10/11

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 2010/2011 年報

Corporate Profile
公司簡介

CEC is a small and medium-sized enterprise that upholds "progressive, strong, dedicated" as its main operating principle and specialises in design to manufacture of a wide range of electronic coils as its core industry. Founded in 1979, it has been evolving progressively to become one of the major manufacturers of electronic coils supplying to a multiple of industry segments, including telecommunications and information technology equipment, data networking and power conversion applications, office automation equipment, audio and visual products, home electrical and power equipment.

CEC is an experienced and competitive player in the electronic coils arena, with large-scale manufacturing facilities, research and development, sales and customer services based in Mainland China and marketing centers established in Hong Kong China, Mainland China, Taiwan China, Singapore and India.

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

CEC為一家奉行「循序、堅定、敬業」經營理念的中小型企業，以設計至生產各類型電子線圈為主核心產業。本集團始創於1979年，經過多年來不斷循序發展，至今已成為較具規模電子線圈製造商，產品市場來自包括電訊及資訊科技設備、數據網絡及電壓轉換技術、辦公室自動化設備、影音產品，以及家居電器及電動工具等不同行業。

CEC於電子線圈業務經驗豐富且具競爭力，在中國內地設有具規模之生產設施、研發部門、銷售與客戶服務、及遍佈中國香港、中國內地、中國台灣、新加坡及印度之市場推廣中心。

CEC於1999年11月在香港聯合交易所有限公司上市，期望通過資本市場的監督，有序按步完善公司之企業管治水平。並以努力不懈的態度持續發展企業之核心業務－電子線圈製造，為股東帶來穩紮之長期投資回報。

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Corporate Information

DIRECTORS

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

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. Ho Wing Yi

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co.
Appleby

PRINCIPAL BANKERS

China Construction Bank
Standard Chartered Bank
(Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

HEADQUARTERS IN MAINLAND CHINA

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

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar
Butterfield Fulcrum Group
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar
Computershare Hong Kong
Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

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

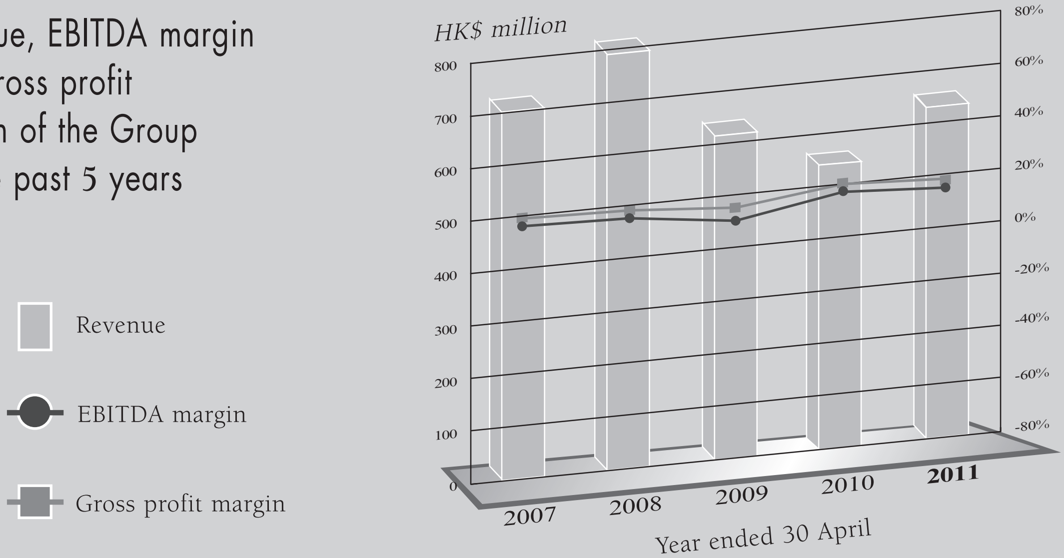
E-mail: info@ceccoils.com

Listed on The Stock Exchange of Hong Kong Limited

Stock Code: 759

Financial Highlights

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



	As at 30 April/ Year ended 30 April 2011 HK$'000	2010 HK$'000 (restated)	% Change
Revenue	**642,125**	537,352	+19.5
Profit for the year of the Company	**28,590**	10,657	+168.3
Total assets	**727,324**	649,606	+12.0
Net tangible assets	**456,170**	422,212	+8.0
Per Share Data			
Basic earnings per share (HK cents)	**4.15**	1.49	+178.5
Net tangible assets per share (HK cents)	**68.2**	58.9	+15.8
Financial Ratios			
Gross profit margin (%)	**18.5**	19.9	–1.4
EBITDA margin (%)	**14.3**	17.2	–2.9
Current ratio	**1.07**	1.21	–0.14
Interest coverage ratio	**12.64**	12.84	–1.6
Gearing ratio	**0.24**	0.23	+4.3

Definitions

Basic earnings per share $= \dfrac{\text{Profit for the year of the Company}}{\text{Weighted average number of issued shares}}$

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

Gross profit margin (%) $= \dfrac{\text{Gross profit x 100\%}}{\text{Revenue}}$

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

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

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

Gearing ratio $= \dfrac{\text{Total borrowings less bank balances and cash}}{\text{Total borrowings less bank balances and cash plus total equity}}$

Five-Year Financial Summary

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

	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Profit/(loss) attributable to:					
– Equity holders	**28,590**	10,657	(24,997)	26,228	23,982
– Non-controlling interests	**–**	–	–	(352)	(897)
Total assets	**727,324**	649,606	706,858	859,767	727,587
Total liabilities	**(271,154)**	(227,394)	(297,570)	(429,229)	(353,164)
	456,170	422,212	409,288	430,538	374,423

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 twelfth 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.

2010/2011 SUMMARY OF RESULTS

– Revenue increased 19.5% to HK$642,125,000 (2010: HK$537,352,000);

– Profit for the year of the Company was HK$28,590,000 (2010: HK$10,657,000);

– Basic earnings per share was HK4.15 cents (2010: HK1.49 cents);

– Proposed final dividend of HK0.50 cent (2010: Nil) per share;

– Net cash inflow from operating activities decreased by 12% to HK$77,438,000 (2010: HK$88,382,000); and

– Gross profit margin decreased by a percentage of 1.4 to 18.5% (2010: 19.9%).

DIVIDEND

No interim dividend has been declared for the year ended 30 April 2011 (2010: Nil).

The Board has resolved to recommend, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK0.50 cent (2010: Nil) per share for the year ended 30 April 2011 payable on or about 21 October 2011 to the shareholders whose names appear on the Company's register of members on 11 October 2011.

Management Discussion and Analysis

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 23 September 2011 to Tuesday, 27 September 2011(both dates inclusive), during which period no transfer of shares will be effected. Shareholders whose names appear on the register of members of the Company on Tuesday, 27 September 2011 are entitled to attend and vote at the annual general meeting of the Company to be held on Tuesday, 27 September 2011 (the "2011 Annual General Meeting"). In order to qualify to attend and vote at the 2011 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 22 September 2011.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2011 Annual General Meeting. For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 7 October 2011 to Tuesday, 11 October 2011(both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 6 October 2011. The payment of final dividend will be made on or about Friday, 21 October 2011.

BUSINESS REVIEW

Following the shakeout from the impact of the financial tsunami, the global economy is on the track of resurgence, the market shows a robust development. Business of the Group also benefited from the economic growth of the entire market. In general, revenue of the Group recorded a stable growth. However, economic recovery also brought enormous inflation pressure. Over the period, the Group actively enhanced the operation efficiency and improved the production flow in an effort to lower production cost to resolve unfavorable factors like the significant increase of domestic labour wages and welfare cost, and the continuous rocketing raw materials and commodity prices.

For the year ended 30 April 2011, revenue of the Group was HK$642,125,000 (2010: HK$537,352,000), growing 19.5% as compared with that of last year and the gross profit of the Group was HK$118,624,000 (2010: HK$106,691,000), escalating 11.2% as compared with that of last year, while the gross profit margin slipped by a percentage of 1.4 from the corresponding period last year to 18.5% (2010: 19.9%).

For the year ended 30 April 2011, the consolidated profit of the Group was HK$28,590,000, swelling approximately HK$17,933,000 when compared with HK$ 10,657,000 of the corresponding period last year. The consolidated profit margin was 4.5% (2010: 2.0%). The increase in consolidated profit was mainly attributable by positive revaluation gains on investment property holding and the effect of adoption of new accounting policy on investment property holding.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Electronic Component Manufacturing Business

Electronic component manufacturing business is the principal business of the Group. The products are largely applied in a wide ranging spectrum of electronic and electrical fields, including various mobile communication equipments, lighting products, electrical appliances, computer and its peripheral products, power supply devices, etc. During the period under review, revenue of the Group's electronic component manufacturing business augmented 19.2% to HK$639,061,000 when compared with that of last year, which was attributed to the market recovery and the business growth of customers. Manufacturing business of electronic component represented 99.5% and 97.7% of the Group's total revenue and gross profit respectively.

For the year ended 30 April 2011, gross profit of the electronic component manufacturing business enlarged to HK$115,856,000 (2010: HK$105,408,000), rising 9.9%. Over the period, the Group has been encountering various challenges. In terms of production cost, the raw materials prices experienced a rapid growth over the past year. Take copper and its products, the major raw materials, as example; its commodity prices reached historical heights over last year, higher than the peak level before the financial tsunami. Domestically, it is now in the stage of economic transformation. The continuous inflation and the rise of labour wages, welfare cost and operating expense were far higher than the growth of revenue. Over the period, direct labour cost also soared over 32%, together with the shortage of domestic labour and the continuous appreciation of Renminbi will further increase the Group's production cost.

The Group has been aggressively implementing efficiency improvement measures in strengthening staff productivity and optimizing product portfolio over the years. The cost effectiveness of these measures was reflected within the period and offset part of the rapid rise of production cost. During the period, the gross profit margin just slightly reduced by a percentage of 1.6 to 18.1%.

General and administrative expenses, and selling and distribution expenses increased HK$7,766,000 and HK$8,254,000 respectively as compared with those of last year, amounting to HK$16,020,000 in total, growing 19.1%. General and administrative expenses was HK$81,162,000 and selling and distribution expenses was HK$18,870,000, and the expenses to revenue ratio was 12.6% and 2.9 % respectively. The change of the general and administrative expenses was mainly affected by the following factors, namely 1) growth of revenue over the period, 2) inflation pressure of labour markets, 3) exchange loss resulted from the surge of exchange rate, 4) the collection of accounts receivables was satisfactory and the provision of accounts receivable during the period reduced HK$2,782,000 as compared with that of the corresponding period last year. The uplift of selling and distribution expenses, business growth and inflation were also closely related. The increase was also related to the Group's effort in exploring new business area. The new business is still in its initial stage of development and has not constituted material impact to the overall performance of the Group. In response to the rise of operating cost, moderate adjustment to the price is made. However, any proposed amendment to the terms of sale will also very likely trigger negative effect, which pressurized the profits for the period.

BUSINESS REVIEW *(continued)*

Electronic Component Manufacturing Business *(continued)*

During the period under review, the Group recorded a gain of HK$25,933,000 from the revaluation of investment property and the electronic component manufacturing business recorded an operating profit of HK$13,807,000, together contributing to the overall operating profit of HK$42,044,000. The operating profit to revenue ratio also increased by a percentage of 1.7 to 6.5% of this year from 4.8% of last year.

During the year, the Group still implemented effective controls on the working capital and tried its best endeavors in improving procurement, production and logistics management to lower the inventory level wholeheartedly. As at 30 April 2011, the inventory increased to HK$93,709,000, rose HK$11,104,000 from HK$82,605,000 at 30 April 2010, growing 13.4%, which growth rate was lower than that of the revenue. The inventory turnover day also reduced from 74 days of last year to 61 days. The accounts receivable of the Group also recorded HK$133,891,000 (2010: HK$131,647,000), slightly increased 1.7% when compared with that of the financial year-end date of last year, which evidenced the Group's strong determination in managing the credit risk. The accounts receivable turnover day also shortened 12 days than last year, to 75 days (2010: 87 days).

Investment Property

For the financial year ended 30 April 2011, rental income of the Group was HK$3,064,000 (2010: HK$1,373,000), rising over 120 % as compared with that of last year. For the year ended 30 April 2011, the Group purchased certain properties in Hong Kong for rental purpose at a total consideration of HK$42,140,000. The revaluation gain of the Group's investment properties was HK$25,933,000 during the year. As at the year-end date, the value of investment properties after revaluation was HK$111,642,000.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2011, the Group's credit facilities granted from banks (excluding that of foreign exchange derivative financial instrument) amounted to HK$246,677,000 (2010: HK$283,221,000), of which HK$50,079,000 (2010: HK$100,686,000) remained unutilised. The balance and the credit limit of the non-revolving loan were decreasing in phase after repaying the principal on schedule. The revolving facilities as at 30 April 2011 amounted to HK$209,300,000 (2010: HK$209,300,000), of which HK$159,221,000 (2010: HK$108,614,000) was utilized. The utilized non-revolving loan facilities amounted to HK$37,377,000 (2010: HK$73,921,000), declining 49% as compared with that of last year. As at 30 April 2011, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$52,349,000 (2010: HK$52,760,000). The utilized banking facilities amounting to HK$196,598,000 were secured by pledges of the Group's certain land and buildings, investment properties, accounts receivable, bank deposits and available-for-sale financial assets. In addition, as at 30 April 2011, the Group has fully complied with certain restrictive financial covenants agreed with the financing banks.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Fund Surplus and Liabilities *(continued)*

As at 30 April 2011, the Group's total borrowings granted from banks and financial institutions amounted to HK$196,197,000 (2010: HK$182,104,000). As at 30 April 2011, the Group's gearing ratio* was 0.24 (2010: 0.23). Moreover, the Group did not have any contingent liabilities (2010: Nil) as at the same date.

(The ratio of (total borrowings less bank balances and cash) over (total borrowings less bank balances and cash plus total equity))*

Interest Expenses

For the year ended 30 April 2011, interest expenses of the Group amounted to HK$7,321,000 (2010: HK$7,268,000), similar to that of last year.

Financial Resources and Capital Structure

For the year ended 30 April 2011, the Group's net cash outflow was HK$16,075,000 (2010: HK$10,323,000). The net cash inflow from operating activities during the year was HK$77,438,000 (2010: HK$88,382,000), decreasing approximately 12%. The net cash outflow from financing activities during the year was HK$20,783,000 (2010: HK$86,983,000). During the year, the Group repurchased its own shares at a total cost of HK$16,135,000 in order to increase the net asset value per share and the earnings per share while the net cash outflow from financing activities of the corresponding period last year was mainly used to repay non-revolving borrowings. For the year ended 30 April 2011, the net cash outflow from investing activities increased to HK$72,730,000 (2010: HK$11,722,000), which was mainly used to purchase properties in Hong Kong for rental and self-use purposes.

The Group's cash flow for the year ended 30 April 2011 is summarized as follows:

Cash Flow Summary

	2011	2010
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**77,438**	88,382
Net cash outflow from investing activities	**(72,730)**	(11,722)
Net cash outflow from financing activities	**(20,783)**	(86,983)
Decrease in cash and cash equivalents and bank overdrafts	**(16,075)**	(10,323)

As at 30 April 2011, the net current assets was HK$18,921,000 (2010: HK$47,944,000) and the current ratio was 1.07 (2010: 1.21).

FINANCIAL REVIEW *(continued)*

Charges on Assets

As at 30 April 2011, certain assets of the Group with an aggregate carrying value of approximately HK$115,256,000 (2010: HK$60,613,000) were pledged to secure banking facilities of the Group.

Exchange Risks

The Group's business is mainly conducted in Hong Kong, Mainland China and South-east Asia. The major revenue currencies are primarily denominated in Hong Kong dollar, Renminbi and United States dollars; whilst the major currencies in purchase commitments are primarily denominated in Hong Kong dollar, Renminbi and United States dollars. If Renminbi has a remarkable appreciation, the Group might experience additional cost pressure. In this connection, the Group will closely monitor the fluctuation trend of Renminbi.

EMPLOYEES

As at 30 April 2011, the Group employed approximately 4,600 staff (2010: 4,800). The remuneration of the employees is determined by reference to market benchmark, individual performance, academic qualification and work experience, subject to periodic review. Other agreed employee benefits includes pension scheme, medical insurance, on-job training, education subsidy and other social security and paid leaves stipulated under the relevant jurisdiction of places of operation. Pursuant to the Company's share option scheme, options may be granted to eligible employees to subscribe for shares in the Company. During the period under review, no option was granted under the scheme (2010: Nil)

CORPORATE SOCIAL RESPONSIBILITY

The Group has taken active role in corporate citizenship practice through participating in various forms of charity, volunteer services and health activities, encouraging its staff to care for the society and promoting their mental and physical development in a healthier and balanced way. The Group has also dedicated in participating charitable community activities by granting donations to charitable organizations and education institutions. In 2010, Coils Electronic Co., Ltd, the main subsidiary of the Group, was awarded the "Caring Company" logo by the Hong Kong Council of Social Service for the fourth consecutive year.

Management Discussion and Analysis

OUTLOOK

Under the external factors such as continuous high rising commodity and raw materials prices, soaring domestic labor welfare and operating cost, and further appreciation of Renminbi, it will undoubtedly pose pressure on the production cost of the Group. Hence, the rise of cost will still be a critical challenge for next year. The Group shall continue to carry out stringent cost control and productivity enhancement, and minimize the impact of aforementioned factors to the entire profit to the largest extent. According to the provisions of the Law of The People's Republic of China on Employment Contracts, the Group is required to enter into employment contracts without a fixed period with all of its relevant employees in Mainland China that met the stipulated conditions under these laws and regulations. At this stage, changes to employment contracts did not have a significant impact on the Group, but we will closely monitor the implementation of relevant measures. The Group is also contemplated to adopt appropriate measures and start price negotiation with its customers, pressuring its customers to share part of the rising cost. The production model of the Group is highly self-sufficiency and thus the supply of raw materials of the Group was not affected by the blocked electronics supply chain in Japan. However, as the design of electronic products is complicated and all parts are indispensable, the division of work within the industry is very precise and is highly mutually dependent. Therefore, the Group will closely monitor the Japan supply chain on its status of recovery from the power rationing after the tsunami and will follow up the progress of raw materials supply and orders of our customers at all times. We will maintain close partnership relationship with our customers riding on our optimal product design, operating efficiency enhancement and scale of economy.

Even though we are encountering the above uncertainties, we are committed to tackle all sorts of challenges and difficulties with strong experience and excellent capacity for the future growth. The Group is in the process of expanding its arms into the local retail business of the snacks and food segments. However, this business segment is in its infancy with limited impact to the Group's results. Next year, we will accelerate the development of such business segment. Business diversification will lead the Group to secure an operating mode with a more balanced and sustainable growth in the long run.

APPRECIATION

On behalf of the management, I would like to extend my sincere thanks to all staff for their valuable contribution to the Group. We also have to express our gratitude for the long term support of all customers, suppliers and banks to the Group.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 26 July 2011

Directors and Senior Management Profile

Directors

Executive Directors

Mr. LAM Wai Chun, aged 52, was appointed as an executive director of the Company with effect from 29 September 1999, and has been the Chairman and Managing Director of the Company since 4 October 1999 and 29 September 2009 respectively. Mr. Lam found the Group in 1979 and has over 40 years of experience in the coils manufacturing industry. Mr. Lam is the sole director of Ka Yan China Development (Holding) Company Limited and the managing director of Coils Electronic (Zhong Shan) Co., Ltd.

Ms. TANG Fung Kwan, aged 41, was appointed as an executive director of the Company with effect from 29 September 1999. Ms. Tang is also a director of Coils Electronic (Zhong Shan) Co., Ltd. and 南京國仲磁性材料製品有限公司 (Nanjing Guo Zhong Magnetic Material Co., Limited). She is also a member of the Remuneration Committee and the chairman of the Accounts Receivable Supervisory Committee of the Company. She has been admitted to the degree of Bachelor of Social Sciences with Honours in The University of Hong Kong in 1992, the degree of International Master of Business Administration in The University of South Australia, Australia, in 1998, the degree of Bachelor of Laws (LLB) in The Manchester Metropolitan University, United Kingdom, in 2006, the Postgraduate Certificate in Laws and the degree of Master of Laws in Arbitration and Dispute Resolution in The University of Hong Kong in 2008 and 2010 respectively. Ms. Tang joined the Group in 1993.

Ms. LI Hong, aged 42, 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. and is responsible for the overall operation management of Xiamen Coils Electronic Co., Ltd. Ms. Li obtained a bachelor degree of English literature from Changchun Teacher's College, the Mainland China 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.

Mr. CHUNG Wai Kin, aged 30, was appointed as an executive director of the Company with effect from 29 September 2009. He is responsible for co-ordinating the Group's information technology development and application functions and the overall planning of the capture and storage of retail data and performing comprehensive analysis. 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

Independent Non-Executive Directors

Mr. AU Son Yiu, aged 65, 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 the Remuneration Committee of the Company. Mr. Au has extensive experience in the securities industry. He is a director of The Association of Former Council Members of The Stock Exchange of Hong Kong Limited and was a consultant to Dao Heng Securities Limited (1989-2008). He is also an independent non-executive director of Texwinca Holdings Limited and Chun Wo Development Holdings Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited. In addition, Mr. Au is the Ex-Deputy Chairman of Hong Kong Clearing (1992-1994), the Ex-Council member of the Stock Exchange of Hong Kong Limited (1988-1994) and was a member of the Election Committee for the financial services subsector election for the 1998 Legislative Council.

Directors and Senior Management Profile

Mr. LEE Wing Kwan, Denis, aged 66, 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 52, 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 30 years' experience in corporate finance, business advisory, financial management and auditing. He is also a member of The Chinese Institute of Certified Public Accountants, the Institute of Chartered Accountants in Australia and The Chartered Association of Certified Accountants in the United Kingdom. He obtained a Bachelor of Science degree from The University of Hong Kong in 1980, a Master of Business Administration degree from The University of Sydney, Australia in 1990 and a Doctor of Accountancy degree from The Hong Kong Polytechnic University in 2004. Dr. Tang is an independent non-executive director of Sinofert Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited. He was also an independent non-executive director of Interchina Holdings Company Limited, New Smart Energy Group Limited and Wai Chun Group Holdings Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited, until 1 April 2009, 10 June 2009 and 28 September 2009 respectively.

Mr. GOH Gen Cheung, aged 64, 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, Beijing Properties (Holdings) Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited, and Standard Bank Asia Limited. He was also an independent non-executive director of Karce International Holdings Company Limited and China Flavors and Fragrances Company Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited, until 8 February 2009 and 16 December 2009 respectively.

Directors and Senior Management Profile

Professor ZHU Yuhe, aged 73, 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 the Vice Chairman of 中國老教授協會 (China Senior Professor Association) and the Vice Chairman of 國傑老教授科學技術諮詢開發研究院 (Guojie Senior Professor Science and Technology Development Academy). Professor Zhu graduated from Tsinghua in electrical engineering in 1960 and was subsequently sent to Renmin University of China for further studies on modern history of China by Tsinghua. Professor Zhu has 45 years' extensive teaching experience in history, philosophy and political economics at Tsinghua and also held offices in Tsinghua, including the Director of Department of History, the Vice Dean of School of Humanities and Social Sciences and the teaching adviser of the President of Tsinghua during various periods.

Company Secretary

Ms. HO Wing Yi, aged 37, is the head of accounting of the Group, responsible for the Group's financial reporting and corporate finance functions. Ms. Ho is also the company secretary of the Company. She worked in an international firm of certified public accountants and has over 7 years of experience in auditing. Ms. Ho has been admitted to the degree of Bachelor of Accountancy with Honours and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 1996 and 2007 respectively. She is also a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Ho joined the Group in 2003.

Senior Management

Financial Management

Mr. CHAN Yuk Lun, aged 43, is the head of accounts management responsible for the accounts management. He has been admitted to the degree of Bachelor of Business Administration with Honours in Bolton Institute, United Kingdom, in 2000 and the degree of Master of Business Administration in The Open University of Hong Kong in 2005. Mr. Chan joined the Group in 1992.

Mr. WANG Zhengwen, aged 43, is the head of finance of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the accounts management of Zhongshan main plant. He graduated from the Beijing University of Finance and Economics in 1990 and obtained the qualification of accountant from the Ministry of Finance, People's Republic of China. Mr. Wang joined the Group in 1998.

Sales Management

Ms. HUANG Shaobing, aged 32, is the head of business, responsible for the management of sales functions of the Group. She has over 13 years of working experience in management of coil products procurement as well as sales and marketing. Ms. Huang joined the Group in 1998.

Ms. POH Po Leng, aged 42, is the head of business of CEC-Coils Singapore Pte Ltd. responsible for the development of the Group's business in the Far East. She previously worked in several prestigious Japanese electronic product manufacturers. Ms. Poh joined the Group in 2000.

Directors and Senior Management Profile

Engineering Technical Management

Mr. CAO Huizhong, aged 41, is the head of calibration responsible for the management of calibration functions. He has been admitted to the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. Cao joined the Group in 1994.

Mr. HE Guogao, aged 45, is the chief engineer responsible for the management of engineering and technological development functions. He has been admitted to the degree of Bachelor of Engineering in Automation in the Lanzhou University of Technology (formerly known as 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.

Mr. SHINODA Akira, aged 61, is the chief head of quality of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the management of quality and production technique of Zhongshan main plant. He has over 40 years of experience in production engineering of electronic components. Mr. Shinoda joined the Group in 2010.

Mr. ZHANG Tinghua, aged 36, is the head of product development of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the product development functions of Zhongshan main plant. Mr. Zhang is also the chairman of the labour union committee of Coils Electronic (Zhong Shan) Co., Ltd. He has been admitted to the degree of Bachelor of Engineering in Mechanical Manufacturing Technic and Equipment in Liaoning Technical University, Mainland China in 1998. Mr. Zhang joined the Group in 2002.

Mr. ZHAO Xiangqun, aged 49, is the head of quality assurance responsible for the management of quality assurance functions. 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.

Purchasing Management

Ms. LAI Wanru, aged 39, is the head of material control responsible for the purchase, materials procurement and logistics management functions of the Group. Ms. Lai has over 21 years of experience in materials procurement, coils production as well as sales and marketing. She has been admitted to the executive diploma in Management Studies in The Hong Kong Polytechnic University in 2005. Ms. Lai joined the Group in 1990.

Administration Management

Ms. MAI Shaoling, aged 48, is the head of factory affairs of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the factory affairs management functions of Zhongshan main plant. Ms. Mai is also the Party branch secretary of 中共中山市東鳳鎮高雅線圈製品有限公司 (Zhongshan Dong Feng Zhen Coils Electronic Company Limited). She has over 28 years of experience in administration. Ms. Mai joined the Group in 1983.

Mr. HO Man Lee, aged 31, is the head of administration responsible for the administration and personnel management functions of the Group and co-ordinating the leasing of shops of the retail business. 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.

Directors and Senior Management Profile

Mr. JIANG Pingyuan, aged 42, is the head of 南京國仲磁性材料製品有限公司 (Nanjing Guo Zhong Magnetic Material Co., Ltd.) responsible for the overall operation management of the Group's production facilities in Nanjing. He has over 18 years of experience in production management. Mr. Jiang joined the Group in 1993.

Mr. LAO Xin, aged 39, is the head of administration of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the administration management functions of Zhongshan main plant. He has been admitted to the degree of Bachelor of History in the Renmin University of China, Mainland China in 1994 and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. Lao joined the Group in 1995.

Mr. ZHOU Yong, aged 40, is the head of Gaozhou Coils Electronic Co., Ltd. responsible for administration, production, materials procurement and logistics management of the Group's production facilities in Gaozhou. He has over 17 years of experience in material procurement, coils design as well as sales and marketing. Mr. Zhou joined the Group in 1993.

Information Technology Management

Mr. CHOW Tak Yeung, aged 29, is the head of information system responsible for managing the development and application of information system. Mr. Chow has been admitted to the degree of Bachelor of Information Engineering with Honours in The Chinese University of Hong Kong in 2003 and the degree of Master of Science in Information Systems Management in the City University of Hong Kong in 2009. Mr. Chow joined the Group in 2003.

Retail Management

Mr. CHEUNG Ming Yat, aged 35, is the senior manager of retail business, responsible for the management of procurement and shop operation and the product promotion of the retail business. 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.

Ms. SIU Pui Yan, aged 29, is the purchasing manager of retail business, responsible for the management of local supplies of the retail business. She has been admitted to the degree of Bachelor of Business Administration in Lingnan University, Hong Kong in 2003. Ms. Siu joined the Group in 2010.

Mr. SU Hsiu-Ming, aged 40, is the head of the Taiwan Branch of Coils Electronic Co., Limited, responsible for the purchasing function in Taiwan region of the retail business. He has been admitted to the diploma of Electro-optics Engineering in the National United University in 1993 and the degree of Master of Business Administration in the University of Southern Queensland, Australia in 2007. Mr. Su joined the Group in 1997.

Mr. YU Pui Chuen Patrick, aged 32, is the senior manager of retail sourcing, responsible for the development of sourcing in southern Europe of the retail business. Mr. Yu has been admitted to the degree of Bachelor of Applied Science in The University of Toronto, Canada, in 2001 and the degree of Master of Business Administration in The Hong Kong University of Science and Technology in 2008. Mr. Yu joined the Group in 2004.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company believes that good corporate governance is not only in the interest of the Company and its shareholders as a whole, but also increasingly important for maintaining and promoting investor confidence. The Board is responsible for ensuring a high quality of corporate governance. The Company has adopted the principles and complied with the 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 30 April 2011, except for the following deviations:

1. Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

   One independent non-executive director of the Company has not been appointed for a specific term, but is subject to retirement by rotation at the annual general meetings of the Company at least once every three years in accordance with the Bye-laws of the Company. The Company intended to comply with Code Provision A.4.1 by entering into a letter of appointment with specific term with the independent non-executive director of the Company upon his re-election. The other four independent non-executive directors of the Company have entered into their respective letters of appointment with specific term upon their re-election at the relevant annual general meetings held on 29 September 2009 and 28 September 2010.

2. Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

   Before 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the "CEO") were performed by two different executive directors of the Company. Due to the re-allocation of the respective duties of the executive directors of the Company, Mr. Lam Wai Chun, the Chairman of the Board, has been appointed as the Managing Director of the Company with effect from 29 September 2009 and has carried out the responsibilities of the CEO since then. This constitutes a deviation from Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, as Mr. Lam Wai Chun is the founder of the Group and possesses substantial and valuable experience in the industry that is relevant to the Group's operation, the Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders as a whole.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code at the applicable times for the period from 1 May 2010 to 30 April 2011.

BOARD OF DIRECTORS

The Board currently comprises four executive directors, namely Mr. Lam Wai Chun (Chairman and Managing Director), Ms. Tang Fung Kwan, Ms. Li Hong and Mr. Chung Wai Kin; 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 independent non-executive director with appropriate professional qualifications, accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive directors are independent. To the best knowledge of the directors, the members of the Board have no financial, business, family or other material/relevant relationship with each other. Mr. Au Son Yiu and Mr. Lee Wing Kwan, Denis have served as independent non-executive directors for more than nine years. Pursuant to Code Provision A.4.3 of the Code, further appointments of Mr. Au and Mr. Lee as the independent non-executive directors should be subject to separate resolutions to be approved by the shareholders of the Company. In this regard, resolutions were passed at the annual general meeting of the Company held on 29 September 2009 to elect Mr. Au and Mr. Lee as independent non-executive directors.

In accordance with the Company's Bye-laws, one-third of the directors shall retire from office by rotation at each annual general meeting and each of their re-election is subject to a vote of shareholders. Every director is subject to retirement by rotation at least once every three years.

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

With the support of the executive directors and the management of the Group, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate information, which are complete and reliable, in a timely manner. Each of the directors keeps abreast of his/her responsibilities as a director of the Company and of the conduct, business activities and development of the Company. 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.

BOARD OF DIRECTORS *(continued)*

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 2011, 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 and Managing Director)*	5/5
Tang Fung Kwan	5/5
Li Hong	5/5
Chung Wai Kin	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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Before 29 September 2009, Mr. Lam Wai Chun is the Chairman of the Board and Ms. Tang Fung Kwan, the Deputy Chairman and Managing Director of the Company, assumed the role of the chief executive officer ("CEO") described in Appendix 14 to the Listing Rules. Due to the re-allocation of the respective duties of the executive directors of the Company, Mr. Lam Wai Chun has been appointed as the Managing Director of the Company with effect from 29 September 2009 and has carried out the responsibilities of the CEO since then. As Mr. Lam Wai Chun is the founder of the Group and possesses substantial and valuable experience in the industry that is relevant to the Group's operation, the Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders as a whole.

NON-EXECUTIVE DIRECTORS

All the five non-executive directors are independent. One of them has not been appointed for a specific term, but is 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. This means that the specific term of appointment of the director cannot exceed three years. The other four independent non-executive directors have entered into their respective letters of appointment with specific term upon their re-election at the relevant annual general meetings held on 29 September 2009 and 28 September 2010.

REMUNERATION OF DIRECTORS

The Board established a Remuneration Committee on 18 March 2005 with written terms of reference, which are available on the Company's website (www.0759.com), setting out the duties (containing the minimum specific duties as set out in the Code) and authority of the Remuneration Committee. The principal duties of the Remuneration Committee are to make recommendations to the Board on 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.

In determining the emolument of directors of the Company and senior management of the Group, the Remuneration Committee takes into consideration factors such as salaries or fees paid by comparable companies, time commitment and responsibilities of the directors and senior management, employment conditions elsewhere in the Group, desirability performance-based remuneration, the operating results of the Group, individual performance and prevailing market conditions. The director's fee of each of the independent non-executive directors is subject to the approval of the Company's shareholders at the annual general meetings.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out under the section headed "Share option scheme" on pages 27 to 28 of this annual report.

During the year ended 30 April 2011, the works performed by the Remuneration Committee included making recommendation to the Board of the directors' fees of independent non-executive directors, the additional remuneration for each of the chairman of the Audit Committee and the Remuneration Committee and the letters of appointment for independent non-executive directors, reviewing the remuneration policy of the Group, reviewing the remuneration package of the senior management of the Group, approving the remuneration (including the relevant service agreements) of executive directors and certain members of the senior management as well as reviewing and determining the upper limit of revised salary for the senior management. No director has taken part in any discussion about his/her own remuneration.

The Remuneration Committee currently comprises 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 2011, the Remuneration Committee met two times and the individual attendance of each member is set out below:

Members	**Number of meetings attended/held**
Au Son Yiu *(Chairman)*	2/2
Tang Tin Sek	2/2
Lee Wing Kwan, Denis	2/2
Goh Gen Cheung	2/2
Zhu Yuhe	2/2
Tang Fung Kwan	2/2

Corporate Governance Report

NOMINATION OF DIRECTORS

The Company has not set up a nomination committee for the time being. The Board reviews its composition from time to time to ensure that 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 identified through referral and internal promotion. Candidates to be nominated as directors of the Company are based on independence, qualifications, knowledge, industry experience, personal skills, integrity, personal ethics and time commitment as assessed by all the directors. During the year ended 30 April 2011, there was no appointment of new directors.

AUDITOR'S REMUNERATION

During the year ended 30 April 2011, the fees paid/payable to the external auditor of the Company, PricewaterhouseCoopers, amounted to approximately HK$1,380,000 for statutory audit services and approximately HK$166,500 for non-audit services (comprising tax and other services) rendered to the Group.

AUDIT COMMITTEE

The Board established the Audit Committee in September 1999 with written terms of reference (containing the minimum specific duties as set out in the Code), which are available on the Company's website (www.0759.com). The Audit Committee currently comprises 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 2011.

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

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

AUDIT COMMITTEE *(continued)*

During the year ended 30 April 2011, 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	4/4
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.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company has established different communication channels with its shareholders and the investors, including (i) the annual general meetings of the Company which provides a forum for its shareholders to raise comments and exchange views with the Board and (ii) updated company news and published announcements of the Group are available on the website of the Stock Exchange and the Company.

The Company arranges for the notice to its shareholders to be sent at least 20 clear business days before each of the annual general meetings of the Company in accordance with Code Provision E.1.3 of the Code.

INTERNAL CONTROL

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

In order to enhance the standard of the internal control systems, the Company continues to engage an external audit firm to carry out an on-going project to conduct internal independent review and to evaluate all 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;

Corporate Governance Report

INTERNAL CONTROL *(continued)*

– 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 2011, the Board, through the Audit Committee, reviewed the effectiveness of the Group's internal control systems, including the approval of audit planning and procedures as well as the assessment and review of internal audit reports in order to ensure that a sound and adequate control environment has been installed in the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The directors of the Company have continued to adopt the going concern basis in preparing the financial statements. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance and prospects in financial reporting.

The responsibilities of the Company's external auditor with respect to financial reporting are set out in the Independent Auditor's Report on page 37 of this annual report.

Report of the Directors

The Directors of the Company (the "Directors") present their report together with the audited financial statements for the year ended 30 April 2011.

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, ferrite powder and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products, as well as in holding investment properties.

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

Results and appropriations

The results of the Group for the year ended 30 April 2011 are set out in the consolidated income statement on page 41 of this annual report.

No interim dividend has been declared for the year ended 30 April 2011 (2010: 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 (2010: Nil) per share for the year ended 30 April 2011 payable on or about 21 October 2011 to the shareholders whose names appear on the Company's register of members on 11 October 2011.

Reserves

Movements in the reserves of the Group and of the Company during the year ended 30 April 2011 are set out in note 16 to the financial statements.

Donations

Charitable and other donations made by the Group during the year ended 30 April 2011 amounted to HK$1,518,000 (2010: HK$1,047,000).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year ended 30 April 2011 are set out in note 7 to the financial statements.

Principal investment properties

Details of the principal properties held for investment purposes are set out on page 100 of this annual report.

Share capital

Details of the movements in the share capital of the Company are set out in note 15 to the financial statements.

Report of the Directors

Distributable reserves

As at 30 April 2011, the Company's contributed surplus of approximately HK$131,338,000 (2010: HK$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained earnings of approximately HK$20,240,000 (2010: HK$24,987,000) were available for distribution to the equity holders of the Company.

Pre-emptive rights

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

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

During the year ended 30 April 2011, the Company acquired an aggregate of 47,466,000 of its own shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$15,999,530 with a view to benefit its shareholders as a whole in enhancing the net assets and earnings per share of the Company. Details of the repurchases are as follows:

Month of repurchase	Number of shares repurchased	Purchase price per share Highest (HK$)	Purchase price per share Lowest (HK$)	Aggregate consideration (HK$)
May 2010	16,738,000	0.295	0.250	4,765,390
September 2010	1,590,000	0.280	0.260	427,670
October 2010	7,706,000	0.310	0.280	2,240,480
December 2010	11,234,000	0.410	0.370	4,532,610
January 2011	4,630,000	0.415	0.405	1,903,970
March 2011	1,356,000	0.385	0.380	519,790
April 2011	4,212,000	0.395	0.360	1,609,620
	47,466,000			15,999,530
		Total expenses on shares repurchased		135,898
				16,135,428

All the 47,466,000 shares repurchased were cancelled on delivery of the share certificates during the year ended 30 April 2011. The issued share capital of the Company was accordingly reduced by the par value of the repurchased shares so cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 30 April 2011.

In June 2011, the Company acquired an aggregate of 2,954,000 of its own shares through purchases on the Stock Exchange at an aggregate consideration of HK$955,840.

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

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

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 26 July 2011, being the date of this annual report, was 69,302,881 shares, representing approximately 10.40% 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 with such participant and his associates abstaining from voting.

   Any grant of options to a substantial shareholder of the Company or an independent non-executive director, 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$5,000,000 (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.

Report of the Directors

Share option scheme *(continued)*

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.

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 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 and will expire on 25 September 2012.

During the year ended 30 April 2011, no option was granted under the Scheme (2010: Nil).

There was no outstanding option as at the date of this report.

Directors

The Directors who held office during the year ended 30 April 2011 and up to the date of this report were:

Executive Directors

Mr. Lam Wai Chun *(Chairman and Managing Director)*
Ms. Tang Fung Kwan
Ms. Li Hong
Mr. Chung Wai Kin

Independent non-executive Directors

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

The biographical details of the Directors and the senior management of the Group are set out on pages 13 to 17 of this annual report.

Directors *(continued)*

Pursuant to Bye-law 87 of the Company's Bye-laws, Ms. Tang Fung Kwan, Mr. Goh Gen Cheung and Mr. Lee Wing Kwan, Denis shall retire by rotation at the forthcoming annual general meeting of the Company. Ms. Tang Fung Kwan and Mr. Goh Gen Cheung shall, being eligible, offer themselves for re-election whilst Mr. Lee Wing Kwan, Denis has indicated that he will not offer himself for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company considers such Directors to be independent. Mr. Au Son Yiu and Mr. Lee Wing Kwan, Denis have served as independent non-executive Directors for more than nine years. Pursuant to the Code Provision A.4.3 of the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules, further appointments of Mr. Au and Mr. Lee as the independent non-executive Directors should be subject to separate resolutions to be approved by the shareholders of the Company. In this regard, resolutions were passed at the annual general meeting of the Company held on 29 September 2009 to elect Mr. Au and Mr. Lee as independent non-executive Directors.

Directors' service contracts

Mr. Lam Wai Chun entered into a service agreement with the Company on 27 September 1999 for an initial period of three years commencing on 1 October 1999 and continuing thereafter until terminated by either party giving to the other not less than six months' notice in writing terminating on or after the expiry of the initial term of three years. This service agreement is exempt from the shareholders' approval requirement pursuant to Rule 13.69 of the Listing Rules. On 1 August 2009, Mr. Lam entered into a service contract, which was subsequently amended by another service contract dated 29 April 2011, with Coils Electronic (Zhong Shan) Co., Ltd. ("Zhongshan Coils"), an indirect wholly-owned subsidiary of the Company, for a term commencing from 1 August 2009 to 31 July 2012 relating to his appointment as the managing director of Zhongshan Coils which service contract may be terminated upon the occurrence of any of the termination events as specified in the service contract.

Ms. Tang Fung Kwan entered into a service agreement with the Company on 28 April 2008 for a term of three years commencing on 1 May 2008. On 28 April 2011, Ms. Tang entered into a new service agreement with the Company for a term of three years, commencing on 1 May 2011 which service agreement may be terminated within its term by either party giving to the other a prior notice of three months (or a shorter period as the parties may agree in writing from time to time), but in any event not exceeding its term. On 1 August 2009, Ms. Tang entered into a service contract, which was amended by a service contract dated 29 April 2011, with Zhongshan Coils for a term commencing from 1 August 2009 to 31 July 2012 relating to her appointment as the director of Zhongshan Coils which service contract may be terminated upon the occurrence of any of the termination events as specified in the service contract. Further on 1 September 2010, Ms. Tang entered into a service contract with Nanjing Guo Zhong Magnetic Material Co., Ltd. (南京國仲磁性材料製品有限公司) ("Nanjing Guo Zhong"), an indirect wholly-owned subsidiary of the Company, for a term commencing from 1 September 2010 to 31 August 2013 relating to her appointment as the director of Nanjing Guo Zhong which service contract may be terminated upon the occurrence of any of the termination events as specified in the service contract.

Report of the Directors

Directors' service contracts *(continued)*

Ms. Li Hong entered into a service agreement with the Company on 30 June 2009 for a term of 22 months commencing on 1 July 2009. On 31 March 2011, Ms. Li entered into a new service agreement with the Company for a term of two years, commencing on 1 May 2011 which service agreement may be terminated within its term by either party giving to the other a prior notice of three months (or a shorter period as the parties may agree in writing from time to time), but in any event not exceeding its term. On 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. ("Xiamen Coils"), an indirect wholly-owned subsidiary of the Company, for a term commencing from 1 May 2008 to 31 March 2011. On 30 March 2011, Ms. Li entered into a new employment contract with Xiamen Coils for a term of three years commencing from 1 April 2011 regarding her employment as general manager until terminated upon the occurrence of any of the termination events as specified in the employment contract.

Mr. Chung Wai Kin entered into a service agreement with the Company on 29 September 2009 for a term of three years, commencing on 29 September 2009 until terminated within its term by either party giving to the other a prior notice of three months (or a shorter period as the parties may agree in writing from time to time) in writing, but in any event not exceeding its term.

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

Directors' interests in contracts of significance

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

Interests of directors and chief executive in securities

As at 30 April 2011, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Shares of the Company

	Number of shares of HK$0.10 each held				
Name of director	**Personal interests** *(Note 2)*	**Corporate interests**	**Trusts interests**	**Total interests**	**Percentage of issued share capital**
Mr. Lam Wai Chun	29,955,188	442,295,660 *(Note 3)*	442,295,660 *(Note 3)*	472,250,848 *(Note 3)*	70.58%
Ms. Tang Fung Kwan	4,194,611	–	–	4,194,611	0.63%
Ms. Li Hong	548,000	–	–	548,000	0.08%
Mr. Chung Wai Kin	40,000	–	–	40,000	0.01%
Mr. Au Son Yiu	6,597,440	–	–	6,597,440	0.99%
Dr. Tang Tin Sek	4,098,000	–	–	4,098,000	0.61%

Notes:

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

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

3. The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust (the "Trust") founded by Mr. Lam Wai Chun. Being a founder of the Trust, Mr. Lam Wai Chun was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The corporate interests and trusts interests in 442,295,660 shares refer to the same shares in the Company and duplicated with each other. Accordingly, Mr. Lam Wai Chun's total interests in 472,250,848 shares in the Company was arrived at after eliminating the duplications.

Report of the Directors

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

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

Coils Electronic Co., Limited

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

Notes:

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

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

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

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

Save as disclosed above, as at 30 April 2011, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to section 352 of SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

Save as disclosed above, as at 30 April 2011, 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 2011 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of shareholders discloseable under the SFO

As at 30 April 2011, according to the register kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shares of the Company

Substantial shareholders (as defined in the Listing Rules)

	Number of shares of HK$0.10 each held				
Name	**Beneficial owner**	**Family interests**	**Corporate interests**	**Trusts interests**	**Percentage of issued share capital**
Ms. Law Ching Yee	–	472,250,848 *(Note 2)*	–	–	70.58%
Ka Yan China Development (Holding) Company Limited	442,295,660 *(Notes 2 and 3)*	–	–	–	66.09%
Ka Yan China Investments Limited	–	–	442,295,660 *(Notes 2 and 3)*	–	66.09%
HSBC International Trustee Limited	–	–	–	442,295,660 *(Notes 2 and 3)*	66.09%

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

	Number of shares of HK$0.10 each held				
Name	**Beneficial owner**	**Family interests**	**Corporate interests**	**Trusts interests**	**Percentage of issued share capital**
Toko, Inc.	36,785,402	–	–	–	5.50% *(Note 4)*

Report of the Directors

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

Shares of the Company *(continued)*

Notes:

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

2. The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust founded by Mr. Lam Wai Chun. Ms. Law Ching Yee, being the spouse of Mr. Lam Wai Chun, was deemed to be interested in all the shares held by her spouse, for the purpose of the SFO.

3. The interests in 442,295,660 shares held by Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited refer to the same shares and duplicated with each other. Such shares formed the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 30 April 2011, the actual number of shares held by Ka Yan China Investments Limited, Ka Yan China Development (Holding) Company Limited and HSBC International Trustee Limited in the Company which duplicated with one another was 442,295,660 shares.

4 The percentage has been calculated based on the total number of shares of the Company in issue as at 30 April 2011 (i.e. 669,144,798 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 2011.

Management contracts

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

Emolument Policy

The Board, with the benefit of the advice from the Remuneration Committee, formulated the employee emolument policy of the Group on the basis of their merits, qualifications and competence.

The basis of determining the remuneration of the Directors is set out under the section headed "Remuneration of Directors" of the Corporate Governance Report on page 21 of this annual report.

The Company has adopted the Scheme as an incentive to directors and eligible employees of the Company, details of which are set out under the section headed "Share option scheme" on pages 27 to 28 of this annual report.

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	7%
– five largest suppliers combined	31%
Sales	
– the largest customer	29%
– five largest customers combined	50%

None of the Directors, nor any of their respective associates or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest suppliers or customers.

Disclosure pursuant to Rule 13.21 of the Listing Rules

In accordance with the disclosure requirements under Rule 13.21 of the Listing Rules, the Company makes the following disclosure in relation to the details of the 2007 Agreement (as defined below), which includes a condition relating to specific performance of the controlling shareholder of the Company:

On 17 September 2007, the Company (as borrower), Coils Electronic Co., Limited (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").

Pursuant to the provisions of the 2007 Agreement, it would be an event of default if Mr. Lam Wai Chun, the Chairman 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.

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 the 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. All the outstanding indebtedness under the 2007 Agreement had been repaid in September 2010.

Related party transactions

Details of significant related party transactions entered into by the Group are set out in note 32 to the financial statements which did not constitute notifiable connected transactions under the Listing Rules.

Report of the Directors

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at 26 July 2011, being the latest practicable date prior to the printing of this annual report, the Company has maintained the prescribed amount of public float as required under the Listing Rules during the year ended 30 April 2011 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, 26 July 2011

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

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 38 to 99, which comprise the consolidated and company statements of financial position as at 30 April 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2011, 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, 26 July 2011

Consolidated Statement of Financial Position

As at 30 April 2011

	Note	As at 30 April 2011 HK$'000	As at 30 April 2010 HK$'000 (Restated)	As at 1 May 2009 HK$'000 (Restated)
ASSETS				
Non-current assets				
Land use rights	6	**21,057**	20,681	21,121
Property, plant and equipment	7	**288,099**	301,580	370,054
Investment properties	8	**111,642**	44,020	26,804
Investment in an associate	10	**–**	–	–
Available-for-sale financial assets	11	**8,919**	8,612	8,177
Prepayments and deposits		**5,107**	–	–
Deposits paid for acquisition of property, plant and equipment		**3,891**	–	–
		438,715	374,893	426,156
Current assets				
Inventories	12	**93,709**	82,605	92,084
Accounts receivable	13	**133,891**	131,647	124,307
Prepayments, deposits and other receivables		**8,660**	7,701	5,757
Tax recoverable		**–**	–	652
Pledged bank deposits	14	**30,486**	25,680	27,690
Bank deposits with maturity over 3 months from date of deposits	14	**598**	–	–
Cash and cash equivalents	14	**21,265**	27,080	30,212
		288,609	274,713	280,702
Total assets		**727,324**	649,606	706,858

Consolidated Statement of Financial Position

As at 30 April 2011

	Note	As at 30 April 2011 HK$'000	As at 30 April 2010 HK$'000 (Restated)	As at 1 May 2009 HK$'000 (Restated)
EQUITY				
Share capital	15	**66,914**	71,661	71,661
Reserves	16			
Proposed final dividend		**3,331**	–	–
Others		**385,925**	350,551	337,627
Total equity		**456,170**	422,212	409,288
LIABILITIES				
Non-current liabilities				
Borrowings	18	**–**	–	49,891
Deferred income tax	19	**1,466**	625	3,157
		1,466	625	53,048
Current liabilities				
Borrowings	18	**196,197**	182,104	205,665
Accounts and bills payable	20	**36,938**	20,416	18,145
Accruals and other payables		**27,037**	19,001	20,236
Taxation payable		**9,516**	5,248	476
		269,688	226,769	244,522
Total liabilities		**271,154**	227,394	297,570
Total equity and liabilities		**727,324**	649,606	706,858
Net current assets		**18,921**	47,944	36,180
Total assets less current liabilities		**457,636**	422,837	462,336

LAM WAI CHUN
Director

TANG FUNG KWAN
Director

The notes on pages 45 to 99 are an integral part of these financial statements.

Statement of Financial Position

As at 30 April 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9(a)	244,943	260,290
Current assets			
Prepayments, deposits and other receivables		83	165
Due from subsidiaries	9(b)	4,331	54,891
Cash and cash equivalents	14	430	35
		4,844	55,091
Total assets		249,787	315,381
EQUITY			
Share capital	15	66,914	71,661
Reserves	16		
Proposed final dividend		3,331	–
Others		178,738	193,457
Total equity		248,983	265,118
Current liabilities			
Borrowings	18	–	49,891
Accruals and other payables		804	372
		804	50,263
Total liabilities		804	50,263
Total equity and liabilities		249,787	315,381
Net current assets		4,040	4,828
Total assets less current liabilities		248,983	265,118

LAM WAI CHUN
Director

TANG FUNG KWAN
Director

The notes on pages 45 to 99 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 30 April 2011

	Note	2011 HK$'000	2010 HK$'000 (Restated)
Revenue	5	642,125	537,352
Cost of sales	22	(523,501)	(430,661)
Gross profit		118,624	106,691
Other income		51	55
Other gains, net	21	23,401	2,899
Selling and distribution expenses	22	(18,870)	(10,616)
General and administrative expenses	22	(81,162)	(73,396)
Operating profit		42,044	25,633
Finance costs	24	(7,430)	(8,066)
Profit before taxation		34,614	17,567
Taxation	25	(6,024)	(6,910)
Profit for the year	26	28,590	10,657
Earnings per share,basic and diluted	27	HK4.15 cents	HK1.49 cents
Dividend	28	3,331	–

The notes on pages 45 to 99 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2011

	2011 HK$'000	2010 HK$'000 (Restated)
Profit for the year	**28,590**	10,657
Other comprehensive income/(loss)		
Change in fair value on available-for-sale financial assets	**307**	419
Currency translation differences	**20,544**	(332)
Revaluation of buildings upon transfer to investment properties	**652**	2,180
Total comprehensive income for the year	**50,093**	12,924

The notes on pages 45 to 99 are an integral part of these financial statements.

Consolidated Statement of Changes In Equity

For the year ended 30 April 2011

	Attributable to equity holders of the Company		
	Share capital *HK$'000*	**Reserves** *(Note 16)* *HK$'000*	**Total** *HK$'000*
Balance at 1 May 2009, as previously reported	71,661	334,913	406,574
Adjustment for adoption of amendment to HKAS 12	–	2,714	2,714
As restated	71,661	337,627	409,288
Profit for the year	–	10,657	10,657
Other comprehensive income/(loss):			
Revaluation of buildings upon transfer to investment properties	–	2,180	2,180
Change in fair value of available-for-sale financial assets	–	419	419
Currency translation differences	–	(332)	(332)
Total comprehensive income	–	12,924	12,924
Balance at 30 April 2010	71,661	350,551	422,212
Balance at 1 May 2010, as previously reported	71,661	347,111	418,772
Adjustment for adoption of amendment to HKAS 12	–	3,440	3,440
As restated	71,661	350,551	422,212
Profit for the year	–	28,590	28,590
Other comprehensive income:			
Revaluation of buildings upon transfer to investment properties	–	652	652
Change in fair value of available-for-sale financial assets	–	307	307
Currency translation differences	–	20,544	20,544
Total comprehensive income	–	50,093	50,093
Transactions with owners:			
Purchase of own shares	(4,747)	(11,388)	(16,135)
Balance at 30 April 2011	66,914	389,256	456,170

The notes on pages 45 to 99 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 April 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	29(a)	78,382	92,409
Hong Kong profits tax paid		(588)	(1,543)
Hong Kong profits tax refunded		1,892	–
Overseas tax paid		(2,248)	(2,484)
Net cash generated from operating activities		77,438	88,382
Cash flows from investing activities			
Payment for land use rights		–	(15)
Purchase of property, plant and equipment		(26,199)	(3,424)
Proceeds from disposal of property, plant and equipment		98	997
Purchase of investment properties		(42,140)	(9,280)
Increase in short-term bank deposits with maturity over 3 months		(598)	–
Deposits paid for acquisition of property, plant and equipment		(3,891)	–
Net cash used in investing activities		(72,730)	(11,722)
Cash flows from financing activities			
Proceeds from borrowings		411,938	442,086
Repayments of borrowings		(404,510)	(523,497)
(Increase)/decrease in pledged bank deposits		(4,806)	2,010
Interest received		51	55
Interest paid		(7,321)	(7,637)
Repurchase of shares		(16,135)	–
Net cash used in financing activities		(20,783)	(86,983)
Decrease in cash and cash equivalents and bank overdrafts		(16,075)	(10,323)
Translation adjustments		3,704	30
Cash and cash equivalents and bank overdrafts at the beginning of the year		19,919	30,212
Cash and cash equivalents and bank overdrafts at the end of the year	29(b)	7,548	19,919

The notes on pages 45 to 99 are an integral part of these financial statements.

1 General information

The Company, CEC International Holdings Limited, is an investment holding company. Its subsidiaries are principally engaged in the design, development, manufacture and sale of a wide range of coils, ferrite powder and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products, as well as in holding investment properties. The Company and its subsidiaries are collectively referred to as "the Group" in the consolidated financial statements.

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

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

These consolidated financial statements have been approved for issue by the board of directors (the "Board") of the Company on 26 July 2011.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Standards, interpretations and amendments effective in 2010

- HKFRS 1 (Revised), "First-time Adoption of HKFRSs"
- HKFRS 1 (Amendment), "Additional Exemptions for First-time Adopters"
- HKFRS 2 (Amendment), "Group Cash-settled Share-based Payment Transactions"
- HKFRS 3 (Revised), "Business Combinations"
- HKFRS 8 (Amendment), "Operating Segments"
- HKAS 1 (Amendment), "Presentation of Financial Statements"
- HKAS 7 (Amendment), "Cash Flow Statements"
- HKAS 17 (Amendment), "Leases"
- HKAS 18 (Amendment), "Revenue"
- HKAS 27 (Revised), "Consolidated and Separate Financial Statements"
- HKAS 32 (Amendment), "Classification of Rights Issues"
- HKAS 36 (Amendment), "Impairment of Assets"
- HKAS 39 (Amendment), "Financial instruments: Recognition and Measurement", Amendment on Eligible Hedged Items
- HK(IFRIC) – Int 16, "Hedges of a Net Investment in a Foreign Operation"
- HK(IFRIC) – Int 17, "Distribution of Non-cash Assets to Owners"
- HK(IFRIC) – Int 18, "Transfers of Assets from Customers"
- HK – Int 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

The adoption of the above revised standards and amendments to standards did not have significant effect on the financial statements except stated as below:

(i) HKAS 17 Amendment, "Leases". It deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease terms was classified as operating lease under "leasehold land and land use right", and amortised over the lease term.

HKAS 17 Amendment has been applied retrospectively by the Group in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 May 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Standards, interpretations and amendments effective in 2010 (Continued)

(i) *(Continued)*

The effect of the adoption of this amendment is as below:

	As at 30 April 2011 *HK$'000*	As at 30 April 2010 *HK$'000*	As at 1 May 2009 *HK$'000*
Decrease in leasehold land and land use rights	**(21,235)**	(16,838)	(18,922)
Increase in property, plant and equipment	**21,235**	16,838	18,922

(ii) On 29 November 2010, the HKICPA issued HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause. This interpretation states that liability, which may be callable by the lender at any time without cause (an overriding right of demand) must be classified as a current liability in accordance with HKAS 1. In prior years, the Group classified the borrowings based on the maturity of the borrowings. This interpretation has resulted in a change in the accounting policy relating to the classification of borrowings as current liabilities and non-current liabilities and as a result the Group has reclassified certain borrowings from non-current liabilities to current liabilities.

The effect of the adoption of this amendment is as below:

	As at 30 April 2011 *HK$'000*	As at 30 April 2010 *HK$'000*	As at 1 May 2009 *HK$'000*
Decrease in bank loans – Non-current liabilities	**(23,436)**	(12,599)	(4,121)
Increase in bank loans – Current liabilities	**23,436**	12,599	4,121

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Standards, interpretations and amendments which are not yet effective

The following revised standards, new interpretations, and amendments to standards and interpretation have been issued but are not mandatory for the year ended 30 April 2011:

- HKAS 12 (Amendment), "Deferred Tax – Recovery of Underlying Assets", effective for annual periods beginning on or after 1 January 2012
- HKAS 24 (Revised), "Related Party Disclosures", effective for annual periods beginning on or after 1 January 2011
- HKAS 27 (Revised), "Separate Financial Statements", effective for annual periods beginning on or after 1 January 2013
- HKAS 28 (Revised), "Investments in Associates and Joint Ventures", effective for annual periods beginning on or after 1 January 2013
- HKFRS 1 (Amendment), "Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters", effective for annual periods beginning on or after 1 July 2010
- HKFRS 1 (Amendment), "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters", effective for annual periods beginning on or after 1 July 2011
- HKFRS 7 (Amendment), "Disclosures – Transfers of Financial Assets", effective for annual periods beginning on or after 1 July 2011
- HKFRS 9, "Financial Instruments", effective for annual periods beginning on or after 1 January 2013
- HKFRS 10, "Consolidated Financial Statements", effective for annual periods beginning on or after 1 January 2013
- HKFRS 11, "Joint Arrangements", effective for annual periods beginning on or after 1 January 2013
- HKFRS 12, "Disclosure of Interests in Other Entities", effective for annual periods beginning on or after 1 January 2013
- HKFRS 13, "Fair Value Measurement", effective for annual periods beginning on or after 1 January 2013
- HK(IFRIC) – Int 14 (Amendment), "Prepayments of a Minimum Funding Requirement", effective for annual periods beginning on or after 1 January 2011
- HK(IFRIC) – Int 19, "Extinguishing Financial Liabilities with Equity Instruments", effective for annual periods beginning on or after 1 July 2010

The Group has not early adopted these standards, interpretations and amendments except for the fact that the Group has early adopted HKAS 12 (Amendment) – "Deferred Tax – Recovery of Underlying Assets" as explained below. The directors anticipate that the adoption of the other new or revised standards and amendments will not result in a significant impact on the results and financial position of the Group.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Standards, interpretations and amendments which are not yet effective (Continued)

Currently HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that investment property measured at fair value is recovered entirely through sale. The effective date for the amendment is annual periods on or after 1 January 2012. As a result of the such early adoption of the amendment, the Group's investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring the deferred tax liabilities in respect of such properties. The new accounting policy has been applied retrospectively for annual periods beginning before 1 May 2010 and the effects are disclosed as below:

Effect on Consolidated Statement of Financial Position

	As at 30 April 2011	As at 30 April 2010	As at 1 May 2009
	HK$'000	*HK$'000*	*HK$'000*
Decrease in deferred tax liabilities	**(7,826)**	(3,440)	(2,714)
Increase in retained earnings	**7,311**	3,032	2,666
Increase in property revaluation reserve	**515**	408	48

Effect on Consolidated Income statement

	For the year ended 30 April 2011	For the year ended 30 April 2010
	HK$'000	*HK$'000*
Decrease in income tax expense	**(4,279)**	(366)
Increase in profit for the year	**4,279**	366
Increase in earnings per share, basic and diluted	**HK0.62 cent**	HK0.05 cent

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 April. All subsidiaries incorporated in Mainland China adopt 31 December as their financial year end for statutory purpose. For the purpose of preparing the Group's consolidated financial statements, management accounts of these subsidiaries as at and for the twelve months ended 30 April 2010 and 2011 were used, after making adjustments which are considered necessary by the directors of the Company for compliance with HKFRS.

(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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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 statement of financial position, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(b) Transactions with non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

An associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in an associated company are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in an associated company includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associated company's post-acquisition profits or losses is recognised in the consolidated 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 associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

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

Land and buildings comprise mainly factories and offices. Leasehold land classified as financial lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The principal annual rates are as follows:

– Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
– Buildings	2.5%
– Machinery	10%
– Furniture and equipment	16.7% to 25%
– Motor vehicles	16.7% to 30%

2 Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains, net" in the income statement.

2.6 Investment properties

Investment properties comprising shops, residential and industrial buildings, are held for long-term rental yields and are 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 Impairment of investments in subsidiaries, associate and non-financial assets

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

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets

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

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the date of statement of financial position. 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 statement of financial position (Note 2.10 and 2.11).

(b) *Available-for-sale financial assets*

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

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

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 statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in 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.

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets *(continued)*

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

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

The Group assesses at each date of statement of financial position 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 2.10.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of raw materials.

2 Summary of significant accounting policies *(continued)*

2.10 Accounts and other receivables

Accounts receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as equity.

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

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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 date of statement of financial position.

2 Summary of significant accounting policies *(continued)*

2.14 Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position 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 date of statement of financial position 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.

2.15 Accounts and other payables

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

2.16 Employee benefits

(a) *Employee leave entitlements*

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

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

2 Summary of significant accounting policies *(continued)*

2.16 Employee benefits *(continued)*

(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 date of statement of financial position, 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.

2.17 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 periods in which the services are rendered.

2 Summary of significant accounting policies *(continued)*

2.17 Revenue recognition *(continued)*

(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.

2.18 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

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.

2.19 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 Summary of significant accounting policies *(continued)*

2.20 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 policies on how to mitigate these risks are set out below. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) *Foreign exchange risk*

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

The Group operates mainly in Mainland China and Hong Kong with most of the sales transactions being 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 at 30 April 2011, if Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables held constant, post-tax profit for the year would have been approximately HK$141,000 lower/higher (2010: HK$88,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of Renminbi denominated accounts receivable, bank balances and cash, accounts payable and borrowings.

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

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

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Credit risk*

Credit risk is managed on a group basis. The Group's financial assets are accounts receivable, other receivables and bank balances. The amounts of those assets stated in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is concentrated on a number of major and long established customers. Sales to the top five customers accounted for approximately 50% of the Group's total sales. The Group has policies in place to ensure that sales are made to customers with appropriate credit history and to limit the amount of credit exposure to individual customer. The Group reviews the recoverable amount of each individual accounts receivable at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's past experience in collection of accounts receivable falls within the recorded allowances.

The credit risk on cash at banks is limited because the counterparties are major financial institutions located in Hong Kong and Mainland China. Transactions in relation to derivative financial instruments, if any, are only carried out with financial institutions of high reputation. The Group has policies that limit the amount of credit exposure to any one financial institution.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by the above mentioned counterparties.

The Company has no significant exposure to credit risk because the Company's assets are mainly relating to balances with subsidiaries. Management has also performed the liability adequacy test on the guarantees given to bank and financial institutions for certain of its subsidiaries and is of the opinion that there are no liabilities in relation to the guarantees given.

(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. In addition, the directors have strong control in place to ensure that all covenants with banks are properly complied with at each reporting period.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position 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.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) *Liquidity risk (continued)*

	On demand#	Less than 1 year
Group		
At 30 April 2011		
Borrowings	**196,197**	**–**
Accounts and bills payable	**–**	**36,938**
Accruals and other payables	**–**	**27,037**
Interest payable	**3,229**	**–**
	199,426	**63,975**
At 30 April 2010		
Borrowings	182,104	–
Accounts Payable	–	20,416
Accruals and other payables	–	19,001
Interest payable	1,645	–
	183,749	39,417

\# The Group's bank borrowings which contain a repayment on demand clause which can be exercised by the banks at their discretion. The analysis shows the cash outflow based on the earliest period in which the Group would be required to repay the borrowings if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

(d) *Cash flow interest rate risk*

The Group's interest-rate risk mainly arises from pledged bank deposits, bank balances and borrowings. The Group regularly seeks the most favourable interest rates available for its bank deposits and borrowings. Bank deposits and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Information relating to the interest rates and terms of the Group's bank deposits and borrowings are disclosed in Notes 14 and 18. As at 30 April 2011, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$601,000 (2010: HK$540,000) lower/higher, mainly as a result of higher/lower interest income on bank deposits 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 statement of financial position) less bank balances and cash. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt. The gearing ratios at 30 April 2011 and 2010 were as follows:

	2011	2010
	HK$'000	*HK$'000*
Total borrowings *(Note 18)*	**196,197**	182,104
Less: Bank balances and cash *(Note 14)*	**(52,349)**	(52,760)
Net debt	**143,848**	129,344
Total equity	**456,170**	422,212
Total capital	**600,018**	551,556
Gearing ratio	**24%**	23%

3.3 Fair value estimation

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

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

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

The Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets that are measured at fair value at 30 April 2011.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Available-for-sale financial assets				
– Investment fund	**8,697**	**–**	**–**	**8,697**
– Equity securities	**222**	**–**	**–**	**222**
Total assets	**8,919**	**–**	**–**	**8,919**

The following table presents the Group's assets that are measured at fair value at 30 April 2010.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Available-for-sale financial assets				
– Investment fund	8,337	–	–	8,337
– Equity securities	275	–	–	275
Total assets	8,612	–	–	8,612

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4 Critical accounting estimates and judgements

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

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

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

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

(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 recent prices of similar properties, 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 date of statement of financial position.

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.

Pursuant to the Corporate Income Tax Law and its implementation rules, effective from 1 January 2008, certain non-resident enterprises (for instance, those without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC whose relevant income is not effectively connected with the establishment or a place of business in PRC) are subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividend derived from sources within the PRC.

(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 date of statement of financial position.

(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 date of statement of financial position.

Notes to the Financial Statements

5 Segment information

The Executive Directors of the Group ("management") reviews the Group's internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

During the year, management changed its reporting segment to (i) Electronic components manufacturing and (ii) Investment property holding as a result of the growing importance of the later segment to the total assets of the Group. Segment information provided to management for decision making is measured in a manner consistent with that in the financial statements.

Inter-segment sales were made based on mutually agreed terms.

The segment information provided to the management for the reportable segments for the years ended 30 April 2011 and 2010 is as follows:

	Electronic components manufacturing		Investment property holding		Eliminations		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Segment revenue								
External sales	**639,061**	535,979	**3,064**	1,373	**–**	–	**642,125**	537,352
Intersegment sales	**–**	–	**185**	185	**(185)**	(185)	**–**	–
	639,061	535,979	**3,249**	1,558	**(185)**	(185)	**642,125**	537,352
Segment results								
Operating profit	**13,807**	22,826	**28,237**	2,807	**–**	–	**42,044**	25,633
Finance costs							**(7,430)**	(8,066)
Profit before taxation							**34,614**	17,567
Taxation							**(6,024)**	(6,910)
Profit for the year							**28,590**	10,657
Depreciation and amortization	**49,797**	66,897	**35**	53	**–**	–	**49,832**	66,950
Distribution cost and administrative expenses	**99,569**	83,617	**463**	395	**–**	–	**100,032**	84,012
Additions to non-current assets (other than financial instruments)	**35,197**	3,098	**42,140**	9,360	**–**	–	**77,337**	12,458

5 Segment information *(continued)*

	Electronic components manufacturing		Property holding		Eliminations		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
								(Restated)
Segment assets	**620,011**	609,161	**112,776**	46,111	**(5,463)**	(5,666)	**727,324**	649,606
Unallocated assets							**–**	–
Total assets							**727,324**	649,606
Segment liabilities	**63,982**	39,421	**5,456**	5,662	**(5,463)**	(5,666)	**63,975**	39,417
Unallocated liabilities								
– Borrowings							**196,197**	182,104
– Deferred income tax							**1,466**	625
– Taxation payable							**9,516**	5,248
Total liabilities							**271,154**	227,394

Geographical information

	Revenue		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including the Hong Kong Special Administrative Region)	**505,268**	423,136	**438,580**	374,516
Other regions	**136,857**	114,216	**135**	377
	642,125	537,352	**438,715**	374,893

Revenue by geographical location is determined on the basis of the destination of shipment.

Non-current assets by geographical location are determined based on the location of the relevant assets.

For the year ended 30 April 2011, revenues of approximately HK$187,559,000 (2010: HK$155,264,000) are derived from a single external customer. These revenues are attributable to the electronic components manufacturing segment.

Notes to the Financial Statements

5 Segment information *(continued)*

Analysis of revenue by category

	2011 HK$'000	2010 HK$'000
Sales of goods	639,061	535,979
Rental income	3,064	1,373
	642,125	537,352

6 Land use rights

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

	As at 30 April 2011 HK$'000	As at 30 April 2010 HK$'000 (Restated)	As at 1 May 2009 HK$'000 (Restated)
In Mainland China, held on:			
Leases of between 10 to 50 years	19,582	19,221	19,639
Leases of over 50 years	1,475	1,460	1,482
	21,057	20,681	21,121

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

	2011 HK$'000	2010 HK$'000 (Restated)
At 1 May, as previously reported	37,519	40,043
Effect of adoption of HKAS 17 (Amendment)	(16,838)	(18,922)
At 1 May, as restated	20,681	21,121
Exchange differences	871	31
Additions	–	15
Amortisation	(495)	(486)
At 30 April	21,057	20,681

7 Property, plant and equipment

Group

	Land and buildings HK$'000	Machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 May 2009					
Cost, as previously reported	133,067	746,269	89,662	10,441	979,439
Adjustment for adoption of amendment to HKAS 17	20,951	–	–	–	20,951
Cost, as restated	154,018	746,269	89,662	10,441	1,000,390
Accumulated depreciation and impairment, as previously reported	(14,916)	(538,153)	(67,810)	(7,428)	(628,307)
Adjustment for adoption of amendment to HKAS 17	(2,029)	–	–	–	(2,029)
Accumulated depreciation and impairment, as restated	(16,945)	(538,153)	(67,810)	(7,428)	(630,336)
Net book amount, as restated	137,073	208,116	21,852	3,013	370,054
Year ended 30 April 2010					
Opening net book amount as previously reported	118,151	208,116	21,852	3,013	351,132
Adjustment for adoption of amendment to HKAS 17	18,922	–	–	–	18,922
Opening net book amount, as restated	137,073	208,116	21,852	3,013	370,054
Exchange differences	158	206	9	1	374
Additions	1,244	706	782	431	3,163
Disposals	–	(1,300)	(185)	(5)	(1,490)
Written off	–	(354)	–	(165)	(519)
Revaluation	2,180	–	–	–	2,180
Transfer to investment properties *(Note 8)*	(5,718)	–	–	–	(5,718)
Depreciation	(3,514)	(55,806)	(6,122)	(1,022)	(66,464)
Closing net book amount, as restated	131,423	151,568	16,336	2,253	301,580

7 Property, plant and equipment *(continued)*

Group

	Land and buildings	Machinery	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 April 2010					
Cost, as previously reported	132,405	718,157	89,350	10,260	950,172
Adjustment for adoption of amendment to HKAS 17	19,196	–	–	–	19,196
Cost, as restated	151,601	718,157	89,350	10,260	969,368
Accumulated depreciation and impairment, as previously reported	(17,820)	(566,589)	(73,014)	(8,007)	(665,430)
Adjustment for adoption of amendment to HKAS 17	(2,358)	–	–	–	(2,358)
Accumulated depreciation and impairment, as restated	(20,178)	(566,589)	(73,014)	(8,007)	(667,788)
Net book amount, as restated	131,423	151,568	16,336	2,253	301,580
Year ended 30 April 2011					
Opening net book amount, as previously reported	114,585	151,568	16,336	2,253	284,742
Adjustment for adoption of amendment to HKAS 17	16,838	–	–	–	16,838
Opening net book amount, as restated	131,423	151,568	16,336	2,253	301,580
Exchange differences	3,430	7,050	637	67	11,184
Additions	12,732	4,735	6,852	1,880	26,199
Disposals/Written off	–	(658)	(1,972)	–	(2,630)
Revaluation	652	–	–	–	652
Transfer from investment properties, net *(Note 8)*	451	–	–	–	451
Depreciation	(3,658)	(38,032)	(6,551)	(1,096)	(49,337)
Closing net book amount	145,030	124,663	15,302	3,104	288,099
At 30 April 2011					
Cost	169,203	733,456	82,135	11,257	996,051
Accumulated depreciation	(24,173)	(608,793)	(66,833)	(8,153)	(707,952)
Net book amount	145,030	124,663	15,302	3,104	288,099

7 Property, plant and equipment *(continued)*

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

	2011	2010
	HK$'000	*HK$'000*
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**22,983**	16,838

During the year, land and buildings with carrying amount of approximately HK$2,024,000 (2010: HK$5,718,000) was transferred to investment property *(Note 8)*. Revaluation surplus of approximately HK$652,000 (2010: HK$2,180,000) upon transfer was included in property revaluation reserve. During the year, investment property with carrying amount of approximately HK$2,475,000 (2010: Nil) was transferred to land and buildings.

Depreciation expense of approximately HK$45,584,000 (2010: HK$63,501,000) and HK$3,753,000 (2010: HK$2,963,000) has been included in cost of sales and distribution costs and administrative expenses respectively.

Land and buildings with an aggregate carrying amount of approximately HK$5,609,000 as at 30 April 2011 (2010: Nil) were pledged against certain of Group's borrowing *(Note 31)*.

8 Investment properties

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 May	**44,020**	26,804
Additions	**42,140**	9,280
Fair value gains *(Note 21)*	**25,933**	2,218
Transfer (to)/from property, plant and equipment, net *(Note 7)*	**(451)**	5,718
At 30 April	**111,642**	44,020

The investment properties were revalued on an open market basis at 30 April 2011 by an independent professional qualified valuer, Castores Magi (Hong Kong) Limited.

The accompanying consolidated income statement included rental income from investment property of HK$3,064,000 (2010: HK$1,373,000) and related direct operating expenses of approximately HK$481,000 (2010: HK$275,000).

8 Investment properties *(continued)*

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

	2011	2010
	HK$'000	*HK$'000*
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**111,642**	44,020

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

Investment properties with an aggregate carrying amount of approximately HK$40,302,000 as at 30 April 2011 (2010: Nil) were pledged against certain of Group's borrowings *(Note 31)*.

9 Investments in and balance with subsidiaries – Company

(a) Investments in subsidiaries

	2011	2010
	HK$'000	*HK$'000*
Unlisted investments, at cost	**137,348**	137,348
Due from subsidiaries	**107,595**	122,942
	244,943	260,290

The amounts due from subsidiaries were unsecured, interest free and were not repayable within 12 months from the date of statement of financial position.

The following is a list of the subsidiaries of the Company as at 30 April 2011:

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (a)
CEC-Coils Singapore Pte Ltd.	Singapore	Sale of coils and other electronic components	Ordinary S$1,500,000	100%
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%
CEC-Technology Limited	Hong Kong	Investment holding	Ordinary HK$10,000	100%

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

(a) Investments in subsidiaries *(continued)*

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (a)
重慶高雅科技有限公司 (Chongqing CEC-Technology Limited) (c)	Mainland China	Provision of information technology services 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$31,366,980	100%
Coils International Holdings Limited (a)	British Virgin Islands	Investment holding	Ordinary US$10,000	100%
Coils Investment (BVI) Limited	British Virgin Islands	Investment holding	Ordinary US$1	100%
Coils Property Management Limited	Hong Kong	Property investment holding	Ordinary HK$200,000	100%
Gaozhou Coils Electronic Co. Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US$500,000	100%
Good Signal Holdings Limited	British Virgin Islands	Investment holding	Ordinary US$100	100%
南京國仲磁性材料製品有限公司 (Nanjing Guo Zhong Magnetic Material Co., Ltd.) (c)	Mainland China	Manufacture and sale of ferrite powder	Registered capital US$2,780,000	100%
Xiamen Coils Electronic Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital HK$9,567,620	100%
Zhongshan Coils Metalwork Co., Ltd. (c)	Mainland China	Manufacture of coils	Registered capital US$755,000	100%

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

(a) Investments in subsidiaries *(continued)*

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 2011.

As at 30 April 2011, the Company had given guarantees to banks and financial institutions of approximately HK$191,974,000 (2010: HK$132,534,000) to secure banking facilities of certain subsidiaries.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30 April 2011 (2010: Nil).

Notes:

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

(b) The non-voting deferred shares of Coils Electronic Co., Limited are owned by Mr. Lam Wai Chun, Ms. Law Ching Yee and Ka Yan China Development (Holding) Company Limited, the intermediate holding company of the Company. Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of Coils Electronic Co., Limited exceeds HK$100,000,000,000,000, and are not entitled to any distributions upon winding up unless a sum of HK$100,000,000,000,000 has been distributed to the holders of the ordinary shares.

(c) 重慶高雅科技有限公司(Chongqing CEC-Technology Limited), Coils Electronic (Zhong Shan) Co., Ltd., Gaozhou Coils Electronic Co. Ltd., Xiamen Coils Electronic Co., Ltd. and Zhongshan Coils Metalwork Co., Ltd. are wholly foreign owned enterprises established in Mainland China to be operated for 15 years up to August 2017, April 2016, November 2019, December 2012 and February 2016, respectively.

南京國仲磁性材料製品有限公司(Nanjing Guo Zhong Magnetic Material Co., Ltd.) is a wholly foreign owned enterprise established in Mainland China to be operated for 30 years up to April 2033.

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

(b) Due from subsidiaries

The amounts due from subsidiaries (included in current assets) are non-interest bearing, unsecured and repayable on demand, except that an amount of HK$ 49,891,000 due from a subsidiary as at 30 April 2010 was interest bearing at commercial rates.

10 Investment in an associate

The investment in the associate was fully impaired. No share of losses in the associate was recognised for the year (2010: nil) as the associate was dormant during the year.

Details of the associate are as follows:

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

11 Available-for-sale financial assets

	Group 2011 HK$'000	2010 HK$'000
Investment fund	8,697	8,337
Equity securities:		
– listed in Hong Kong, at market value	222	275
	8,919	8,612

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

	Group 2011 HK$'000	2010 HK$'000
United States dollar	8,697	8,337
Hong Kong dollar	222	275
	8,919	8,612

The investment fund represented investment in a capital guaranteed fund, which is managed by HSBC Global Asset Management (Hong Kong) Limited.

Increase in fair values of available-for-sale financial assets of approximately HK$307,000 (2010: HK$419,000) are recorded in investment revaluation reserve.

There was no disposal on available-for-sale financial assets during the years ended 30 April 2010 and 2011.

As at 30 April 2010 and 30 April 2011, the Group's capital guaranteed fund was pledged as collateral for the Group's borrowings *(Note 31)*.

12 Inventories

	Group 2011 HK$'000	2010 HK$'000
Raw materials	55,366	60,192
Work-in-progress	12,299	11,346
Finished goods	26,044	11,067
	93,709	82,605

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$333,755,000 (2010: HK$234,103,000).

13 Accounts receivable

The aging analysis of accounts receivable based on invoice date is as follows:

	Group 2011 HK$'000	2010 HK$'000
0 – 30 days	57,346	56,827
31 – 60 days	44,858	40,370
61 – 90 days	14,873	11,147
91 – 120 days	9,325	8,239
Over 120 days	11,033	21,158
	137,435	137,741
Less: provision for impairment of receivables	(3,544)	(6,094)
	133,891	131,647

As at 30 April 2011 and 30 April 2010, the carrying amount of accounts receivable approximated its fair value.

Top 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.

As at 30 April 2011, a subsidiary of the Company had factored accounts receivables of approximately HK$30,162,000 (2010: HK$26,596,000) (the "Factored Receivables") to banks for cash under certain receivables purchase agreements. As the subsidiary of the Company still retained the risks and rewards associated with the default and delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled. Accordingly, the proceeds from the factoring of accounts receivables have been accounted for as the Group's liabilities and included in borrowings as "bank advances for factored receivables" *(Note 18)*.

13 Accounts receivable *(continued)*

As at 30 April 2011, accounts receivable of HK$21,441,000 (2010: HK$17,325,000) were past due but not impaired. These relate to a number of customers for whom there is no significant defaults in the past. The aging analysis of these accounts receivable is as follows:

	2011 *HK$'000*	2010 *HK$'000*
Overdue by 0 – 1 month	14,453	10,425
Overdue by 1 – 2 months	5,464	4,053
Overdue by 2 – 3 months	1,524	2,847
Overdue by more than 3 months	–	–
	21,441	17,325

As at 30 April 2011, accounts receivable of HK$3,544,000 (2010: HK$6,094,000) were impaired. The amount of the provision was HK$3,544,000 at 30 April 2011 (2010: HK$6,094,000). The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations. The ageing of these accounts receivable is as follows:

	2011 *HK$'000*	2010 *HK$'000*
Current	–	–
Overdue by 0 – 1 month	–	–
Overdue by 1 – 2 months	–	–
Overdue by 2 – 3 months	–	–
Overdue by more than 3 months	3,544	6,094
	3,544	6,094

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

	2011 *HK$'000*	2010 *HK$'000*
At the beginning of the year	6,094	3,093
Provision for impairment	1,551	4,333
Write-off of provision	(4,140)	(1,336)
Exchange differences	39	4
At the end of the year	3,544	6,094

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

13 Accounts receivable *(continued)*

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

	2011	2010
	HK$'000	*HK$'000*
Hong Kong dollar	**47,859**	50,992
Renminbi	**43,051**	46,830
United States dollar	**41,380**	32,532
Other currencies	**1,601**	1,293
	133,891	131,647

14 Cash and bank balances

	Group		**Company**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and cash equivalents	**21,265**	27,080	**430**	35
Bank deposits with maturity over 3 months from date of deposits	**598**	–	**–**	–
Pledged bank deposits	**30,486**	25,680	**–**	–
	52,349	52,760	**430**	35

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

	Group		**Company**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**24,007**	20,633	**430**	35
Renminbi *(note b)*	**9,599**	10,974	**–**	–
United States dollar	**17,498**	19,623	**–**	–
Other currencies	**1,245**	1,530	**–**	–
	52,349	52,760	**430**	35

14 Cash and bank balances *(continued)*

Notes:

(a) The effective interest rate on bank fixed deposits was approximately 0.07% (2010: 0.02%) per annum. These deposits have an average maturity of 44 (2010: 29) days.

(b) 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 2011, the Group's bank deposits of approximately HK$30,486,000 (2010: HK$25,680,000) were pledged as collateral for the Group's borrowings *(Note 31)*.

15 Share capital

	2011		2010	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
Authorised:				
Shares of HK$0.10 each	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
Shares of HK$0.10 each				
At 1 May	**716,610,798**	**71,661**	716,610,798	71,661
Repurchase and cancellation of shares	**(47,466,000)**	**(4,747)**	–	–
At 30 April	**669,144,798**	**66,914**	716,610,798	71,661

All shares repurchased during the year were cancelled during the year, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased shares so cancelled. The premium and related expenses paid on the repurchases of the shares of approximately HK$11,388,000 were charged to the share premium account. An amount equivalent to the par value of the shares cancelled was transferred to the capital redemption reserve.

In June 2011, the Company acquired 2,954,000 of its own shares through purchases on the Hong Kong Stock Exchange. The total amount paid to acquire the shares was approximately HK$956,000. These shares were subsequently cancelled.

Notes to the Financial Statements

16 Reserves

Group

	Share premium HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Mainland China statutory reserve (note a) HK$'000	Corporate development reserve (note b) HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 May 2009, as previously reported	37,132	13,934	(488)	244	14,788	3,141	66,855	199,307	334,913
Adjustment for adoption of amendment to HKAS 12	–	–	–	48	–	–	–	2,666	2,714
As restated	37,132	13,934	(488)	292	14,788	3,141	66,855	201,973	337,627
Revaluation of buildings upon transfer to investment properties	–	–	–	2,180	–	–	–	–	2,180
Currency translation differences	–	–	–	–	–	–	(332)	–	(332)
Change in fair value of available-for-sale financial assets *(Note 11)*	–	–	419	–	–	–	–	–	419
Transfer from retained earnings to other reserves	–	–	–	–	720	–	–	(720)	–
Profit for the year	–	–	–	–	–	–	–	10,657	10,657
At 30 April 2010	37,132	13,934	(69)	2,472	15,508	3,141	66,523	211,910	350,551

16 Reserves *(continued)*

Group *(continued)*

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Mainland China statutory reserve *(note a)* HK$'000	Corporate development reserve *(note b)* HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 May 2010, as previously reported	37,132	–	13,934	(69)	2,064	15,508	3,141	66,523	208,878	347,111
Adjustment for adoption of amendment to HKAS 12	–	–	–	–	408	–	–	–	3,032	3,440
As restated	37,132	–	13,934	(69)	2,472	15,508	3,141	66,523	211,910	350,551
Revaluation of buildings upon transfer to investment properties	–	–	–	–	652	–	–	–	–	652
Currency translation differences	–	–	–	–	–	–	–	20,544	–	20,544
Change in fair value of available-for-sale financial assets *(Note 11)*	–	–	–	307	–	–	–	–	–	307
Transfer from retained earnings to other reserves	–	–	–	–	–	701	–	–	(701)	–
Repurchase and cancellation of shares	(11,388)	4,747	–	–	–	–	–	–	(4,747)	(11,388)
Profit for the year	–	–	–	–	–	–	–	–	28,590	28,590
At 30 April 2011	25,744	4,747	13,934	238	3,124	16,209	3,141	87,067	235,052	389,256

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.

16 Reserves *(continued)*

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 May 2009 and at 30 April 2010	37,132	–	131,338	24,987	193,457
Repurchase and cancellation of shares	(11,388)	4,747	–	(4,747)	(11,388)
At 30 April 2011	25,744	4,747	131,338	20,240	182,069

Contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued and the aggregate net asset value of the subsidiaries acquired through an exchange of shares pursuant to the reorganisation in 1999. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders subject to the condition that subsequent to the payment of dividend or any distribution, (i) the Company will be able to pay its liabilities as they become due, and (ii) the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium.

17 Share options

A share option scheme (the "Scheme") was adopted by the Company on 26 September 2002. Under the Scheme, the Company may grant options to any full-time employees (including executive directors) and non-executive directors of the Company or any of its subsidiaries (including independent non-executive directors of the Company) to subscribe for shares in the Company. The total number of shares available for issue upon exercise of all options to be granted under the 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 subscription price per share in respect of an option will be determined by the Board of the Company, and will not be less than the highest of (i) the closing price of the Company's share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of grant.

No option under the Scheme was granted or remained outstanding during the year ended 30 April 2011 (2010: Nil).

18 Borrowings

	Group			Company	
	As at 30 April 2011	As at 30 April 2010	As at 1 May 2009	**As at 30 April 2011**	As at 30 April 2010
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)	(Restated)		
Non-current					
Bank borrowings	**–**	–	49,891	**–**	–
Current					
Bank borrowings	**152,318**	148,347	190,524	**–**	49,891
Bank advances for factored receivables	**30,162**	26,596	15,141	**–**	–
Bank overdrafts	**13,717**	7,161	–	**–**	–
	196,197	182,104	205,665	**–**	49,891
Total borrowings	**196,197**	182,104	255,556	**–**	49,891

The Group factored certain receivables to banks in exchange for cash during the year. As the Group still retained risks and rewards associated with the default by customers on those factored receivables, those receivables have been accounted for as bank advances as at 30 April 2011.

The maturity of borrowings is analysed as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**172,761**	169,505	**–**	49,891
Between one and two years	**5,742**	10,399	**–**	–
Between two and five years	**3,542**	2,200	**–**	–
More than five years	**14,152**	–	**–**	–
	196,197	182,104	**–**	49,891

The above amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

18 Borrowings *(continued)*

The ranges of effective interest rates at the date of statement of financial position were as follows:

	Group					
	2011			2010		
	HK$	***US$***	***JPY***	*HK$*	*US$*	*JPY*
	%	*%*	*%*	*%*	*%*	*%*
Borrowings	**0.97 – 6.25**	**3.82 – 3.89**	**2.59**	1.70 -6.25	3.15 – 4.00	2.64 – 2.66

	Company	
	2011	2010
	%	%
Borrowings – Hong Kong dollars	**–**	1.70

The carrying amounts of borrowings approximate their fair values.

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**171,631**	169,574	**–**	49,891
United States dollar	**24,168**	11,564	**–**	–
Japanese Yen	**398**	966	**–**	–
	196,197	182,104	**–**	49,891

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

19 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 date of statement of financial position in the respective jurisdictions.

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 May, as previously reported	**4,065**	5,871
Adjustment for adoption to HKAS 12	**(3,440)**	(2,714)
As restated	**625**	3,157
Deferred taxation		
– charged/(credited) to consolidated income statement *(Note 25)*	**1,429**	(2,532)
Payment of dividend withholding tax upon distribution of unremitted profits	**(588)**	–
At 30 April	**1,466**	625

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	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the year	**920**	429	**1**	662	**921**	1,091
(Charged)/credited to income statement	**(263)**	491	**500**	(661)	**237**	(170)
End of the year	**657**	920	**501**	1	**1,158**	921

19 Deferred income tax *(continued)*

Deferred tax liabilities	Accelerated depreciation allowance		Investment properties		Withholding tax		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the year, as previously reported	**284**	3,278	**3,710**	2,778	**992**	906	**4,986**	6,962
Adoption for adoption to HKAS 12	**–**	–	**(3,440)**	(2,714)	**–**	–	**(3,440)**	(2,714)
As restated	**284**	3,278	**270**	64	**992**	906	**1,546**	4,248
Charged/(credited) to income statement	**1,206**	(2,994)	**172**	206	**288**	86	**1,666**	(2,702)
Payment of dividend withholding tax upon distribution of unremitted profits	**–**	–	**–**	–	**(588)**	–	**(588)**	–
End of the year	**1,490**	284	**442**	270	**692**	992	**2,624**	1,546

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

	2011	2010
	HK$'000	*HK$'000*
Deferred tax liabilities	**1,466**	625

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$24,972,000 (2010: HK$20,330,000) 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$15,875,000 (2010: HK$14,450,000) have no expiry date and the remaining losses will expire at variable dates up to and including 2015.

The Group is subject to withholding tax at the rate of 10% (unless reduced by treaty) on distributions of profits generated after 31 December 2007 from the Group's foreign-invested enterprises in the PRC. As all of the Group's foreign-invested enterprises are directly and wholly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. Deferred tax liabilities amounted to HK$692,000 (2010: HK$992,000) have been provided for in this regard based on the expected dividends to be distributed from the Group's foreign-invested enterprises in the foreseeable future in respect of the profits generated after 31 December 2007.

20 Accounts and bills payable

	Group 2011 HK$'000	2010 HK$'000
Accounts payable	36,537	20,416
Bills payable	401	–
	36,938	20,416

The aging analysis of accounts payable based on invoice date is as follows:

	Group 2011 HK$'000	2010 HK$'000
0 – 30 days	32,314	19,532
31 – 60 days	3,243	204
61 – 90 days	143	97
91 – 120 days	152	137
Over 120 days	685	446
	36,537	20,416

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

	2011 HK$'000	2010 HK$'000
Hong Kong dollar	6,599	4,627
Renminbi	24,596	14,424
US dollar	4,845	1,288
Other currencies	497	77
	36,537	20,416

Notes to the Financial Statements

21 Other gains, net

	2011 HK$'000	2010 HK$'000
Fair value gains on investment properties	**25,933**	2,218
Gain on deregistration of subsidiaries and a branch	**–**	1,174
Net loss on written off/disposal of property, plant and equipment	**(2,532)**	(493)
	23,401	2,899

22 Expenses by nature

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

	2011 HK$'000	2010 HK$'000 (Restated)
Auditors' remuneration	**1,743**	1,595
Amortisation of land use rights *(Note 6)*	**495**	486
Raw materials and consumables used	**317,688**	233,024
Changes in inventories of finished goods, and work in progress	**16,067**	1,079
Depreciation of property, plant and equipment *(Note 7)*	**49,337**	66,464
Direct operating expenses arising from investment properties that generate rental income	**481**	275
Rental compensation arising from restructuring	**–**	266
Employee benefit expenses (including directors' emoluments) *(Note 23)*	**180,475**	143,169
Net exchange losses	**2,798**	125
Operating lease rentals	**5,274**	2,726
Provision for impairment of accounts receivable *(Note 13)*	**1,551**	4,333
Impairment/write off of property, plant and equipment arising from restructuring	**–**	519
Other expenses	**47,624**	60,612
Total cost of sales, distribution and selling expenses and general and administrative expenses	**623,533**	514,673

23 Employee benefit expenses

	2011 HK$'000	2010 HK$'000
Wages and salaries	**165,812**	131,407
Pension costs – defined contribution plans *(Note a)*	**11,194**	9,094
Staff welfare	**3,469**	1,070
Compensation to employees arising from restructuring	**–**	1,598
	180,475	143,169

(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 Group's contributions are subjected to a cap of HK$1,000 per month for the contribution at 5% of the employees' relevant income and HK$2,000 per month for the contribution at 10% of the employees' relevant income. The employees' contributions are subjected to a cap of 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.

23 Employee benefit expenses *(continued)*

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

As stipulated by the rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group contributes to the retirement plans at rates of approximately 14% to 33% of the basic salaries of its employees in Mainland China and has no further obligation for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

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 15.5% 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 2011, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK$11,194,000 (2010: HK$9,094,000), with no deduction of forfeited contributions (2010: Nil). As at 30 April 2011, 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:

	2011	2010
	HK$'000	*HK$'000*
Directors' fees for independent non-executive directors	**2,238**	2,238
Other emoluments for executive directors		
– basic salaries, allowances and other benefits in kind	**3,775**	3,508
– contributions to pension schemes	**274**	271
	6,287	6,017

No directors waived any emoluments during the year (2010: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

23 Employee benefit expenses *(continued)*

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

The remuneration of the Directors for the year ended 30 April 2011 is set out below:

	Fees HK$'000	Basic salaries and allowances HK$'000	Employer's contribution to pension schemes HK$'000	2011 Total HK$'000	2010 Total HK$'000
Executive directors:					
Mr. Lam Wai Chun	–	1,281	100	1,381	1,306
Ms. Tang Fung Kwan	–	1,386	120	1,506	1,558
Ms. Li Hong	–	628	30	658	624
Mr. Chung Wai Kin	–	480	24	504	291
Independent non-executive directors:					
Dr. Tang Tin Sek	498	–	–	498	498
Mr. Au Son Yiu	480	–	–	480	480
Mr. Lee Wing Kwan, Denis	420	–	–	420	420
Mr. Goh Gen Cheung	420	–	–	420	420
Professor Zhu Yuhe	420	–	–	420	420
	2,238	3,775	274	6,287	6,017

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining two (2010: two) individuals during the year are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, allowances and other benefits in kind	1,098	1,083
Contributions to pension schemes	36	36
	1,134	1,119

The emoluments fell within the following band:

	Number of individuals 2011	2010
Emolument bands		
Nil to HK$1,000,000	2	2

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

24 Finance costs

	2011 HK$'000	2010 HK$'000
Interest expense on bank borrowings *(Note)*		
– wholly repayable within five years	7,191	7,268
– not wholly repayable within five years	130	–
Total interest expense incurred during the year	7,321	7,268
Amortisation of loan arrangement costs	109	798
Finance costs	7,430	8,066

Note:

The classification by repayment period is based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

25 Taxation

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

	2011 HK$'000	2010 HK$'000 (Restated)
Hong Kong profits tax		
– current tax	2,298	6,745
Overseas taxation including Mainland China		
– current tax	2,330	2,628
– (over)/under provision in prior years	(33)	69
Deferred taxation *(Note 19)*	1,429	(2,532)
Total taxation	6,024	6,910

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 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 12.5% to 25% (2010: 12.5% to 25%) 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.

25 Taxation *(continued)*

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

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation	**34,614**	17,567
Tax calculated at weighted average domestic tax rates applicable to profits in the respective territories	**5,770**	3,132
Tax effect on income not subject to taxation	**(4,280)**	(573)
Tax effect on expenses not deductible for taxation purposes	**2,339**	2,388
Utilisation of previously unrecognised tax losses	**–**	(516)
Unrecognised tax losses	**948**	1,943
(Over)/under provision in prior years	**(33)**	69
Withholding tax on unremitted profit	**288**	85
Others	**992**	382
	6,024	6,910

26 Profit for the year of the Company

There is no profit/loss of the Company dealt with in the financial statements of the Company for the years ended 30 April 2011 and 30 April 2010.

27 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the year of the Company of approximately HK$28,590,000 (2010: HK$10,657,000) and the weighted average number of 689,395,908 (2010: 716,610,798) shares in issue during the year.

For the years ended 30 April 2011 and 30 April 2010, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

28 Dividend

	2011	2010
	HK$'000	*HK$'000*
Proposed final dividend of HK0.50 cent (2010: Nil) per share	**3,331**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements have not reflected this dividend payable.

29 Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2011 HK$'000	2010 HK$'000 (Restated)
Profit for the year	28,590	10,657
Adjustments for:		
– Taxation	6,024	6,910
– Interest income	(51)	(55)
– Interest expense	7,321	7,268
– Amortisation of loan arrangements costs	109	798
– Amortisation of land use rights	495	486
– Depreciation of property, plant and equipment	49,337	66,464
– Written off/loss on disposal of property, plant and equipment	2,532	493
– Impairment/write off of property, plant and equipment	–	519
– Impairment of accounts receivable	1,551	4,333
– Fair value gains on investment properties	(25,933)	(2,218)
– Others	–	(1,174)
	69,975	94,481
Changes in working capital:		
– (Increase)/decrease in inventories	(7,048)	9,725
– Increase in accounts receivable	(1,572)	(11,433)
– Increase in prepayments, deposits and other receivables	(5,831)	(1,915)
– Increase in accounts and bills payable	15,551	2,240
– Increase/(decrease) in accruals and other payables	7,307	(689)
Cash generated from operations	78,382	92,409

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

	2011 HK$'000	2010 HK$'000
Net book value	2,630	1,490
Loss on disposal of property, plant and equipment	(2,532)	(493)
Proceeds from disposal of property, plant and equipment	98	997

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

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

	2011	2010
	HK$'000	*HK$'000*
Cash and cash equivalents	21,265	27,080
Bank overdrafts	(13,717)	(7,161)
	7,548	19,919

30 Commitments and contingent liabilities

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Contracted but not provided for	14,365	4,548

The Company did not have significant capital commitments as at 30 April 2011 (2010: Nil).

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

At 30 April 2011, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	2011	2010
	HK$'000	*HK$'000*
Not later than one year	15,975	815
Later than one year and not later than five years	21,410	250
	37,385	1,065

The above lease commitments do not include commitments for additional rentals payable, if any, when turnover of individual retail outlets exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

30 Commitments and contingent liabilities *(continued)*

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

At 30 April 2011, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2011 HK$'000	2010 HK$'000
Note later than one year	3,110	1,574
Later than one year and not later than five years	1,006	726
	4,116	2,300

(d) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contract at 30 April 2011 were JPY25,633,000.

31 Banking facilities and pledge of assets

As at 30 April 2011, the Group had aggregate banking facilities of approximately HK$309,292,000 (2010: HK$345,836,000) for overdrafts, loans and trade financing, factoring of accounts receivable, foreign exchange treasury facilities etc. Unused facilities as at the same date amounted to approximately HK$112,694,000 (2010: HK$163,301,000). These facilities were secured by corporate guarantees executed by the Company and certain of its subsidiaries.

As at 30 April 2011, certain of the Group's banking facilities were secured by:

(a) pledges of the Group's land and buildings of approximately HK$5,609,000 (2010: Nil) *(Note 7)*.

(b) pledges of the Group's investment properties of approximately HK$40,302,000 (2010: Nil) *(Note 8)*.

(c) pledges of the Group's available-for-sale financial assets of approximately HK$8,697,000 (2010: HK$8,337,000) *(Note 11)*.

(d) pledges of the Group's factored accounts receivable of approximately HK$30,162,000 (2010:HK$26,596,000) *(Note 13)*.

(e) pledges of the Group's bank deposits of approximately HK$30,486,000 (2010: HK$25,680,000) *(Note 14)*.

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

32 Related party transactions

Related party is a party that is related to the Group if directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with the Group (including the Company or its wholly or non-wholly owned subsidiaries); or the party has an interest in the Group that gives it significant influence over the Group; or the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual who is a member of the key management personnel of the Group or its parent.

Except as otherwise stated, during the year, the Group had the following related party transactions:

		2011	2010
		HK$'000	*HK$'000*
(a)	Rental expense paid to a related company which is owned by directors of the Company	**87**	477
	Rental expense paid to a director of the Company	**191**	–

(b) Key management compensation is as below:

	2011	2010
	HK$'000	*HK$'000*
Wages and salaries	**6,013**	5,220
Pension costs – defined contribution plans	**274**	362
	6,287	5,582

Schedule of Principal Investment Properties

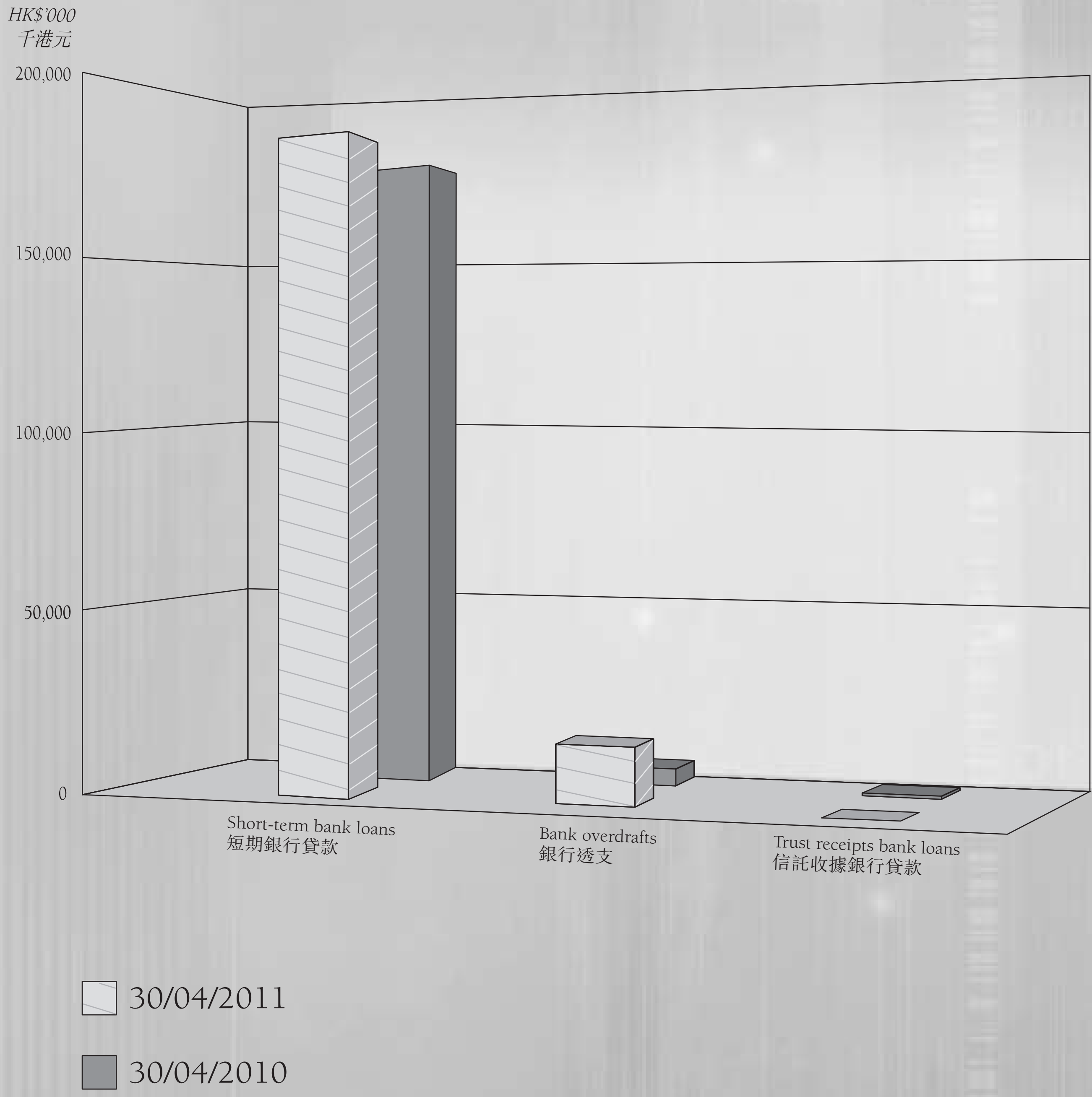
Major properties held for investment are under medium-term lease which directors consider material:

Address	Lot No.	Existing use
1. Shop No.4 on Ground Floor, Richland Garden, No. 138 Wu Chui Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No.333	Shop
2. Shop No.33 on Ground Floor, Richland Garden, No. 138 Wu Chui Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No. 333	Shop
3. Shop No.45 on Ground Floor, Richland Garden, No. 138 Wu Chui Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No. 333	Shop
4. Flat H on 23rd Floor of Tower 5 of Aegean Coast No. 2 Kwun Tsing Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No. 374	Residential
5. Flat G on 29th Floor of Tower 8 of Aegean Coast No. 2 Kwun Tsing Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No. 374	Residential
6. Flat No. 7 on 11th Floor of Block E, Amoy Gardens, Phase I, No. 77 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon, Hong Kong	Section E of New Kowloon Inland Lot No. 53 and the others	Residential
7. Flat No. 4 on 24th Floor of Block F, Amoy Gardens, Phase I, No. 77 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon, Hong Kong	Section E of New Kowloon Inland Lot No. 53 and the others	Residential
8. Workshop G on 5th Floor and Portion of Flat Roof, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong	Kun Tong Inland Lot No.32	Industrial
9. Workshop A on 6th Floor, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong	Kun Tong Inland Lot No.32	Industrial
10. 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	Kun Tong Inland Lot No.32	Industrial
11. Workshop B on 8th Floor, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong	Kun Tong Inland Lot No.32	Industrial
12. Workshop I on 8th Floor, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong	Kun Tong Inland Lot No.32	Industrial
13. Workshop I on 14th Floor and Roof I, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong	Kun Tong Inland Lot No.32	Industrial

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

As at 30 April 2011

於2011年4月30日



Remark: The Group has adopted HK Interpretation 5 retrospectively and reclassified certain borrowings from non-current liabilities to current liabilities. Please refer to Note 2.1(ii) of notes to the financial statements for explanation.

備註： 本集團以追溯應用方式採納香港詮釋第5號及已經將若干借款由非流動負債重新分類為流動負債。有關解釋，請參閱財務報表附註2.1(ii)。

10/11

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