year. As most of the Group's production expenses, including wages, local purchases of materials, rentals, water and electricity and taxes, were paid in RMB, the sustained appreciation of RMB would have a direct effect of driving up the Group's production cost.

During the Spring Festival of the year, staff turnover of the Group was extremely high when compared with that of the previous year. The Group made a timely response in adjusting staff remuneration for the festival period so as to secure appropriate labour and production output maintained in the fourth quarter of the year. On the other hand, during the year Mainland China has been hardly hit

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

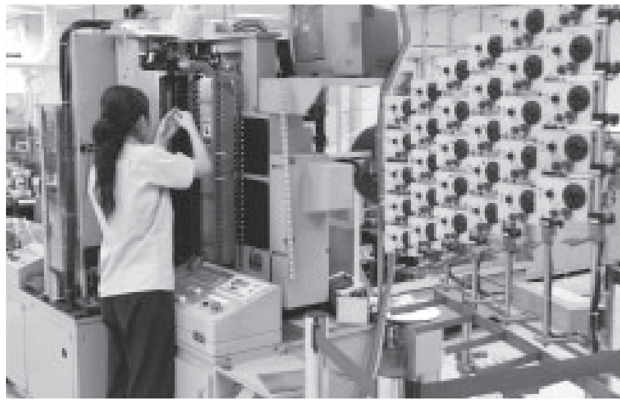
by the rocketing inflation rate and its labour market also saw remarkable increases in wages. When compared with last year, wages for production and its relevant benefit expenses for the year relatively rose approximately 14%. To address the severe shortage of labour in the market, the Group is required to make timely and appropriate adjustments for the remuneration of the management and production staff, ensuring that its staff are provided with competitive remuneration packages and will be dedicated to working with the Group. In recent years, raw material prices have been on upward trend and were still subject to long-term fluctuation during the year.

The Group's general and administrative expenses for the year amounted to HK$95,667,000 (2007: HK$77,960,000), including a provision for impairment of accounts receivable of the Group for the year amounting to HK$777,000 (2007: reversal of provision of HK$5,019,000) giving rise to an increase in expenses more than HK$5,796,000 as shown in the income statement when compared with that of last year. Excluding the aforesaid provision, the Group's general and administrative expenses for the year rose approximately 14% as compared with that of last year, mainly propelled by: (1) the escalating remuneration of the overall management; (2) the expansion of the research and development departments located in the Group's Hong Kong headquarters and Taiwan office, including recruitment of more engineering staff and an increase in expenses for research and development; and (3) the increase of expenses for environmental protection to meet the more stringent environmental standard as required by Mainland China.

FINANCIAL REVIEW

Overview

For the year ended 30 April 2008, profit attributable to equity holders of the Company was HK$23,601,000 (2007: HK$23,810,000), whilst basic earnings per share was HK3.29 cents (2007: HK3.32 cents).



FINANCIAL REVIEW *(continued)*

Financial Management

Funds Surplus and Liabilities

As at 30 April 2008, the Group's credit facilities granted from banks amounted to HK$502,324,000 (2007: HK$385,399,000), of which HK$144,640,000 (2007: HK$118,085,000) remained unutilised.

The Group's cash and bank balances (denominated mainly in HKD, USD and RMB) was HK$97,762,000 (2007: HK$58,095,000) as at 30 April 2008. The banking facilities amounting to HK$51,881,000 were secured by mortgages on the Group's certain land and buildings, pledges of the Group's bank deposits, available-for-sale financial assets and corporate guarantees provided by the Company and its certain subsidiaries. In addition, the Group is required to comply with certain restrictive financial covenants with the major financing banks. As at 30 April 2008, the Group complied with such financial covenants, which indicates that the Group's financial position remained satisfactory.

As at 30 April 2008, the Group's total borrowings granted from banks and financial institutions amounted to HK$338,620,000 (2007: HK$263,301,000), of which HK$184,049,000 (2007: HK$224,972,000) was current and HK$154,571,000 (2007: HK$38,329,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. As at 30 April 2008, the Group's gearing ratio* was 0.79 (2007: 0.70), similar to that of last year. The Group will keep on discreetly managing its financial resources and is committed to reducing its financial leverage ratio to further stabilize its business development in future. Moreover, the Group did not have any contingent liabilities (2007: Nil) as at the same date.

(The ratio of (total borrowings) over (total equity))*

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Interest Expenses

For the year ended 30 April 2008, the Group's interest expenses amounted to HK$18,711,000 (2007: HK$18,130,000), up approximately 3% as compared with that of last year. It primarily resulted from the increase of the Group's total borrowings with a relatively higher cash level. The Group will be devoted to controlling all kinds of expenses and bank borrowings for reducing the interest expenses in future.

Financial Resources and Capital Structure

For the year ended 30 April 2008, the Group's net cash inflow (increase in cash and cash equivalents) was HK$37,429,000 (2007: net cash outflow (decrease in cash and cash equivalents) of HK$13,326,000). The net cash inflow from operating activities for the year was HK$72,026,000 (2007: HK$67,713,000), up 6.4% as compared with that of last year, indicating that the Group's core business can still manage to generate cash inflow under the sullen market. The net cash inflow from financing activities jumped to HK$49,608,000 (2007: outflow of HK$28,971,000) mainly due to the draw-down of a syndicated loan for the aggregate amount of HK$300,000,000 under a 3-year transferable term loan agreement by the Company during the year. For the year ended 30 April 2008, net cash outflow from investing activities climbed to HK$84,205,000 (2007: HK$52,068,000), most of which were capital expenditures amounting to HK$70,690,000 (2007: HK$49,797,000). The capital expenditures were mainly used for the construction of new plants in Zhongshan and Xiamen amounting to approximately HK$7,556,000 (2007: HK$7,737,000) and the purchase of machinery and equipment amounting to approximately HK$33,617,000 (2007: HK$27,479,000) for enhancing production capacity and Hong Kong properties amounting to approximately HK$17,918,000 (2007: HK$11,651,000).

Cash Flow Summary

	2008	2007
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**72,026**	67,713
Net cash outflow from investing activities	**(84,205)**	(52,068)
Net cash inflow/(outflow) from financing activities	**49,608**	(28,971)
Increase/(decrease) in cash and cash equivalents	**37,429**	(13,326)

As at 30 April 2008, the net current assets was HK$133,980,000 (2007: HK$15,738,000) and the current ratio was 1.50 (2007: 1.05).

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Charges on Assets

As at 30 April 2008, certain assets of the Group with an aggregate carrying value of approximately HK$39,516,000 (2007: HK$38,620,000) were pledged to secure banking facilities and finance lease of the Group.

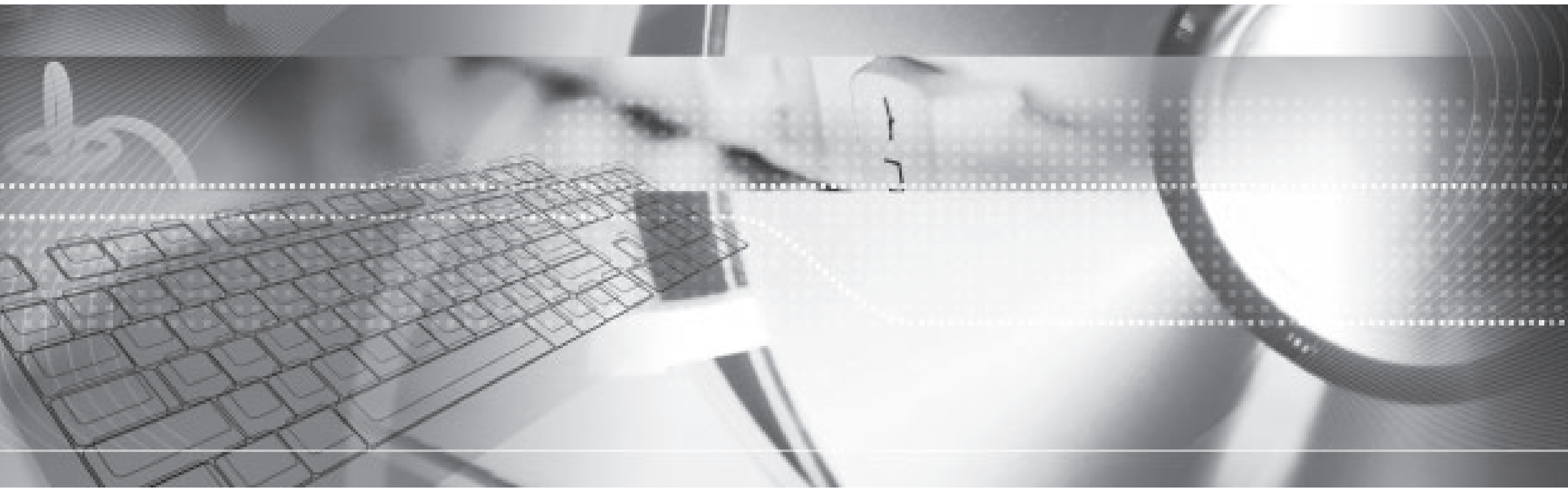
Exchange Risks

The Group's business is mainly conducted in Mainland China, Hong Kong and South-east Asia. The major revenue currencies are primarily denominated in HKD, RMB and USD; whilst the major currencies in purchase commitments are primarily denominated in HKD, RMB and USD. The sustained rise of more than 9% in RMB against USD during the financial year would be a significant challenge on the Group's business. Given that RMB makes great strides in appreciation, there would be a material negative impact on the Group's profit. As such, the Board is actively considering to arrange some forms of hedging in due course so as to minimize the impact of the volatile RMB.

EMPLOYEES

The Group had approximately 8,600 (2007: 8,100) employees as at 30 April 2008. The salaries of the employees are maintained at competitive levels determined by reference to their academic qualification, working experience, professional or licensing qualification, job skill and market benchmark. The overall salary level of the Group is reviewed periodically, taking into consideration factors such as competitive market position and market practice. Discretionary bonuses are granted based on the operating results of the Group and the performance of individuals. Other employee benefits include pension scheme and medical insurance. Under the share option scheme of the Company, options may be granted to eligible employees to subscribe for shares in the Company. During the year, no option was granted under the scheme (2007: Nil).

Management Discussion and Analysis



EMPLOYEES *(continued)*

The Group also emphasizes the promotion of on-the-job training and continuing education of its employees at all levels. Subsidies on training and education are provided to its employees with different levels for enhancing their knowledge and job or professional skills, which can yield the Group's competitive advantage.

CORPORATE SOCIAL RESPONSIBILITY

The Group has taken active role in corporate citizenship practice through partnering with other organizations to organize different charitable, volunteering and healthy activities and encouraging its staff to care community for promoting their physical and mental development in a healthier and balanced way. On the other hand, the Group has been involved in charitable community activities by making donations to several charitable organizations and educational institutions, in addition to setting up scholarship schemes. In 2007, a subsidiary of the Group was awarded the "Caring Company" Logo by the Hong Kong Council of Social Service.

FUTURE PROSPECTS

Looking forward, global economic climate is still clouded with some uncertainties. In the shadow of global inflation, economic recession, fluctuating financial markets and incessant RMB appreciation, all put an enormous pressure on operating cost for the production business of the Group in Mainland China. The Board expects that the next year would be more challenging. The Group will hold up running its core business as its most major operating direction and adopt prudent operating and financial management policies. Under the premise of prudence, turnover growth will no longer be the primary objective for the Group's business development. The Group will be committed to realigning its customer base, phrasing out some low-profit products and concentrating on allocating resources in high value-added products. It will also step up to control general and administrative expenses to reduce its operating expenses.

Management Discussion and Analysis

FUTURE PROSPECTS *(continued)*

The Group has a high degree of vertical integration of production and sound automated production level. It will continue to invest in projects, which can raise its own research and development capacity to strengthen Hong Kong being the research and development headquarters of the Group. It will also reinforce the collaboration with the research and development teams of its partners and customers and focus on yielding competitive edge by way of improving quality and quantity of products and enhancing the quality of services.

In future, the Group will persist in adhering to its "people-centered" philosophy and will carry on developing effective, fundamental and harmonious relationship with its staff in the hope that they can join hands in heading for the operating direction as laid down by the Group under the current unforeseen operating environment.

ACKNOWLEDGEMENTS

Finally, on behalf of the Board, I would like to express my thanks to all investors, staff and business partners for their continued support to the Company.

By Order of the Board
Tang Fung Kwan
Deputy Chairman and Managing Director

Hong Kong, 15 August 2008

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. LAM Wai Chun, aged 49, was appointed as an executive director of the Company with effect from 29 September 1999, and has been the Chairman of the Company since 4 October 1999. Mr. Lam is a founder of the Group and has over 37 years of experience in the coils manufacturing industry. Mr. Lam is the sole director of Ka Yan China Development (Holding) Company Limited.

Ms. TANG Fung Kwan, aged 38, was appointed as an executive director of the Company with effect from 29 September 1999, and has been the Managing Director and Deputy Chairman of the Company since 5 May 2003 and 1 August 2003 respectively. She is also a member of the Remuneration Committee and the chairman of Accounts Receivable Supervisory Committee of the Company. She has been admitted to the degree of Bachelor of Social Sciences with Honours in The University of Hong Kong in 1992, the degree of International Master of Business Administration in The University of South Australia, Australia, in 1998, the degree of Bachelor of Laws (LLB) in The Manchester Metropolitan University, United Kingdom, in 2006, and the Postgraduate Certificate in Laws in The University of Hong Kong in 2008. Ms. Tang joined the Group in 1993.

Ms. LI Hong, aged 39, was appointed as an executive director of the Company with effect from 1 May 2005. She is also a director and the general manager of Xiamen Coils Electronic Co., Ltd. responsible for the overall management of the Group's business operation in Xiamen and the marketing of the Group in Mainland China. Ms. Li received a bachelor degree of English literature from Changchun Teacher's College, the Mainland China in 1991 and a master of business administration from The University of Northern Virginia, the United States of America, in 2003. Ms. Li joined the Group in 1994.

Independent Non-Executive Directors

Mr. AU Son Yiu, aged 62, was appointed as an independent non-executive director of the Company with effect from 29 September 1999. Mr. Au is also a member of the Audit Committee and the Accounts Receivable Supervisory Committee as well as the chairman of Remuneration Committee of the Company. Mr. Au has extensive experience in the securities industry. He is a director of The Association of Former Council Members of The Stock Exchange of Hong Kong Limited and The Institute of Securities Dealers Limited as well as a consultant to Dao Heng Securities Limited. He is also an independent non-executive director of Texwinca Holdings Limited and Chun Wo Holdings Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited. In addition, Mr. Au is the Ex-Deputy Chairman of Hong Kong Clearing (1992-1994), Ex-Council member of The Stock Exchange of Hong Kong Limited (1988-1994) and was a member of the Election Committee for the financial services subsector election for the 1998 Legislative Council and an independent non-executive director of Frankie Dominion International Limited (resigned on 16 April 2008) , a company listed on The Stock Exchange of Hong Kong Limited.

Directors and Senior Management Profile

Mr. LEE Wing Kwan, Denis, aged 63, was appointed as an independent non-executive director of the Company with effect from 29 September 1999 and is a member of the Audit Committee, the Remuneration Committee and the Accounts Receivable Supervisory Committee of the Company. He is a principal consultant of Dynamic Linkage Management Consultants and a fellow member of The Hong Kong Institute of Directors. With his extensive experience in trade and industry, Mr. Lee represented Hong Kong business community and gave presentations at the APEC SME Ministerial Meetings in the Philippines, Canada and New Zealand. The other major past offices of Mr. Lee in public services include the past chairman of the Small and Medium Enterprises Committee of the HKSAR Government (1996-2000), a former council and general committee member of Hong Kong General Chamber of Commerce (1994-2002), a former member of the Executive Committee of the Hong Kong Coalition of Service Industries and Trade and Industry Board of the HKSAR Government.

Dr. TANG Tin Sek, aged 49, was appointed as an executive director of the Company with effect from 29 September 1999, and has been re-designated as a non-executive director and an independent non-executive director of the Company with effect from 1 January 2000 and 3 June 2003 respectively. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Dr. Tang is a Certified Public Accountant practising in Hong Kong and a partner of Terence Tang & Partners. He has over 27 years' experience in corporate finance, business advisory, financial management and auditing. He is also a member of The Chinese Institute of Certified Public Accountants, The Institute of Chartered Accountants in Australia and The Chartered Association of Certified Accountants in the United Kingdom. He obtained a Bachelor of Science degree from The University of Hong Kong in 1980, a Master of Business Administration degree from The University of Sydney, Australia in 1990 and a Doctor of Accountancy degree from The Hong Kong Polytechnic University in 2004. Dr. Tang is also an independent non-executive director of Sinofert Holdings Limited, New Smart Energy Group Limited and Interchina Holdings Company Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited.

Mr. GOH Gen Cheung, aged 61, was appointed as an independent non-executive director of the Company with effect from 1 December 2005 and is a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Goh has over 30 years of treasury, finance and banking experience. He is an associate member of The Hong Kong Institute of Bankers and obtained a Master's degree in Business Administration from the University of East Asia, Macau in 1987. Mr. Goh is also an independent non-executive director of Shinhint Acoustic Link Holdings Limited, Peaktop International Holdings Limited, Karce International Holdings Company Limited, China Flavors and Fragrances Company Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited, and Standard Bank Asia Limited.

Directors and Senior Management Profile

Professor ZHU Yuhe, aged 70, was appointed as an independent non-executive director of the Company with effect from 1 April 2007 and is a member of the Remuneration Committee of the Company. Professor Zhu is a professor of School of Humanities and Social Sciences in Tsinghua University ("Tsinghua") in charge of some advanced courses relating to China's conditions and China's political economics. He is Vice Chairman of 中國老教授協會 (China Senior Professor Association) and Vice Chairman of 國傑老教授科學技術諮詢開發研究院 (Guojie Senior Professor Science and Technology Development Academy). Professor Zhu graduated from Tsinghua in electrical engineering in 1960 and was subsequently sent to Renmin University of China for further studies on modern history of China by Tsinghua. Professor Zhu has 45 years' extensive teaching experience in history, philosophy and political economics at Tsinghua and also held offices in Tsinghua, including Director of Department of History, Vice Dean of School of Humanities and Social Sciences, teaching adviser of the President of Tsinghua during various periods.

SENIOR MANAGEMENT

Mr. AU YEUNG Sau Hong, aged 50, is the head of treasury department of the Group responsible for the capital management of the Group. Mr. Au Yeung has over 30 years of international trade services, finance and banking experiences. Mr. Au Yeung joined the Group in 2007.

Mr. CHAN Yuk Lun, aged 40, is the head of accounts management responsible for the accounts management. He has been admitted to the degree of Master of Business Administration in The Open University of Hong Kong in 2005. Mr. Chan joined the Group in 1992.

Mr. CHEUNG Ming Yat, aged 32, is the head of corporate operation analysis of the Group and a member of the Accounts Receivable Supervisory Committee of the Company, responsible for the strategic and financial analysis functions of the Group. He has been admitted to the degree of Bachelor of Finance with Honours in The University of Hong Kong in 1998. Mr. Cheung joined the Group in 1998.

Mr. CHUNG Wai Kin, aged 27, is the head of information system of the Group responsible for co-ordinating the Group's information technology development and application functions. Mr. Chung has been admitted to the degree of Bachelor of Information Engineering with Honours and the degree of Master of Science in System Engineering and Engineering Management in The Chinese University of Hong Kong in 2002 and 2007 respectively. Mr. Chung joined the Group in 2002.

Mr. HE Guogao, aged 42, is the head of sales and sales engineering responsible for the development of sales and sales engineering functions. He has been admitted to the degree of Bachelor of Engineering in Automation in the Gansu University of Technology, Mainland China, in 1988 and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. He joined the Group in 2001.

Directors and Senior Management Profile

Mr. HO Kwok Keung, aged 50, is a former executive director of the Company (appointed on 20 December 2002 and resigned on 14 August 2003). He is currently the head of equipment management and application responsible for the equipment management and application. He has over 32 years of experience in electronics and electrical industry. Mr. Ho joined the Group in 1996.

Mr. HO Man Lee, aged 28, is the head of administration of the Group responsible for the administration and personnel management functions of the Group. Mr. Ho has been admitted to the degree of Bachelor of Computer Science with Honours in The Hong Kong University of Science and Technology in 2001 and the degree of Master of Business Administration in The Chinese University of Hong Kong in 2006. Mr. Ho joined the Group in 2001.

Ms. HO Wing Yi, aged 34, is the head of accounting of the Group and qualified accountant (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company, responsible for the Group's financial reporting and corporate finance functions. She worked in an international firm of certified public accountants and has over 7 years of experience in auditing. Ms. Ho has been admitted to the degree of Bachelor of Accountancy with Honours and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 1996 and 2007 respectively. She is also a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Ho joined the Group in 2003.

Mr. LIU Kun, aged 32, is the head of product development responsible for the product development functions. He has been admitted to the degree of Bachelor of Information Engineering in South China University of Technology, Mainland China, in 1999 and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. Liu joined the Group in 2003.

Ms. LI Lai Sheung, aged 44, is the company secretary of the Company. She is an associate member of The Hong Kong Institute of Chartered Secretaries. Ms. Li has been admitted to the degree of Master of Arts in Language Studies in City University of Hong Kong in 2007. Ms. Li joined the Group in 1999.

Ms. WONG Sin Kam, aged 46, is the head of sales responsible for the management of customer relationship. She has over 26 years of working experience in related field. Ms. Wong joined the Group in 1990.

Mr. ZHAO Xiangqun, aged 46, is the head of procurement and materials engineering responsible for the procurement, materials purchasing and engineering management. He has been admitted to the degree of Bachelor of Science in Physics and the degree of Master of Science in Gravitational Physics in the Sun Yat-Sen University, Guangdong Province, Mainland China, in 1986 and 1989 respectively. Mr. Zhao joined the Group in 2001.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company believes that good corporate governance is not only in the interest of the Company and its shareholders as a whole, but also increasingly important for maintaining and promoting investor confidence. The Board is responsible for ensuring a high quality of corporate governance maintained. The Company has applied the principles and complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 30 April 2008, except for the deviation from the Code Provision A.4.1 which requires that non-executive directors should be appointed for a specific term, subject to re-election.

All the independent non-executive directors of the Company have not been appointed for a specific term, but are subject to retirement by rotation at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws of the Company. The Company considers that sufficient measure has been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code throughout the period from 1 May 2007 to 30 April 2008.

BOARD OF DIRECTORS

The Board currently comprises three executive directors, namely Mr. Lam Wai Chun (Chairman), Ms. Tang Fung Kwan (Deputy Chairman and Managing Director) and Ms. Li Hong; and five independent non-executive directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek, Mr. Lee Wing Kwan, Denis, Mr. Goh Gen Cheung and Professor Zhu Yuhe, representing more than half of the Board and including one with appropriate professional qualifications, accounting and related financial management expertise required under rule 3.10(2) of the Listing Rules. Biographical details of the directors are set out in "Directors and Senior Management Profile" on pages 16 to 19 of this annual report.

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company considers that all independent non-executive directors are independent. To the best knowledge of the directors, the members of the Board have no financial, business, family or other material/relevant relationship with each other.

In accordance with the Company's Bye-laws, one-third of the directors shall retire from office by rotation at each annual general meeting and each of their re-election is subject to a vote of shareholders. Every director is subject to retirement by rotation at least once every three years no later than the third annual general meeting of the Company after he was last elected or re-elected.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

The Board determines the objectives, strategies and policies of the Group. In addition, the Board monitors and controls operating and financial performance in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the Managing Director and the management of the Group under the supervision of the executive directors of the Company. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, financial objectives, dividend policy, changes in accounting policies, material acquisition and disposal of assets, investments and capital projects, banking facilities, provision of guarantees and indemnities, determination and adoption of documents (including the publication of announcements, reports and statements to shareholders) that are required by the Company's constitutional documents, statutes and other applicable regulations and monitoring the compliance with corporate governance practices and applicable laws and regulations as well as the financial covenants imposed by banks.

With the support of the executive directors and the management of the Group, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate information, which are complete and reliable, in a timely manner. Each of the directors keeps abreast of his/her responsibility as a director of the Company and of the conduct, business activities and development of the Company. Important updates are provided to directors when necessary to ensure that they are aware of the business and regulatory environment in which the Group conducts its business.

The Board meets regularly to review the financial and operating performance of the Group each financial year. The directors may attend Board meetings in person or by way of telephone or other electronic means of communication in accordance with the Company's Bye-laws. During the year ended 30 April 2008, five Board meetings were held and the individual attendance of each director is set out below:

Directors	Number of meetings attended/held
Executive Directors	
Lam Wai Chun *(Chairman)*	5/5
Tang Fung Kwan *(Deputy Chairman and Managing Director)*	5/5
Chua You Sing *(retired on 27 September 2007)*	2/5*
Li Hong	5/5
Independent Non-Executive Directors	
Au Son Yiu	5/5
Tang Tin Sek	5/5
Lee Wing Kwan, Denis	5/5
Goh Gen Cheung	5/5
Zhu Yuhe	5/5

* *The director attended all meetings held during the year before he retired as director.*

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lam Wai Chun is the Chairman of the Board and Ms. Tang Fung Kwan, the Deputy Chairman and Managing Director of the Company, is the chief executive officer described in Appendix 14 to the Listing Rules. The role of the Chairman and the Managing Director are segregated and not performed by the same individual. The primary role of the Chairman is responsible for the leadership of the Board and for ensuring that the Board functions effectively. Supported by the executive directors and the senior management, the primary role of the Managing Director is responsible for running the business of the Group and leading the management in implementing strategies approved by the Board. Their respective responsibilities are clearly established in writing.

NON-EXECUTIVE DIRECTORS

All the five non-executive directors are independent and have not been appointed for a specific term, but are subject to retirement by rotation at annual general meetings at least once every three years in accordance with the Bye-laws of the Company. This means that the specific term of appointment of a director cannot exceed three years.

REMUNERATION OF DIRECTORS

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

The Board, with the advice from the Remuneration Committee, formulated the employee emolument policy of the Group on the basis of their merit, qualification and competence. In determining the emolument of directors of the Company and senior management of the Group, the Remuneration Committee takes into consideration factors such as salaries or fees paid by comparable companies, time commitment and responsibilities of the directors and senior management, employment conditions elsewhere in the Group, desirability performance-based remuneration, the operating results of the Group, individual performance and prevailing market conditions. The director's fee of independent non-executive directors is subject to the approval of the Company's shareholders at the annual general meeting.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out under the section headed "Share option scheme" on pages 27 to 29.

REMUNERATION OF DIRECTORS *(continued)*

During the year ended 30 April 2008, the work performed by the Remuneration Committee includes making recommendation to the Board the increase of directors' fees of independent non-executive directors and additional remuneration for each of the chairman of the Audit Committee and Remuneration Committee, reviewing the remuneration package of the senior management of the Group, approving the remuneration (including the relevant service agreements and supplemental agreement, if any) of executive directors and a retiring executive director, the increase of remuneration (including the relevant supplemental agreement) of an executive director, the salary increase of certain members of senior management exceeding the upper limit as well as reviewing and fixing upper limit of salary increase of the senior management. No director has taken part in any discussion about his/her own remuneration.

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

During the year ended 30 April 2008, the Remuneration Committee met three times and the individual attendance of each member is set out below:

Members	**Number of meetings attended/held**
Au Son Yiu *(Chairman)*	3/3
Tang Tin Sek	3/3
Lee Wing Kwan, Denis	3/3
Goh Gen Cheung	3/3
Zhu Yuhe	3/3
Tang Fung Kwan	3/3

NOMINATION OF DIRECTORS

The Company has not set up a nomination committee for the time being. The Board reviews its composition to ensure the Board has a balance of knowledge and experience appropriate for the requirements of the business of the Group. The Board is responsible for selection and approval of candidates for appointment as directors to the Board. Candidates are sought through referral and internal promotion. Candidates to be nominated as directors of the Company are based on independence, qualification, knowledge, industry experience, personal skills, integrity, personal ethics and time commitment assessed by all the directors. During the year ended 30 April 2008, there was no appointment of new directors.

AUDITOR'S REMUNERATION

During the year ended 30 April 2008, the fees paid/payable to the external auditor of the Company, PricewaterhouseCoopers, amounted to approximately HK$1,363,000 for statutory audit services and approximately HK$252,000 for non-audit services (comprising tax and other services) rendered to the Group.

Corporate Governance Report

AUDIT COMMITTEE

The Board established the Audit Committee in September 1999 with written terms of reference (containing the minimum specific duties as set out in the Code) is available on the Company's website (www.0759.com). The Audit Committee currently comprises four independent non-executive directors, namely Dr. Tang Tin Sek (chairman of the Audit Committee), Mr. Au Son Yiu, Mr. Lee Wing Kwan, Denis and Mr. Goh Gen Cheung. The chairman of the Audit Committee has the appropriate professional qualifications and extensive experience in auditing and financial management matters. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual report of the Company for the year ended 30 April 2008.

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

Regular meetings have been held by the Audit Committee since its establishment. The Audit Committee meets at least twice a financial year under its terms of reference. During the year under review, the Audit Committee discharged its duties by reviewing the audit findings, systems of internal control of the Group, internal audit plan and schedule, internal audit reports on the effectiveness of internal control of the Group and the financial reporting matters (including announcements, financial reports and accounts relating to the quarterly, interim and annual results of the Company before submission to the Board for approval, the accounting principles and practices adopted by the Group and compliance), approving the terms of engagement of the Company's external auditor and discussing with the Company's external auditor the nature and scope of the audit.

During the year ended 30 April 2008, the Audit Committee held four meetings and the individual attendance of each member is set out below:

Members	**Number of meetings attended/held**
Tang Tin Sek *(Chairman)*	4/4
Au Son Yiu	3/4
Lee Wing Kwan, Denis	4/4
Goh Gen Cheung	4/4

OTHER BOARD COMMITTEE

The Board has established an Accounts Receivable Supervisory Committee on 27 September 2006 with written terms of reference to deal with matters relating to credit control of the Group (including reviewing the effectiveness of credit control systems, making recommendations to the Board and formulating long-term strategy and related policy on credit control of the Group) within the authority as delegated by the Board.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems covering all material controls, including financial, operational and compliance control and risk management functions. The systems are designed to provide reasonable, but not absolute, assurance against misstatement, losses, errors or fraud.

For the purpose of further enhancing the internal control systems, the Company continues to engage an external audit firm to carry out an on-going project to conduct internal independent review and to evaluate all major operations of the Group in order to ensure that:

- proper segregation of duties and controls have been established by the management of the Group and the above controls are functioned as intended;

- procedures have been designed for safeguarding the Group's assets against unauthorised use or disposition;

- all applicable laws, rules and regulations are complied with;

- the internal control functions are properly integrated into the daily operations of the Group;

- adequate insurance coverage have been deployed for mitigating the risk exposure by the Group; and

- control weakness and findings are reported to the Audit Committee regularly.

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

During the year ended 30 April 2008, the Board through the Audit Committee reviewed the effectiveness of the Group's internal control systems quarterly, including the approval of audit planning and procedures as well as the assessment and review of internal audit reports in order to ensure that a sound and adequate control environment have been installed in the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view and are prepared in accordance with statutory requirements and applicable accounting standards with appropriate accounting policies applied on consistent basis, and ensuring the publication of the Group's financial statements in a timely manner.

After reasonable enquiries, the directors of the Company are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the directors have continued to adopt the going concern basis in preparing the financial statements. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance and prospects in financial reporting.

The responsibilities of the Company's external auditor with respect to financial reporting are set out in Independent Auditor's Report on page 38.

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 30 April 2008.

Principal activities and geographical analysis of operations

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

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

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 42.

No interim dividend was declared for the year ended 30 April 2008 (2007: Nil). The board of directors (the "Board") of the Company has resolved to recommend, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK0.50 cent (2007: HK 0.95 cent) per share for the year ended 30 April 2008 payable on 10 October 2008 to shareholders whose names appear on the Company's register of members on 26 September 2008.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 17 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$654,000 (2007: HK$882,000).

Property, plant and equipment

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

Principal properties

Details of the principal properties held for investment purposes are set out on page 98 of this annual report.

Share capital

Details of the movements in the share capital of the Company are set out in note 16 to the financial statements.

Distributable reserves

As at 30 April 2008, the Company's contributed surplus of approximately HK$131,338,000 (2007: HK$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained earnings of approximately HK$28,570,000 (2007: HK$10,378,000) were available for distribution to the equity holders of the Company.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

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

The Company had not redeemed any of its listed shares during the year ended 30 April 2008. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the year ended 30 April 2008.

Share option scheme

On 26 September 2002, a share option scheme (the "Scheme") was adopted by the Company.

The major terms of the Scheme are summarised as follows:

1. The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interest in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

2. The participants include:

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

   (ii) any non-executive directors of the Company or its subsidiary, including independent non-executive directors of the Company.

Report of the Directors

Share option scheme *(continued)*

3. The total number of shares available for issue upon exercise of all options to be granted under the Scheme and other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company as at the date of approval of the Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. The total number of shares available for issue under the Scheme as at 15 August 2008, the date of this annual report, was 69,302,881, representing approximately 9.67% of the issued share capital of the Company.

4. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including exercised, cancelled and outstanding options) in any twelve-month period up to the date of grant must not exceed 1% of the Company's shares in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in general meeting of the Company in advance.

   Any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant, in aggregate exceed 0.1% of the shares of the Company in issue and with an aggregate value in excess of HK$5 million (based on the closing price of the Company's shares at the date of each grant), is subject to the prior approval by the shareholders of the Company in general meeting.

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

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

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

Share option scheme *(continued)*

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

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

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

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

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

During the year ended 30 April 2008, no option was granted under the Scheme (2007: Nil).

Directors

The directors who held office during the year and up to the date of this report were:

Executive directors

Mr. Lam Wai Chun	*(Chairman)*
Ms. Tang Fung Kwan	*(Deputy Chairman and Managing Director)*
Ms. Li Hong	
Mr. Chua You Sing	*(Retired on 27 September 2007)*

Independent non-executive directors

Dr. Tang Tin Sek
Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis
Mr. Goh Gen Cheung
Professor Zhu Yuhe

Pursuant to Bye-law 87 of the Company's Bye-laws, Mr. Lam Wai Chun, Ms. Tang Fung Kwan and Mr. Goh Gen Cheung shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Report of the Directors

Directors *(continued)*

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to rule 3.13 of Chapter 3 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company still considers such directors to be independent.

Directors' service contracts

Mr. Lam Wai Chun entered into a service agreement with the Company on 27 September 1999 for an initial period of three years commencing on 1 October 1999 and thereafter until terminated by either party giving to the other not less than six months' notice in writing terminating on or after the expiry of the initial term of three years. This service agreement is exempt from the shareholders' approval requirement pursuant to rule 13.69 of the Listing Rules.

Ms. Tang Fung Kwan entered into a service agreement with the Company on 28 April 2008 for a term of three years, commencing on 1 May 2008 until terminated within its term by either party giving to the other a prior notice of three months (or a shorter period as the parties may agree in writing from time to time) in writing, but in any event not exceeding its term.

Ms. Li Hong entered into a service agreement with the Company on 28 April 2008 for a term of 14 months, commencing on 1 May 2008 until terminated by either party giving to the other a prior notice of three months (or a shorter period as the parties may agree in writing from time to time) in writing before its expiration. On 28 April 2008, Ms. Li Hong also entered into an employment contract, which was amended by the supplemental agreement to employment contract dated 28 April 2008, with Xiamen Coils Electronic Co., Ltd., an indirect wholly-owned subsidiary of the Company, for a term commencing from 1 May 2008 to 31 March 2011 regarding her employment as general manager until terminated by either party giving to the other a 30 days' prior written notice before its expiration.

Save as disclosed above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' interests in contracts of significance

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Interests of directors and chief executive in securities

As at 30 April 2008, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Shares of the Company

	Number of shares of HK$0.10 each				
Name of director	**Personal interests** *(Note 2)*	**Corporate interests**	**Trusts interests**	**Total interests**	**Percentage of issued share capital**
Mr. Lam Wai Chun	27,823,188	435,555,660 *(Note 3)*	435,555,660 *(Note 3)*	463,378,848 *(Note 3)*	64.66%
Ms. Tang Fung Kwan	3,502,611	–	–	3,502,611	0.49%
Ms. Li Hong	548,000	–	–	548,000	0.08%
Mr. Au Son Yiu	5,617,440	–	–	5,617,440	0.78%
Dr. Tang Tin Sek	3,714,000	–	–	3,714,000	0.52%

Notes:

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

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

3. The 435,555,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust (the "Trust"). By virtue of his being a founder of the Trust, Mr. Lam Wai Chun was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The 435,555,660 shares in the corporate interests and trusts interests related to the same block of shares in the Company and duplicated each other. Accordingly, Mr. Lam Wai Chun's total interests of 463,378,848 shares in the Company was arrived at after eliminating the duplications.

Report of the Directors

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

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

Coils Electronic Co., Limited

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

Notes:

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

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

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

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

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

Save as disclosed above, as at 30 April 2008, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code.

Save as disclosed above, as at 30 April 2008, neither the directors or chief executive of the Company nor their spouses or children under the age of 18 had been granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

Directors' rights to acquire shares or debentures

Other than the Scheme, at no time during the year ended 30 April 2008 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of shareholders discloseable under the SFO

As at 30 April 2008, according to the register kept by the Company under Section 336 of the SFO, the following persons, other than the directors or chief executive of the Company, had an interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shares of the Company

Substantial shareholders (as defined in the Listing Rules)

	Number of shares held				Percentage of
Name	**Family interests**	**Corporate interests**	**Trusts interests**	**Beneficial owner**	**issued share capital**
Ms. Law Ching Yee	463,378,848 *(Note 2)*	–	–	–	64.66%
Ka Yan China Development (Holding) Company Limited	–	–	–	435,555,660 *(Notes 2 and 3)*	60.78%
Ka Yan China Investments Limited	–	431,555,660 *(Notes 2 and 3)*	–	–	60.22%
HSBC International Trustee Limited	–	–	431,555,660 *(Notes 2 and 3)*	–	60.22%

Report of the Directors

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

Shares of the Company *(continued)*

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

	Number of shares held				Percentage of
Name	Family interests	Corporate interests	Trusts interests	Beneficial owner	issued share capital
Toko, Inc.	–	–	–	36,785,402	5.13%*

Notes:

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

2. The 435,555,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust. By virtue of Mr. Lam Wai Chun being a founder of the Trust, Ms. Law Ching Yee was deemed to be interested in all the shares held by her spouse, Mr. Lam Wai Chun, for the purpose of the SFO.

3. The interests of Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited were in respect of the same 431,555,660 shares and duplicated each other. Such shares formed part of the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 30 April 2008, the actual duplicate interest held by Ka Yan China Investments Limited and HSBC International Trustee Limited in the Company was 435,555,660 shares which were also the same shares held by Ka Yan China Development (Holding) Company Limited as referred to in Note 2 above.

* The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 April 2008 (i.e. 716,610,798 shares).

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 30 April 2008.

Management contracts

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

Major suppliers and customers

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

Purchases	
– the largest supplier	9%
– five largest suppliers combined	33%
Sales	
– the largest customer	31%
– five largest customers combined	56%

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) has an interest in any of the Group's five largest suppliers or customers.

Disclosure pursuant to rule 13.21 of the Listing Rules

In accordance with the disclosure requirements of rule 13.21 of the Listing Rules, the Company makes the following disclosures in relation to the details of the 2005 Agreement (as defined below) and the 2007 Agreement (as defined below), all of which include a condition relating to specific performance of the controlling shareholder of the Company:

(a) On 27 April 2005, the Company (as borrower) entered into a 3-year transferable term loan and revolving credit facility agreement (the "2005 Agreement") for an aggregate amount of HK$243,000,000 (the "2005 Facility") with Coils Electronic Co., Limited ("Coils") and CEC-Coils Singapore Pte Ltd., being two indirect wholly-owned subsidiaries of the Company (collectively, as original guarantors), and a group of banks. The 2005 Facility consists of (1) a term loan for an aggregate amount of HK$194,400,000 and (2) a revolving credit facility for an aggregate amount of HK$48,600,000.

(b) On 17 September 2007, the Company (as borrower), Coils (as original guarantor) and a group of banks entered into a 3-year transferable term loan facility agreement (the "2007 Agreement") for an aggregate amount of HK$300,000,000 (the "2007 Facility").

Under the provisions of the 2005 Agreement and the 2007 Agreement, it would be an event of default, inter alia, if Mr. Lam Wai Chun, the Chairman of the Company and a controlling shareholder of the Company, ceases to be the Chairman of the Company or ceases to be involved actively in the management and business of the Group.

Report of the Directors

Disclosure pursuant to rule 13.21 of the Listing Rules *(continued)*

For the 2005 Agreement, if the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2005 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2005 Facility, together with accrued interest, and all other amounts accrued or outstanding under all finance documents (including the 2005 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2005 Facility shall immediately become payable on demand. All the outstanding indebtedness under the 2005 Agreement had been prepaid in October 2007.

For the 2007 Agreement, if the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2007 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2007 Facility, together with accrued interest, and all other amounts accrued or outstanding under all finance documents (including the 2007 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2007 Facility shall immediately become payable on demand. As at 30 April 2008, the aggregate carrying value of the outstanding loan under the 2007 Agreement was approximately HK$247,611,000.

Connected transaction

On 13 August 2007, Coils entered into an units issuance agreement (the "Units Issuance Agreement") with Westrom, L.L.C. ("Westrom") and CEC-COILS America, L.L.C. ("CEC-COILS America"), pursuant to which Coils agreed to purchase an additional 305 units of CEC-COILS America at a price of US$322.69 per unit for a total additional contribution of US$98,420.45 (equivalent to approximately HK$767,679.51) on the terms of the Units Issuance Agreement (the "Units Issuance"). Upon completion of the Units Issuance Agreement, Coils increased its beneficial interest in all outstanding units of CEC-COILS America from 70% to 90.1%, whilst Westrom's beneficial interest in all outstanding units of CEC-COILS America was diluted from 30% to 9.9% due to its waiver of right to make any proportional purchase of units of CEC-COILS America. The additional contribution of the Units Issuance Agreement was utilised to finance the operation of CEC-COILS America.

As CEC-COILS America was then a connected person of the Company as being the associate of Westrom, the then substantial shareholder of CEC-COILS America, the Units Issuance Agreement constituted a connected transaction for the Company under the Listing Rules. The Units Issuance Agreement was only subject to the reporting and announcement requirements under the Listing Rules when the Units Issuance is aggregated with the additional contribution of US$93,705.50 (equivalent to approximately HK$730,902.90) for the first purchase of additional 50 units of CEC-COILS America at US$1,874.11 per unit made on 27 April 2007 by Coils. Announcement of this connected transaction was made by the Company in accordance with the requirements of Chapter 14A of the Listing Rules.

Save as disclosed above, the details of significant related party transactions entered into by the Group are set out in note 34 to the financial statements which did not constitute a discloseable connected transaction under the Listing Rules.

Report of the Directors

Public Float

As at 15 August 2008, the latest practicable date, based on information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained the prescribed amount of public float as required under the Listing Rules during the year ended 30 April 2008 and up to the date of this report.

Five year financial summary

A summary of the Group's financial information for the last five financial years is set out on page 5 of this annual report.

Auditor

The financial statements of the Company have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board
LAM WAI CHUN
Chairman

Hong Kong, 15 August 2008

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CEC INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CEC International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 97, which comprise the consolidated and the company balance sheets as at 30 April 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

PRICEWATERHOUSECOOPERS

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CEC INTERNATIONAL HOLDINGS LIMITED *(continued)*
(Incorporated in Bermuda with limited liability)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 August 2008

Balance Sheets

As at 30 April 2008

		Consolidated		Company	
		2008	2007	**2008**	2007
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS					
Non-current assets					
Leasehold land and land use rights	*6*	**40,154**	31,117	**–**	–
Property, plant and equipment	*7*	**364,474**	355,836	**–**	–
Investment properties	*8*	**26,705**	9,148	**–**	–
Deposit for acquisition of property, plant and equipment		**–**	3,623	**–**	–
Prepayment for construction of building	*9*	**17,843**	–	**–**	–
Investments in subsidiaries	*10(A)*	**–**	–	**286,467**	250,319
Investment in an associate	*11*	**–**	–	**–**	–
Available-for-sale financial assets	*12*	**8,528**	7,895	**–**	–
		457,704	407,619	**286,467**	250,319
Current assets					
Inventories	*13*	**114,396**	79,574	**–**	–
Accounts receivable	*14*	**181,095**	173,801	**–**	–
Prepayments, deposits and other receivables		**8,749**	8,477	**–**	–
Due from subsidiaries	*10(B)*	**–**	–	**230,203**	114,004
Tax recoverable		**61**	21	**23**	–
Pledged bank deposits	*15*	**27,446**	26,509	**–**	–
Bank balances and cash	*15*	**70,316**	31,586	**30**	50
		402,063	319,968	**230,256**	114,054
Total assets		**859,767**	727,587	**516,723**	364,373
EQUITY					
Share capital	*16*	**71,661**	71,661	**71,661**	71,661
Reserves	*17*				
Proposed final dividend		**3,583**	6,808	**3,583**	6,808
Others		**352,371**	295,782	**193,457**	172,040
		427,615	374,251	**268,701**	250,509
Minority interest		**248**	–	**–**	–
Total equity		**427,863**	374,251	**268,701**	250,509

Balance Sheets

As at 30 April 2008

		Consolidated		Company	
		2008	2007	**2008**	2007
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
LIABILITIES					
Non-current liabilities					
Borrowings	19	**154,571**	38,329	**149,119**	–
Deferred income tax	20	**9,250**	10,777	**–**	–
		163,821	49,106	**149,119**	–
Current liabilities					
Borrowings	19	**184,049**	224,972	**98,492**	112,971
Accounts payable	21	**45,655**	47,424	**–**	–
Accruals and other payables		**34,525**	25,204	**411**	875
Taxation payable		**3,854**	6,630	**–**	18
		268,083	304,230	**98,903**	113,864
Total liabilities		**431,904**	353,336	**248,022**	113,864
Total equity and liabilities		**859,767**	727,587	**516,723**	364,373
Net current assets		**133,980**	15,738	**131,353**	190
Total assets less current liabilities		**591,684**	423,357	**417,820**	250,509

LAM WAI CHUN
Director

TANG FUNG KWAN
Director

The notes on pages 46 to 97 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 30 April 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	5	**788,727**	700,279
Cost of sales	24	**(646,387)**	(564,459)
Gross profit		**142,340**	135,820
Other income	22	**3,489**	1,475
Other gains, net	23	**14,859**	1,645
Selling and distribution expenses	24	**(15,902)**	(14,364)
General and administrative expenses	24	**(95,667)**	(77,960)
Operating profit		**49,119**	46,616
Finance costs	26	**(20,453)**	(19,248)
Profit before taxation		**28,666**	27,368
Taxation	27	**(5,417)**	(4,455)
Profit for the year		**23,249**	22,913
Attributable to:			
– equity holders of the Company	28	**23,601**	23,810
– minority interest		**(352)**	(897)
		23,249	22,913
Earnings per share, basic and diluted	29	**HK3.29 cents**	HK3.32 cents
Dividend	30	**3,583**	6,808

The notes on pages 46 to 97 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 April 2008

	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained earnings	Total	Minority interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 May 2006	71,661	64,515	204,800	340,976	–	340,976
Change in fair value of available-for-sale financial assets	–	778	–	778	–	778
Currency translation differences	–	15,136	–	15,136	–	15,136
Net income recognised directly in equity	–	15,914	–	15,914	–	15,914
Profit/(loss) for the year	–	–	23,810	23,810	(897)	22,913
Total recognised income for 2007	–	15,914	23,810	39,724	(897)	38,827
Capital contribution by a minority shareholder of a subsidiary	–	–	–	–	897	897
Transfer from retained earnings to other reserves	–	5,497	(5,497)	–	–	–
2005/2006 final dividend	–	–	(6,449)	(6,449)	–	(6,449)
Balance at 30 April 2007	71,661	85,926	216,664	374,251	–	374,251

Consolidated Statement of Changes in Equity

For the year ended 30 April 2008

	Attributable to equity holders of the Company					
	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Minority interest *HK$'000*	Total equity *HK$'000*
Balance at 1 May 2007	71,661	85,926	216,664	374,251	–	374,251
Revaluation of building upon transfer to investment property, net of tax	–	244	–	244	–	244
Change in fair value of available-for-sale financial assets	–	661	–	661	–	661
Currency translation differences	–	35,666	–	35,666	–	35,666
Net income recognised directly in equity	–	36,571	–	36,571	–	36,571
Profit/(loss) for the year	–	–	23,601	23,601	(352)	23,249
Total recognised income for 2008	–	36,571	23,601	60,172	(352)	59,820
Capital contribution by a minority shareholder of a subsidiary	–	–	–	–	600	600
Transfer from retained earnings to other reserves	–	4,451	(4,451)	–	–	–
2006/2007 final dividend	–	–	(6,808)	(6,808)	–	(6,808)
Balance at 30 April 2008	71,661	126,948	229,006	427,615	248	427,863

The notes on pages 46 to 97 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 April 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	31	82,087	77,876
Hong Kong profits tax paid		(4,680)	(5,465)
Overseas tax paid		(5,381)	(4,698)
Net cash generated from operating activities		72,026	67,713
Cash flows from investing activities			
Payment for leasehold land and land use rights		(9,020)	(6,636)
Purchase of property, plant and equipment		(56,936)	(44,514)
Proceeds from disposal of property, plant and equipment		–	93
Purchase of an investment property		(1,111)	–
Proceeds from disposal of investment properties		–	2,500
Deposit for acquisition of property, plant and equipment		–	(3,623)
Prepayment for construction of building		(17,843)	–
Acquisition of additional shares in a subsidiary		–	(300)
Increase in pledged bank deposits		(937)	(1,063)
Interest received		1,620	1,475
Dividend received		22	–
Net cash used in investing activities		(84,205)	(52,068)
Cash flows from financing activities			
Proceeds from borrowings		461,032	321,496
Repayments of borrowings		(387,075)	(326,231)
Capital element of finance lease payments		(380)	(894)
Capital contribution from a minority shareholder of a subsidiary		600	897
Interest paid		(17,761)	(17,790)
Dividend paid		(6,808)	(6,449)
Net cash generated from/(used in) financing activities		49,608	(28,971)
Increase/(decrease) in cash and cash equivalents		37,429	(13,326)
Translation adjustments		1,301	859
Cash and cash equivalents at the beginning of the year		31,586	44,053
Cash and cash equivalents at the end of the year		70,316	31,586

The notes on pages 46 to 97 are an integral part of these financial statements.

Notes to the Financial Statements

1 General information

The Company, CEC International Holdings Limited, and its subsidiaries are collectively referred to as the Group in the consolidated financial statements.

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

The Company is incorporated as an exempted company in Bermuda with limited liability. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1999. Its immediate holding company and ultimate holding company are Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, respectively, both incorporated in the British Virgin Islands.

These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 15 August 2008.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) *Standard, amendment and interpretations to existing standard effective for the current year*

The following standard, amendment and interpretations to existing standards are mandatory for the financial year ended 30 April 2008:

HKAS 1 Amendment	Presentation of financial statements: capital disclosures
HKFRS 7	Financial instruments: disclosures
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	Interim financial reporting and impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions

The above standard, amendment and interpretations to existing standards are not relevant to the Group's operations except that HKFRS 7 and HKAS 1 Amendment introduce new disclosures relating to financial instruments which do not have any impact on the classification and valuation of the Group's financial instruments.

(b) *Standards, amendments and interpretations to existing standards that have been published and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 May 2008 or later periods that the Group has not early adopted:

- HKFRS 2 (Amendment) – Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply it from 1 May 2009.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) *Standards, amendments and interpretations to existing standards that have been published and have not been early adopted by the Group (continued)*

- HKFRS 3 (Revised) – Business Combinations (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply it from 1 May 2010.

- HKFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009). The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply it from 1 May 2009.

- HKAS 1 (Revised) – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply it from 1 May 2009.

- HKAS 23 (Revised) – Borrowing Costs (effective for annual periods beginning on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply it from 1 May 2009.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) *Standards, amendments and interpretations to existing standards that have been published and have not been early adopted by the Group (continued)*

- HKAS 27 (Revised) – Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply it from 1 May 2010.

- HKAS 32 and HKAS 1 Amendments – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply them from 1 May 2009.

- HK(IFRIC)-Int 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). It applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. This is not relevant to the Group's operations.

- HK(IFRIC)-Int 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). It clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This is not relevant to the Group's operations.

- HK(IFRIC)-Int 14 – HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008). It provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This is not relevant to the Group's operations.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) *Standards, amendments and interpretations to existing standards that have been published and have not been early adopted by the Group (continued)*

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether these new standards, amendments and interpretations to existing standards would have a significant impact on its results of operations and financial positions.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 April.

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

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

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(b) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing goods or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale are included in the investment valuation reserve in equity.

(c) *Group companies*

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

(c) *Group companies (continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives. 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2.8)*.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.6 Investment properties

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

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

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

2.7 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.8 Impairment of investments in subsidiaries, associates and non-financial assets

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

2 Summary of significant accounting policies *(continued)*

2.9 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as accounts receivable and other receivables and cash and cash equivalents in the balance sheet *(Notes 2.11 and 2.12)*.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.9 Financial assets *(continued)*

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of accounts and other receivables is described in Note 2.11.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Accounts and other receivables

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. When accounts and other receivables are uncollectible, they are written off against the allowance account for accounts and other receivables.

2.12 Cash and cash equivalents

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

2 Summary of significant accounting policies *(continued)*

2.13 Share capital

Ordinary shares are classified as equity.

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

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Current and deferred taxation

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

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

2.16 Accounts and other payables

Accounts and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies *(continued)*

2.17 Employee benefits

(a) *Employee leave entitlements*

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

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

(b) *Pension obligations*

The Group participated in a number of defined contribution plans, the assets of which are generally held in separate trustee – administered funds.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 Summary of significant accounting policies *(continued)*

2.18 Tax incentives for reinvestment

Tax incentives from the government for reinvestment in subsidiaries in Mainland China are recognised at their fair value where there is a reasonable assurance that the incentives will be received.

2.19 Revenue recognition

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

(a) Sale of goods – income from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers.

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

(c) Service income – service income is recognised in the accounting periods in which the services are rendered.

(d) Interest income – interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

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

2 Summary of significant accounting policies *(continued)*

2.20 Leases

(a) Operating lease

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

(b) Finance lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.21 Dividend distribution

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

2.22 Financial guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) *Foreign exchange risk*

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

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

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

The conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Chinese Government.

(b) *Credit risk*

The Group has policies in place to ensure that sales of goods are made to customers with an appropriate credit history. The carrying amount of the accounts receivable, prepayments, deposits and other receivables and bank balances included in the consolidated balance sheets represents the Group's maximum exposure to credit risk in relation to its financial assets.

For the year ended 30 April 2008, the Group's sales to top 5 customers accounted for approximately 56% (2007: 56%) of the total revenue. The Group aims to maintain long-term relationship with reputable customers in the expansion of its business.

As at 30 April 2008, there is no significant credit risk as counterparties for available-for-sale financial assets, pledged bank deposits and bank balances are limited to financial institutions with high credit ratings.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

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

Group

	2008	2007
	HK$'000	*HK$'000*
Less than 1 year:		
– Accounts payable	**45,655**	47,424
– Other payables and accruals	**34,525**	25,204
– Borrowings	**184,049**	224,972
	264,229	297,600
Between 1 and 5 years:		
– Borrowings	**154,571**	38,329

(d) *Cash flow interest rate risk*

Except as disclosed below, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from pledged bank deposits, bank balances and borrowings. The Group regularly seeks out the most favourable interest rates available for its bank deposits, bank balances and borrowings. Bank deposits, bank balances and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Information relating to the interest rates and terms of the Group's pledged bank deposits, bank balances and borrowings are disclosed in Notes 15 and 19. As at 30 April 2008, if the market interest rates had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$545,000 (2007: HK$252,000) lower/higher, mainly as a result of higher/lower interest income on pledged bank deposits, bank balances and cash net off with higher/lower interest expense on floating rate borrowings.

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

3 Financial risk management *(continued)*

3.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less bank balances and cash. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt. The gearing ratios at 30 April 2008 and 30 April 2007 were as follows:

	2008	2007
	HK$'000	*HK$'000*
Total borrowings *(Note 19)*	**338,620**	263,301
Less: Bank balances and cash *(Note 15)*	**(70,316)**	(31,586)
Net debt	**268,304**	231,715
Total equity	**427,863**	374,251
Total capital	**696,167**	605,966
Gearing ratio	**39%**	38%

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale financial assets) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of accounts receivable and payable is a reasonable approximation of its fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of property, plant and equipment, leasehold land and land use rights

Property, plant and equipment, leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment, and leasehold land and land use rights have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculations and valuations require the use of judgements and estimates.

(b) Fair value of investment properties

The best evidence of fair value of properties is normally the current prices in an active market for comparable properties. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences, by reference to independent valuations; and

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4 Critical accounting estimates and judgements *(continued)*

(c) Provision for current taxation and deferred taxation

The Group is subject to taxation in several jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

(d) Write-downs of inventories to net realisable value

Net realisable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at each balance sheet date.

(e) Impairment of accounts and other receivables

The Group's management determines the provision for impairment of accounts and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgments and estimates. Management reassesses the provision at each balance sheet date.

5 Segment information

(a) Primary segments

The Group is organised into two major operating units: (i) Electronic components manufacturing and (ii) Others (comprise rental income and service income from provision of information technology services). An analysis by business segment is as follows:

	Electronic components manufacturing		Others		Eliminations		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover								
External sales	**787,634**	699,038	**1,093**	1,241	**–**	–	**788,727**	700,279
Inter-segment sales	**–**	–	**3,000**	2,975	**(3,000)**	(2,975)	**–**	–
	787,634	699,038	**4,093**	4,216	**(3,000)**	(2,975)	**788,727**	700,279
Operating results								
Operating profit	**33,969**	43,739	**15,150**	2,877	**–**	–	**49,119**	46,616
Finance costs	**(20,091)**	(18,689)	**(362)**	(559)	**–**	–	**(20,453)**	(19,248)
Profit before taxation							**28,666**	27,368
Taxation							**(5,417)**	(4,455)
Profit for the year							**23,249**	22,913
Other information:								
Segment assets	**830,902**	716,216	**28,804**	11,350	**–**	–	**859,706**	727,566
Unallocated assets							**61**	21
Total assets							**859,767**	727,587
Segment liabilities	**418,409**	335,422	**391**	507	**–**	–	**418,800**	335,929
Unallocated liabilities							**13,104**	17,407
Total liabilities							**431,904**	353,336
Capital expenditures	**69,517**	49,797	**1,173**	–	**–**	–	**70,690**	49,797
Prepayment for construction of building	**17,843**	–	**–**	–	**–**	–	**17,843**	–
Depreciation	**71,938**	67,399	**47**	40	**–**	–	**71,985**	67,439
Amortisation	**860**	595	**–**	–	**–**	–	**860**	595

5 Segment information *(continued)*

(b) Secondary segments

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

	Turnover		Total assets		Capital expenditures		Prepayment for construction of building	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**208,452**	218,240	**188,703**	123,617	**23,166**	13,522	**–**	–
Mainland China	**410,389**	331,799	**629,009**	544,549	**47,064**	35,525	**17,843**	–
Other Asian countries	**113,844**	104,825	**32,392**	47,614	**460**	715	**–**	–
Europe and America	**56,042**	45,415	**9,663**	11,807	**–**	35	**–**	–
Total	**788,727**	700,279	**859,767**	727,587	**70,690**	49,797	**17,843**	–

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, investment properties, deposits for acquisition of property, plant and equipment, prepayment for construction of building, available-for-sale financial assets, inventories, receivables, pledged bank deposits, and bank balances and cash. Taxation is included as unallocated and excluded from segment assets.

Segment liabilities comprise mainly operating liabilities. They exclude deferred income tax and taxation payable.

Capital expenditures comprise additions to leasehold land and land use rights, property, plant and equipment and investment properties.

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

(c) Analysis of turnover by category

	2008	2007
	HK$'000	*HK$'000*
Sales of goods	**787,634**	699,038
Rental income	**880**	972
Service income from provision of information technology services	**213**	269
	788,727	700,279

Notes to the Financial Statements

6 Leasehold land and land use rights

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

	2008	2007
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of between 10 to 50 years	**19,418**	11,990
In Mainland China, held on:		
Leases of between 10 to 50 years	**19,243**	18,276
Leases of over 50 years	**1,493**	851
	40,154	31,117

Leasehold land and land use rights with aggregate carrying amount of approximately HK$2,201,000 as at 30 April 2008 (2007: HK$2,259,000) were pledged to secure certain of the Group's borrowings *(Note 33)*.

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

	2008	2007
	HK$'000	*HK$'000*
At the beginning of the year	**31,117**	23,865
Exchange differences	**1,447**	630
Additions	**9,020**	6,636
Transfer (to)/from investment property	**(570)**	581
Amortisation	**(860)**	(595)
At the end of the year	**40,154**	31,117

7 Property, plant and equipment

Group

	Buildings	Construction in progress	Machinery	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 April 2007						
Opening net book amount	40,206	12,403	301,662	12,503	3,907	370,681
Exchange differences	1,327	318	6,764	645	86	9,140
Additions	7,697	7,737	18,496	8,983	248	43,161
Disposals	(18)	(5)	(213)	(51)	–	(287)
Transfer	18,148	(18,915)	1,158	186	3	580
Depreciation	(1,504)	–	(61,032)	(3,692)	(1,211)	(67,439)
Closing net book amount	65,856	1,538	266,835	18,574	3,033	355,836
At 30 April 2007						
Cost	75,955	1,538	672,227	73,910	9,324	832,954
Accumulated depreciation	(10,099)	–	(405,392)	(55,336)	(6,291)	(477,118)
Net book amount	65,856	1,538	266,835	18,574	3,033	355,836
Year ended 30 April 2008						
Opening net book amount	65,856	1,538	266,835	18,574	3,033	355,836
Exchange differences	4,492	518	13,868	1,711	200	20,789
Additions	17,750	7,556	22,554	11,063	1,636	60,559
Disposals	–	–	(118)	(36)	–	(154)
Revaluation *(Note 17)*	292	–	–	–	–	292
Transfer	(1,593)	(271)	–	1,001	–	(863)
Depreciation	(2,125)	–	(62,385)	(6,344)	(1,131)	(71,985)
Closing net book amount	84,672	9,341	240,754	25,969	3,738	364,474
At 30 April 2008						
Cost	97,204	9,341	716,660	88,520	11,405	923,130
Accumulated depreciation	(12,532)	–	(475,906)	(62,551)	(7,667)	(558,656)
Net book amount	84,672	9,341	240,754	25,969	3,738	364,474

Notes to the Financial Statements

7 Property, plant and equipment *(continued)*

Depreciation expense of approximately HK$69,619,000 (2007: HK$65,264,000) has been expensed in cost of sales and HK$2,366,000 (2007: HK$2,175,000) in general and administrative expenses.

Buildings with an aggregate carrying amount of approximately HK$1,954,000 as at 30 April 2008 (2007: HK$2,032,000) were pledged against certain of the Group's borrowings *(Note 33)*.

The value of motor vehicles which were held under finance leases are as follows:

	2008	2007
	HK$'000	*HK$'000*
Cost – capitalised finance leases	**1,243**	2,245
Accumulated depreciation	**(1,179)**	(1,789)
Net book value	**64**	456

8 Investment properties

Group

	2008	2007
	HK$'000	*HK$'000*
At the beginning of the year	**9,148**	10,970
Additions	**1,111**	–
Disposals	**–**	(1,645)
Fair value gains *(Note 23)*	**15,013**	984
Transfer	**1,433**	(1,161)
At the end of the year	**26,705**	9,148

The investment properties were revalued on an open market basis at 30 April 2008 by an independent professional qualified valuer, Castores Magi (Hong Kong) Limited.

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

	2008	2007
	HK$'000	*HK$'000*
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**26,705**	9,148

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

9 Prepayment for construction of building

The Group's payment of HK$17,843,000 was made to a contractor for construction of a factory building. Pursuant to the terms as stipulated in the contract, the payment will be refundable in full by the contractor if the quality of the building is unable to meet the relevant inspection standard.

10 Investments in and balance with subsidiaries

Company

(A) Investments in subsidiaries

	2008	2007
	HK$'000	*HK$'000*
Unlisted investments, at cost	**137,348**	137,348
Due from a subsidiary	**149,119**	112,971
	286,467	250,319

Amount due from a subsidiary is unsecured, interest bearing at commercial bank's lending rate and is not repayable within 12 months from the balance date.

The following is a list of the subsidiaries of the Company as at 30 April 2008:

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (a)
CEC-COILS America, L.L.C.	United States of America	Sales and marketing of coils and other electronic components	US$830,504	90.1%
CEC-Coils Hong Kong Co.,Limited	Hong Kong	Dormant	Ordinary HK$2 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	Lease of machinery	Ordinary HK$1,000,000	100%
北京高雅恒健科技有限公司 (CEC-Technology Beijing Limited) (c)	Mainland China	Marketing of coils and other electronic components	Registered capital US$750,000	100%

Notes to the Financial Statements

10 Investments in and balance with subsidiaries *(continued)*

(A) Investments in subsidiaries *(continued)*

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (a)
CEC-Technology Limited	Hong Kong	Investment holding	Ordinary HK$10,000	100%
CEC-Unitech Electronics Limited	Hong Kong	Dormant	Ordinary HK$10,000	100%
重慶高雅科技有限公司 (Chongqing CEC-Technology Limited) (c)	Mainland China	Provision of information technology services and manufacture and sale of coils and electronic components	Registered capital HK$2,900,000	100%
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$18,850,000 (d)	100%
Coils International Holdings Limited (a)	British Virgin Islands	Investment holding	Ordinary US$10,000	100%
Coils Investment (BVI) Limited	British Virgin Islands	Investment holding	Ordinary US$1	100%
Coils Property Management Limited	Hong Kong	Property investment holding	Ordinary HK$200,000	100%
Dongguan Coils Electronic Co. Ltd.(c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US$700,000	100%

10 Investments in and balance with subsidiaries *(continued)*

(A) Investments in subsidiaries *(continued)*

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (a)
Dongguan Guo Zhong Coils Electronic Co. Ltd (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US$1,000,000 (d)	100%
Gaozhou Coils Electronic Co. Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US$500,000	100%
Good Signal Holdings Limited	British Virgin Islands	Investment holding	Ordinary US$100	100%
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%
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%
Sun-iOMS Technology Holdings Limited	British Virgin Islands	Investment holding	Ordinary HK$500,000	100%
Sun-iOMS Development Limited	British Virgin Islands	Dormant	Ordinary US$1	100%
Sun-iOMS (Hong Kong) Limited	Hong Kong	Provision of information technology services	Ordinary HK$2	100%

10 Investments in and balance with subsidiaries *(continued)*

(A) Investments in subsidiaries *(continued)*

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (a)
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$9,567,620	100%
Zhongshan Coils Metalwork Co., Ltd. (c)	Mainland China	Manufacture of coils	Registered capital US$755,000	100%

The underlying value of the investments in subsidiaries is, in the opinion of the Company's directors and the Group's management, not less than the carrying value as at 30 April 2008.

As at 30 April 2008, the Company had given guarantees to banks and financial institutions of approximately HK$110,294,000 (2007: HK$154,942,000) to secure banking and finance lease facilities of certain subsidiaries.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30 April 2008 (2007: Nil).

Notes:

(a) The shares in Coils International Holdings Limited are held directly by the Company. The shares in other subsidiaries are held indirectly by the Company.

(b) The non-voting deferred shares 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.

10 Investments in and balance with subsidiaries *(continued)*

(A) Investments in subsidiaries *(continued)*

Notes: (continued)

(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., 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 2019, December 2012 and February 2016, respectively.

Tonichi Ferrite Co., Ltd., is a wholly foreign owned enterprise established in Mainland China to be operated for 25 years up to September 2018.

Kunshan CEC-Ferrite Manufacturing Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 50 years up to August 2052.

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.

Dongguan Guo Zhong Coils Electronic Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 12 years up to August 2018.

北京高雅恒健科技有限公司 (CEC-Technology Beijing Limited) is a wholly foreign owned enterprise established in Mainland China to be operated for 10 years up to October 2016.

All subsidiaries established in Mainland China have financial accounting year-end date on 31 December in accordance with the local statutory requirements, which is not coterminous with the Group. The accompanying consolidated financial statements of the Group were prepared based on the individual financial statements of these subsidiaries for the twelve months ended 30 April 2008.

(d) Coils Electronic (Zhong Shan) Co., Ltd. and Dongguan Guo Zhong Coils Electronic Co., Ltd. were established with registered capital of US$18,850,000 and US$1,000,000, respectively. As at 30 April 2008, the Group had outstanding commitments of approximately US$1,800,000 and US$250,000 for capital contribution to these subsidiaries.

(B) Balances with subsidiaries

Balances with subsidiaries are unsecured, non-interest bearing and repayable on demand.

Notes to the Financial Statements

11 Investment in an associate

The investment in the associate was fully impaired. No share of losses in the associate was recognised for the year (2007: nil) as the associate was dormant during the year.

Details of the associate are as follows:

Name	Place of incorporation and operation	Principal activity	Particulars of issued share capital	Interest held Indirectly
Signking Science Ltd.	British Virgin Islands	Dormant	Ordinary US$10,000	50%

12 Available-for-sale financial assets

	Group	
	2008	2007
	HK$'000	*HK$'000*
Guaranteed return fund	**7,851**	7,364
Equity securities:		
– listed in Hong Kong, at market value	**677**	531
	8,528	7,895

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
United States dollar	**7,851**	7,364
Hong Kong dollar	**677**	531
	8,528	7,895

Increase in fair values of available-for-sale financial assets of approximately HK$661,000 (2007: HK$778,000) are recorded in investment revaluation reserve.

There was no disposal or impairment provision on available-for-sale financial assets at both year ends.

The Group's guaranteed return fund was pledged as collateral for the Group's borrowings *(Note 33)*.

13 Inventories

	Group 2008 HK$'000	Group 2007 HK$'000
Raw materials	**72,693**	53,045
Work-in-progress	**23,398**	9,969
Finished goods	**18,305**	16,560
	114,396	79,574

14 Accounts receivable

The aging analysis of accounts receivable is as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
Current	**168,308**	158,243
Overdue by 0 – 1 month	**9,640**	11,506
Overdue by 1 – 2 months	**1,385**	1,979
Overdue by 2 – 3 months	**1,762**	2,004
Overdue by more than 3 months	**2,099**	1,386
	183,194	175,118
Less: provision for impairment of accounts receivable	**(2,099)**	(1,317)
	181,095	173,801

As at 30 April 2008 and 30 April 2007, the carrying amount of accounts receivable approximated its fair value.

Management of the Group and an Accounts Receivable Supervisory Committee set up by the Company perform on-going credit and collectability evaluation of each customer. The Group offers an average credit period ranging from one to four months to its customers who have good payment records and well-established relationships with the Group.

14 Accounts receivable *(continued)*

As at 30 April 2008, accounts receivable of HK$12,787,000 (2007: HK$15,558,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aging analysis of these accounts receivable is as follows:

	2008	2007
	HK$'000	*HK$'000*
Overdue by 0 – 1 month	**9,640**	11,506
Overdue by 1 – 2 months	**1,385**	1,979
Overdue by 2 – 3 months	**1,762**	2,004
Overdue by more than 3 months	**–**	69
	12,787	15,558

As at 30 April 2008, accounts receivable of HK$2,099,000 (2007: HK$1,317,000) were impaired. The amount of the provision was HK$2,099,000 at 30 April 2008 (2007: HK$1,317,000). The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations. The aging of these accounts receivable is as follows:

	2008	2007
	HK$'000	*HK$'000*
Overdue by more than 3 months	**2,099**	1,317

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

	2008	2007
	HK$'000	*HK$'000*
At the beginning of the year	**1,317**	7,212
Additional/(reversal of) provision	**777**	(5,019)
Write-off of provision	**–**	(884)
Exchange differences	**5**	8
At the end of the year	**2,099**	1,317

The creation and release of provision for impaired receivables have been included in "general and administrative expenses" in the consolidated income statement *(Note 24)*.

14 Accounts receivable *(continued)*

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

	2008	2007
	HK$'000	*HK$'000*
Hong Kong dollar	**59,022**	64,730
Renminbi	**64,576**	56,100
United States dollar	**54,634**	50,882
Other currencies	**2,863**	2,089
	181,095	173,801

15 Pledged bank deposits and bank balances and cash

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash	**70,316**	31,586	**30**	50
Pledged bank deposits	**27,446**	26,509	**–**	–
	97,762	58,095	**30**	50

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

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**48,967**	15,804	**30**	50
Renminbi *(note b)*	**20,071**	13,064	**–**	–
United States dollar	**27,205**	27,857	**–**	–
Other currencies	**1,519**	1,370	**–**	–
	97,762	58,095	**30**	50

Notes to the Financial Statements

15 Pledged bank deposits and bank balances and cash *(continued)*

Notes:

(a) The effective interest rate on bank fixed deposits was approximately 1.47% (2007: 3.89%) per annum. These deposits have an average maturity of 59 (2007: 75) days.

(b) As at 30 April 2008, approximately HK$19,302,000 (2007: HK$12,391,000) 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.

(c) As at 30 April 2008, certain of the Group's bank deposits of approximately HK$27,446,000 (2007: HK$26,509,000) were pledged as collateral for the Group's borrowings *(Note 33)*.

16 Share capital

	Number of shares	**2008** *HK$'000*	2007 *HK$'000*
Authorised:			
Shares of HK$0.10 each	1,000,000,000	**100,000**	100,000
Issued and fully paid:			
Shares of HK$0.10 each	716,610,798	**71,661**	71,661

17 Reserves

Group

	Share premium	Capital reserve	Investment revaluation reserve	Property revaluation reserve	Mainland China statutory reserve *(note a)*	Corporate development reserve *(note b)*	Exchange reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2006	37,132	13,934	(1,937)	–	6,667	–	8,719	204,800	269,315
Currency translation differences	–	–	–	–	–	–	15,136	–	15,136
Change in fair value of available-for-sale financial assets	–	–	778	–	–	–	–	–	778
Transfer from retained earnings to other reserves	–	–	–	–	3,690	1,807	–	(5,497)	–
Profit for the year	–	–	–	–	–	–	–	23,810	23,810
2005/2006 final dividend	–	–	–	–	–	–	–	(6,449)	(6,449)
At 30 April 2007	37,132	13,934	(1,159)	–	10,357	1,807	23,855	216,664	302,590
At 1 May 2007	37,132	13,934	(1,159)	–	10,357	1,807	23,855	216,664	302,590
Revaluation of building upon transfer to investment property									
– gross	–	–	–	292	–	–	–	–	292
– tax	–	–	–	(48)	–	–	–	–	(48)
Currency translation differences	–	–	–	–	–	–	35,666	–	35,666
Change in fair value of available-for-sale financial assets	–	–	661	–	–	–	–	–	661
Transfer from retained earnings to other reserves	–	–	–	–	3,302	1,149	–	(4,451)	–
Profit for the year	–	–	–	–	–	–	–	23,601	23,601
2006/2007 final dividend	–	–	–	–	–	–	–	(6,808)	(6,808)
At 30 April 2008	37,132	13,934	(498)	244	13,659	2,956	59,521	229,006	355,954

Notes:

(a) In accordance with the laws and regulations of Mainland China, the Group's subsidiaries in Mainland China are required to set aside certain portion of their retained earnings to a statutory reserve account. The reserve can only be used to make up losses incurred or increase registered capital.

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

17 Reserves *(continued)*

Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 May 2006	37,132	131,338	11,845	180,315
Profit for the year	–	–	4,982	4,982
2005/2006 final dividend	–	–	(6,449)	(6,449)
At 30 April 2007	37,132	131,338	10,378	178,848
At 1 May 2007	37,132	131,338	10,378	178,848
Profit for the year	–	–	25,000	25,000
2006/2007 final dividend	–	–	(6,808)	(6,808)
At 30 April 2008	37,132	131,338	28,570	197,040

Note:

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders subject to the condition that subsequent to the payment of dividend or any distribution, (i) the Company will be able to pay its liabilities as they become due, and (ii) the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium.

Notes to the Financial Statements

19 Borrowings *(continued)*

The maturity of the Group's borrowings is as follows:

	Bank borrowings		Finance lease liabilities	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**183,829**	224,592	**220**	380
Between one and two years	**103,753**	20,682	**–**	220
Between two and five years	**50,818**	17,427	**–**	–
	338,400	262,701	**220**	600

The maturity of the Company's borrowings is as follows:

	Bank borrowings	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**98,492**	112,971
Between one and two years	**99,228**	–
Between two and five years	**49,891**	–
	247,611	112,971

	Group	
	2008	2007
	HK$'000	*HK$'000*
Finance lease liabilities – minimum lease payments:		
Not later than one year	**239**	427
Later than one year and not later than five years	**–**	233
	239	660
Future finance charges on finance leases	**(19)**	(60)
Present value of finance lease liabilities	**220**	600
The present value of finance lease liabilities is as follows:		
Not later than one year	**220**	380
Later than one year and not later than five years	**–**	220
	220	600

19 Borrowings *(continued)*

The ranges of effective interest rates at the balance sheet date were as follows:

	Group				
	2008		2007		
	HK$	**JPY**	HK$	RMB	JPY
	%	**%**	%	%	%
Bank borrowings	**3.20-4.42**	**3.16-3.21**	5.79 – 7.75	6.73	2.95 – 3.00
Finance lease liabilities	**3.92-4.10**	**–**	3.92 – 6.09	–	–

	Company	
	2008	2007
	%	%
Bank borrowings – Hong Kong dollars	**3.52**	6.14

The carrying amounts of borrowings approximate their fair values.

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**333,484**	236,872	**247,611**	112,971
Other currencies	**5,136**	26,429	**–**	–
	338,620	263,301	**247,611**	112,971

As at 30 April 2008, borrowings amounting to approximately HK$51,881,000 (2007: HK$81,678,000) were secured by certain assets of the Group *(Note 33)*.

20 Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using taxation rates enacted or substantively enacted by the balance sheet date in the respective jurisdictions.

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of the year	**10,777**	13,508
Deferred taxation		
– credited to consolidated income statement *(Note 27)*	**(1,575)**	(2,731)
– charged to equity *(Note 17)*	**48**	–
At the end of the year	**9,250**	10,777

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

Group

Deferred tax assets	Provisions		Tax losses		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the year	**258**	1,404	**1,030**	1,198	**1,288**	2,602
Credited/(charged) to income statement	**72**	(1,146)	**(245)**	(168)	**(173)**	(1,314)
End of the year	**330**	258	**785**	1,030	**1,115**	1,288

Deferred tax liabilities	Accelerated depreciation allowances		Investment properties		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the year	**11,487**	15,706	**578**	404	**12,065**	16,110
Charged to equity	**48**	–	**–**	–	**48**	–
(Credited)/charged to income statement	**(4,588)**	(4,219)	**2,840**	174	**(1,748)**	(4,045)
End of the year	**6,947**	11,487	**3,418**	578	**10,365**	12,065

20 Deferred income tax *(continued)*

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

	2008	2007
	HK$'000	*HK$'000*
Deferred tax liabilities	**9,250**	10,777

Deferred tax assets are recognised for tax losses carry-forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK$21,738,000 (2007: HK$14,952,000) to carry forward against future taxable income. These tax losses are subject to approval by the tax authorities of place of operation of the Company and the subsidiaries. Unrecognised tax losses of HK$13,329,000 (2007: HK$11,647,000) have no expiry date, HK$2,123,000 (2007: Nil) will expire on 2027 and the remaining losses will expire at variable dates up to and including 2013.

21 Accounts payable

The aging analysis of accounts payable is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current	**42,541**	45,567
Overdue by 0 – 1 month	**2,662**	902
Overdue by 1 – 2 months	**8**	257
Overdue by 2 – 3 months	**–**	479
Overdue by more than 3 months	**444**	219
	45,655	47,424

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

	2008	2007
	HK$'000	*HK$'000*
Hong Kong dollar	**9,630**	8,575
Renminbi	**32,333**	29,041
United States dollar	**2,582**	5,556
Other currencies	**1,110**	4,252
	45,655	47,424

Notes to the Financial Statements

22 Other income

	2008 HK$'000	2007 HK$'000
Interest income on bank deposits	1,620	1,475
Dividend income	22	–
Tax refund	1,847	–
	3,489	1,475

Tax refund represents incentives received from the Mainland China tax authority for reinvestment in subsidiaries in Mainland China.

23 Other gains, net

	2008 HK$'000	2007 HK$'000
Fair value gains on investment properties	15,013	984
Net gain on disposal of investment property	–	855
Net loss on disposal of property, plant and equipment	(154)	(194)
	14,859	1,645

24 Expenses by nature

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

	2008 HK$'000	2007 HK$'000
Auditors' remuneration	1,736	1,425
Amortisation of leasehold land and land use rights *(Note 6)*	860	595
Cost of inventories sold	643,001	562,552
Depreciation of property, plant and equipment *(Note 7)*		
– owned assets	71,643	66,816
– assets held under finance leases	342	623
Direct operating expenses arising from investment properties that generate rental income	242	307
Employee benefit expenses (including directors' emoluments) *(Note 25)*	210,553	169,863
Net exchange losses	3,505	1,763
Operating lease rentals	5,344	4,602
Provision for/(reversal of) impairment of accounts receivable *(Note 13)*	777	(5,019)

25 Employee benefit expenses

	2008	2007
	HK$'000	*HK$'000*
Wages and salaries	**194,974**	158,430
Pension costs – defined contribution plans *(Note a)*	**13,302**	10,671
Staff welfare	**2,277**	762
	210,553	169,863

(a) Pensions – defined contribution plans

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

From 1 December 2000, companies within the Group in Hong Kong have participated in the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Members of the ORSO Scheme were given a one-time option to choose to transfer to the MPF Scheme or remain in the ORSO Scheme. Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% to 10% and 5%, respectively of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance with the maximum mandatory contributions by each of the Group and its employees limited to HK$1,000 per month and thereafter contributions are voluntary. The mandatory contributions are fully and immediately vested in the employees as accrued benefits. The employees are entitled to receive their entire voluntary contributions and 100% of the Group's employer voluntary contributions upon retirement or leaving the Group after completing one year of service. The forfeited voluntary contributions made by the Group are used to reduce the Group's employer voluntary contributions.

As stipulated by the rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group contributes to the retirement plans at rates of approximately 12% to 33% of the basic salaries of its employees in Mainland China and has no further obligation for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

25 Employee benefit expense *(continued)*

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

The employees of the Company's subsidiary in Singapore are members of the Central Provident Funds (the "Funds") operated by the government of Singapore. The subsidiary contributes to the Funds approximately 14.5% of the salaries of its employees, and has no further obligation for the actual payment of pensions or post-retirement benefits beyond the contributions.

During the year ended 30 April 2008, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK$13,302,000 (2007: HK$10,671,000), with no deduction of forfeited contributions (2007: Nil). As at 30 April 2008, there were no material forfeitures available to offset the Group's future contributions.

(b) Directors' and senior management's emoluments

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

	2008	2007
	HK$'000	*HK$'000*
Directors' fees for independent non-executive directors	**2,083**	1,578
Other emoluments for executive directors		
– basic salaries, allowances and other benefits in kind	**2,977**	3,203
– contributions to pension schemes	**263**	267
	5,323	5,048

No directors waived any emoluments during the year (2007: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

25 Employee benefit expense *(continued)*

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

The remuneration of the directors for the year ended 30 April 2008 is set out below:

	Fees	Basic salaries and allowances	Employer's contribution to pension schemes	2008 Total	2007 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Lam Wai Chun	–	1,001	100	1,101	1,101
Ms. Tang Fung Kwan	–	1,300	130	1,430	1,320
Mr. Chua You Sing *(Note)*	–	245	12	257	630
Ms. Li Hong	–	431	21	452	419
Independent non-executive directors:					
Dr. Tang Tin Sek	455	–	–	455	420
Mr. Au Son Yiu	443	–	–	443	408
Mr. Lee Wing Kwan, Denis	395	–	–	395	360
Mr. Goh Gen Cheung	395	–	–	395	360
Professor Zhu Yuhe	395	–	–	395	30
	2,083	2,977	263	5,323	5,048

Note: This director retired on 27 September 2007 and held a position in a subsidiary of the Group after retirement.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining three (2007: two) individuals during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits in kind	1,733	1,059
Contributions to pension schemes	110	78
	1,843	1,137

The emoluments fell within the following band:

	Number of individuals 2008	2007
Emolument bands		
Nil to HK$1,000,000	3	2

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

Notes to the Financial Statements

26 Finance costs

	2008 HK$'000	2007 HK$'000
Interest expense on:		
– Bank borrowings wholly repayable within five years	**18,653**	18,071
– Finance lease liabilities	**58**	59
Total interest expense incurred during the year	**18,711**	18,130
Amortisation of deferred borrowing costs	**1,742**	1,118
Finance costs	**20,453**	19,248

27 Taxation

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

	2008 HK$'000	2007 HK$'000
Hong Kong profits tax		
– current tax	**1,756**	2,634
– over-provision in prior years	**(41)**	(82)
Overseas taxation including Mainland China		
– current tax	**5,277**	4,634
Deferred taxation *(Note 20)*	**(1,575)**	(2,731)
Total taxation	**5,417**	4,455

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% (2007: 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 12% to 25% (2007: 7.5% to 27%) 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.

On 27 June 2008, Legislative Council of Hong Kong Special Administrative Region has passed the Revenue Bill 2008 which stipulated the change of Hong Kong profits tax rate from 17.5% to 16.5% for year of assessment of 2008/2009.

27 Taxation *(continued)*

The National People's Congress approved the Corporate Income Tax Law of the Mainland China (the "new CIT Law") on 16 March 2007 and the State Council announced the Detail Implementation Regulations ("DIR") on 6 December 2007, which was effective from 1 January 2008. According to the new CIT Law, the income tax rates for both domestic and foreign investment enterprises will be unified at 25% effective from 1 January 2008. However, for enterprises which were established before the publication of the new CIT Law and were entitled to preferential treatments of reduced CIT tax rate granted by relevant tax authorities, the new CIT rate may be gradually increased to 25% within 5 years after the effective date of the new CIT Law. For the region that enjoys a reduced corporate income tax rate at 15%, the new CIT rate will gradually increase to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to grandfathering rules stipulated in the DIR and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

As a result of the new CIT Law and the grandfathering rules stipulated in the DIR and related circular, the carrying value of taxation payable and deferred tax liabilities have been written up by HK$324,000 and HK$413,000, respectively as at 30 April 2008.

The reconciliation between the Group's actual tax charge and the amount which is calculated based on the domestic tax rates in the respective territories is as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**28,666**	27,368
Tax calculated at domestic tax rates applicable to profits in the respective territories	**3,628**	3,997
Tax effect on income not subject to taxation	**(1,137)**	(496)
Tax effect in Mainland China on income exempt from taxation due to tax holiday	**(1,139)**	(2,536)
Tax effect on expenses not deductible for taxation purposes	**2,815**	3,548
Utilisation of previously unrecognised tax losses	**(15)**	(144)
Unrecognised tax losses	**1,073**	644
Over-provision in prior years	**(41)**	(82)
Change of tax rates	**737**	–
Others	**(504)**	(476)
Total taxation charge	**5,417**	4,455

28 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a profit of approximately HK$25,000,000 (2007: HK$4,982,000).

29 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK$23,601,000 (2007: HK$23,810,000) and 716,610,798 (2007: 716,610,798) shares in issue during the year.

For the years ended 30 April 2008 and 30 April 2007, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

30 Dividend

	2008	2007
	HK$'000	*HK$'000*
Proposed final dividend of HK0.50 cent (2007: HK0.95 cent) per share	**3,583**	6,808

At a meeting of the Board held on 15 August 2008, the Board recommended a final dividend of HK0.50 cent per share for the year ended 30 April 2008 to be paid in cash to shareholders whose names appear on the Company's register of members on 26 September 2008. These financial statements do not reflect this dividend payable.

31 Notes to the consolidated cash flow statement

Cash generated from operations

	2008 *HK$'000*	2007 *HK$'000*
Profit for the year	23,249	22,913
Adjustments for:		
– Taxation *(Note 27)*	5,417	4,455
– Interest income *(Note 22)*	(1,620)	(1,475)
– Interest expense *(Note 26)*	18,711	18,130
– Amortisation of deferred borrowing costs *(Note 26)*	1,742	1,118
– Amortisation of leasehold land and land use rights *(Note 6)*	860	595
– Depreciation of property, plant and equipment *(Note 7)*	71,985	67,439
– Loss on disposal of property, plant and equipment *(Note 23)*	154	194
– Gain on disposal of investment property *(Note 23)*	–	(855)
– Fair value gains on investment properties *(Note 23)*	(15,013)	(984)
– Dividend income *(Note 22)*	(22)	–
– Impairment of goodwill	–	300
	105,463	111,830
Changes in working capital:		
– Increase in inventories	(24,825)	(10,425)
– Increase in accounts receivable	(231)	(8,809)
– Decrease/(increase) in prepayments, deposits and other receivables	372	(516)
– Decrease in accounts payable	(4,664)	(8,776)
– Increase/(decrease) in accruals and other payables	5,972	(5,428)
Cash generated from operations	82,087	77,876

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2008 *HK$'000*	2007 *HK$'000*
Net book value	154	287
Loss on disposal of property, plant and equipment	(154)	(194)
Proceeds from disposal of property, plant and equipment	–	93

32 Commitments and contingent liabilities

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

	Group	
	2008	2007
	HK$'000	*HK$'007*
Contracted but not provided for	**725**	4,134

The Company did not have significant capital commitment as at 30 April 2008 (2007: Nil).

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

At 30 April 2008, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	2008	2007
	HK$'000	*HK$'000*
Not later than one year	**3,798**	4,082
Later than one year and not later than five years	**4,302**	5,802
	8,100	9,884

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

At 30 April 2008, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2008	2007
	HK$'000	*HK$'000*
Note later than one year	**1,167**	550
Later than one year and not later than five years	**842**	25
	2,009	575

33 Banking facilities and pledge of assets

As at 30 April 2008, the Group had aggregate banking facilities of approximately HK$502,324,000 (2007: HK$385,399,000) for overdrafts, loans and trade financing. Unused facilities as at the same date amounted to approximately HK$144,640,000 (2007: HK$118,085,000). These facilities were secured by corporate guarantees executed by the Company and certain of its subsidiaries.

As at 30 April 2008, approximately HK$51,881,000 (2007: HK$81,678,000) of the total used facilities were secured by:

(a) mortgages over certain of the Group's leasehold land and buildings with total net book value of approximately HK$4,155,000 (2007: HK$4,291,000) *(Notes 6 and 7)*;

(b) pledges of the Group's available-for-sale financial assets of approximately HK$7,851,000 (2007: HK$7,364,000) *(Note 12)*; and

(c) pledges of the Group's bank deposits of approximately HK$27,446,000 (2007: HK$26,509,000) *(Note 15)*.

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

34 Related party transaction

Key management compensation is as below:

	2008 ***HK$'000***	2007 *HK$'000*
Wages and salaries	**5,493**	5,464
Pension costs – defined contribution plans	**449**	412
	5,942	5,876

Schedule of Principal Properties

At 30 April 2008

All properties held for investment are under medium-term lease and of commercial type which directors consider material:

a. Workshop G on 5th Floor and Portion of Flat Roof, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

b. Workshop A on 6th Floor, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

c. Workshop B on 6th Floor and Car Parking Space No. L6 on Ground Floor, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

d. Workshop J on 7th Floor, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

e. Workshop I on 8th Floor, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

f. Workshop I on 9th Floor, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

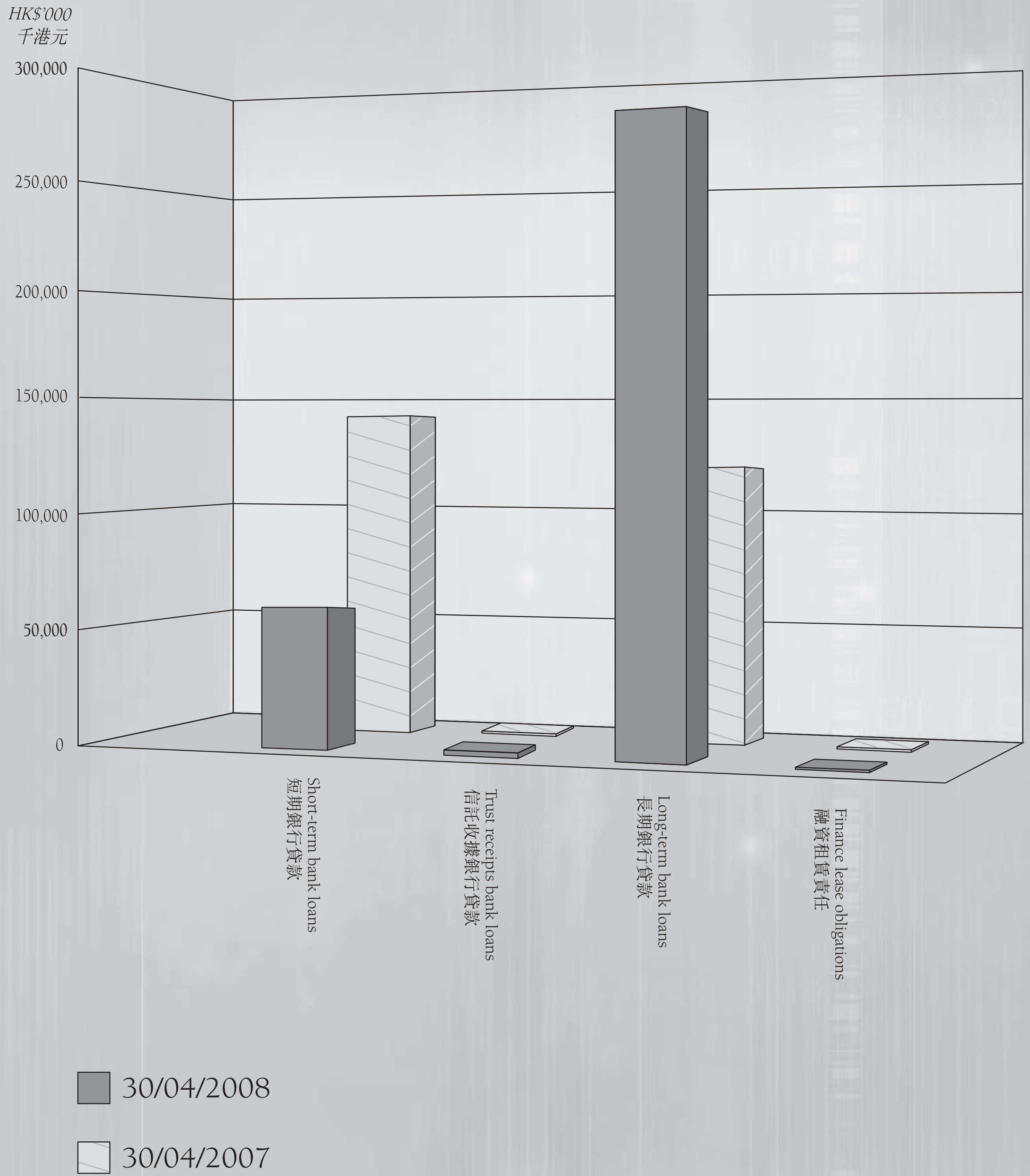
g. Workshop G on 11th Floor, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

h. Workshop J on 13th Floor, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

i. Workshop I on 14th Floor and Roof I, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

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

As at 30 April 2008
於2008年4月30日



07/08

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