Store
759阿信屋

Annual Report 2011/2012 年報

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)

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 is mainly engaged in design to manufacture of a wide range of electronic coils and local retail business. 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 and Singapore.

Since 2010, the Group started developing its retail business with reference to the consumption model of Japanese localities. We adopt the policy of high turnover, wide varieties and leisurely shopping environment to serve the general public.

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 business, 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，業務包括設計以至生產各類型電子線圈及本地零售業務。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、中國台灣及新加坡之市場推廣中心。

自2010年，集團參照日本生活區的消費模式開拓本地的零售業務。並以高流量、多品種選擇性、提供優閒的購物環境為本地街坊服務。

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業務，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
Mr. Ho Man Lee
(appointed on 27/9/2011)

Independent Non-executive Directors
Mr. Au Son Yiu
Dr. Tang Tin Sek
Mr. Goh Gen Cheung
Professor Zhu Yuhe
Mr. Lee Wing Kwan, Denis
(retired on 27/9/2011)

AUDIT COMMITTEE

Dr. Tang Tin Sek *(Chairman)*
Mr. Au Son Yiu
Mr. Goh Gen Cheung
Mr. Lee Wing Kwan, Denis
(retired on 27/9/2011)

REMUNERATION COMMITTEE

Mr. Au Son Yiu *(Chairman)*
Dr. Tang Tin Sek
Mr. Goh Gen Cheung
Professor Zhu Yuhe
Ms. Tang Fung Kwan
Mr. Lee Wing Kwan, Denis
(retired on 27/9/2011)

NOMINATION COMMITTEE

(established on 21/3/2012)
Mr. Lam Wai Chun *(Chairman)*
Mr. Au Son Yiu
Dr. Tang Tin Sek
Mr. Goh Gen Cheung

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
Mainland 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
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

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

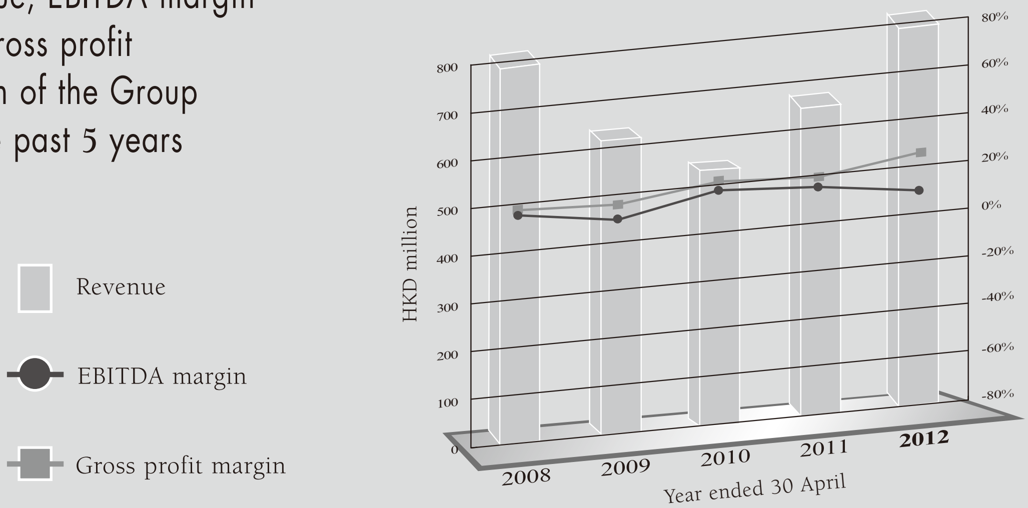
E-mail: info@ceccoils.com

Listed on The Stock Exchange of Hong Kong Limited

Stock Code: 759

Financial Highlights

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



	As at 30 April/ Year ended 30 April		
	2012	2011	% Change
	HK$'000	*HK$'000*	
Revenue	**795,593**	642,125	+23.9
Profit for the year of the Company	**15,500**	28,590	–45.8
Total assets	**837,275**	727,324	+15.1
Net tangible assets	**480,604**	456,170	+5.4
Per Share Data			
Basic earnings per share (HK cents)	**2.33**	4.15	–43.9
Net tangible assets per share (HK cents)	**72.1**	68.2	+5.7
Financial Ratios			
Gross profit margin (%)	**23.6**	18.5	+5.1
EBITDA margin (%)	**9.2**	14.3	–5.1
Current ratio	**0.94**	1.07	–0.13
Interest coverage ratio	**7.54**	12.63	–40.3
Gearing ratio	**0.31**	0.24	+29.2

Definitions

Basic earnings per share	Profit for the year of the Company / Weighted average number of issued shares
Net tangible assets per share	Net tangible assets / Number of shares as at end of year
Gross profit margin (%)	Gross profit x 100% / Revenue
EBITDA margin (%)	Operating profit plus depreciation and amortisation x 100% / Revenue
Current ratio	Current assets / Current liabilities
Interest coverage ratio	Operating profit plus depreciation and amortisation / Interest expense less interest income
Gearing ratio	Total borrowings less bank balances and cash / 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:

	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) attributable to:					
– Equity holders	**15,500**	28,590	10,657	(24,997)	26,228
– Non-controlling interests	**–**	–	–	–	(352)
Total assets	**837,275**	727,324	649,606	706,858	859,767
Total liabilities	**(356,671)**	(271,154)	(227,394)	(297,570)	(429,229)
	480,604	456,170	422,212	409,288	430,538

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 thirteenth 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.

2011/2012 SUMMARY OF RESULTS

– Revenue increased 23.9% to HK$795,593,000 (2011: HK$642,125,000);

– Profit for the year of the Company was HK$15,500,000 (2011: HK$28,590,000);

– Basic earnings per share was HK2.33 cents (2011: HK4.15 cents);

– Proposed final dividend of HK0.50 cent (2011: HK0.50 cent) per share;

– Net cash inflow from operating activities decreased by 69.1% to HK$23,935,000 (2011: HK$77,438,000); and

– Gross profit margin increased by a percentage of 5.1 to 23.6% (2011: 18.5%).

DIVIDEND

No interim dividend has been declared for the year ended 30 April 2012 (2011: 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 (2011: HK0.50 cent) per share for the year ended 30 April 2012 payable on or about 24 October 2012 to the shareholders whose names appear on the Company's register of members on 11 October 2012.

Management Discussion and Analysis

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 September 2012 to Thursday, 27 September 2012(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 Thursday, 27 September 2012 are entitled to attend and vote at the annual general meeting of the Company to be held on Thursday, 27 September 2012 (the "2012 Annual General Meeting"). In order to qualify to attend and vote at the 2012 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 Monday, 24 September 2012.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2012 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 Tuesday, 9 October 2012 to Thursday, 11 October 2012(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 Monday, 8 October 2012. The payment of final dividend will be made on or about Wednesday, 24 October 2012.

BUSINESS REVIEW

Since the outbreak of financial tsunami in 2008, the manufacturing sector continued to face many uncertainties. Against a background of considerable volatility in world market, the Group opted to lower the cost structure of its core business – electronic component manufacturing. Hence, the majority of its coils operating activities was progressively relocated to our manufacturing headquarters in Zhongshan. In additional to that, the Group has reshuffled our order mix that allow more efficient utilization of our past investments in vertically integrated and automated production to enhance our overall competitiveness.

As a result of maintaining the post-tsunami business scale of our core electronic component manufacturing business, the Group has repetitive cash inflow in recent years. Since 2009, the Group has applied a portion of the funding in acquiring properties in Hong Kong, including apartments, shops and industrial units for both generating rental income and self-use purposes.

While the support function of electronic component manufacturing business was gradually relocated to its manufacturing headquarters in Zhongshan, the Group's Hong Kong headquarters entered the local retail market last year on a trial basis and launched the retail outlets of "759 Store". After the pilot running at 11 stores in the course of its trial run, the Group's supply chain has experienced significant interruption that pushed the management to reconsider our procurement arrangements. From March 2011, the Group has decided to procure and import products directly from Japan, Taiwan, Korea and Europe. We further affirm "lower margin with high turnover" as the principal strategy of "759 Store". To cope with the new mode of purchase, the Group reviewed our expansion plan: 60 shops in the 1st phase and 120 shops in the 2nd phase. At the same time, we have devoted our Hong Kong headquarters to the development of "759 Store" retail business.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

For the end of this financial year, the Group has a total of 71 stores, of which 60 stores opened in this financial year. As at the date of this report, we have 88 stores in operation. Our stores spanned into local communities, which include shopping malls or stalls situated at public and private housing estates. Relative to our core business, retail segment has a significant sales growth in the period under review.

For the financial year of 30 April 2012, revenue of the Group was HK$ 795,593,000 (2011:HK$ 642,125,000), rising 23.9% than the same period of last year. In particular retail business had robust growth that offset impact from the drop in income of electronic components business. Over the year, revenue from retail business accounted for 30.3% of the total revenue of the Group, amounting to HK$241,158,000. The Group also recorded an increase in gross profit of HK$69,469,000 and the total gross profit was HK$ 188,093,000, jumping 58.6% than the corresponding period of last year (2011: HK$ 118,624,000). Since there is a difference in the business model between retail business and traditional electronic components manufacturing business, gross profit margin of retail business is higher than that of the latter. As a result, gross profit of the Group for this year was 23.6%, outpacing 5.1 percentage point than 18.5% of last year.

As a result of our vigorous expansion plan for 759 Store's confectioneries and food retail business, the number of 759 Store has substantial rise from 11 at last year end date to 71 at the year-end date of this year. The increase in stores also contributed to the rise of selling and distribution expenses relating to the payment of retail store rent, frontline staff wages and related transportation expenses to HK$ 77,735,000 over the period. It is inevitable that development of new business definitely brought pressure to the costing and margin of the Group but we strongly believed that the development of retail business shall bring long term value to the Group.

The fierce inflation in China, ever-soaring operating cost and the exchange rate fluctuation also pushed up general and administration expenses over the period, which amounted to HK$ 91,724,000, lifting approximately 13.0% than the same period of last year.

Business expansion and severe inflation in China are both factors that exert pressure on the operating profit of the Group. The operating profit of the Group under the period was HK$ 30,474,000, lowered approximately 27.4 % than HK$ 41,993,000 of last year. Given fair value gains on investment property of the year was HK$ 12,915,000 less than the same period of last year, if net the difference, operating profit in fact grew HK$1,396,000 when compared to the same period of last year.

Consolidated profit of the Group was HK$15,500,000 (2011: HK$ 28,590,000), with consolidated profit margin declined from 4.5% of last year to 1.9%. At the initial development of new business, undoubtedly, operating expense would go up and shall utilize financial working capital and resources. However, we deeply believe that business diversification shall bring greater room for continuous business development for the medium to long-term.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

As at 30 April 2012, inventory of the Group was HK$ 118,383,000 (2011: HK$ 93,709,000). The increased inventory was mainly those necessary confectionery and food stored in support of new business development. The total deposits, prepayments and other receivables (including retail store rent and deposit) of the Group as at 30 April 2012 also jumped in line with the development of 759 Store's retail network, amounting to HK$ 35,333,000. In terms of trade receivables, as at 30 April 2012 it dropped 5.8% to HK$ 126,146,000 when compared with the last year end date. If impact from retail business is not taken into account, turnover day of trade receivables was 86 days, increasing 8 days than last year end date (2011: 78 days).

Electronic component manufacturing business

Electronic component manufacturing business is the principal business of the Group. The products are largely applied in a wide spectrum of electronic and electric products, including various electronic communication equipments, lighting products, home electrical appliances, computer and its peripheral products, power supply devices, etc.

At a time when world market faces considerable volatility, Europe's sovereign debt crisis are still fermenting; furthermore US economic recovery is in gloomy prospect and China's growth momentum has also shown signs of slowing down. All these headwinds dragged the demand for electronic consumer products down rapidly and reversed the positive resurgence momentum since 09-10, which also affected the order of our electronic coils. For the financial year ended 30 April 2012, revenue from electronic component manufacturing business was HK$551,286,000, declining 11.4% than last year (2011: HK$ 622,400,000). Electronic component manufacturing business has accounted for approximately 69.3% of our total revenue. Gross profit margin was 20.7% (2011: 18.2%). Rise of gross profit margin was mainly attributed to the reduction of depreciation expenses of manufacturing business of HK$12,495,000 than the same period of last year. If such lowered depreciation is excluded, gross profit margin of electronic component manufacturing business was similar to that of last year.

Inflation in China and appreciation of Renminbi also increased the Group's operating cost by approximately HK$7,635,000. During the period, operating profit for electronic component manufacturing sector was HK$20,695,000, a decrease of HK$5,379,000 from HK$ 26,074,000 of last year and the operating profit margin also fell 0.4 percentage point than last year to 3.8% (2011: 4.2%). In the past year, most enterprises with manufacturing bases in China were encountering continuous high-rise raw materials prices and soaring operating cost and labor expenses. The Group has been striving to maintain its production lines and improving production and operation efficiency with its excellent production staff. Given the future outlook is erratic; we will rely on our concerted efforts and jointly prepare for the possible worsening scenarios in the future. We firmly believe that all future challenges of the manufacturing business can be tackled with the dedicated efforts of our staff in performing each of their own roles.

The Group has over 30 years of experience in the coil manufacturing business and has a strong customer base, including those renowned multi-national brands. The Group has worked with most of its customers and suppliers for over ten to twenty years, evidencing our dedication in building long-lasting working partnership. Given the uncertain outlook and the cost is also on the rise, the Group will try its best endeavors in absorbing the rising cost and will join hands with our long-term partners to overcome the hard times. We strongly believed that maintaining a strong partnership with our customers and suppliers is the cornerstone for creating long-term value for the Group.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Retail business

"759 Store" is the Group's new line of retail business with reference to the consumption model of Japanese localities. The business is principally engaged in the sales of confectioneries, beverages and other packed foods imported from Japan and other regions in the world. The origin of its products mainly includes Japan, followed by Korea, Taiwan and Europe. We adopt the policy of high turnover, wide varieties, leisurely shopping environment and desirable service, and positioned the general public as our target customers.

For the year ended 30 April 2012, the number of outlets increased to 71. Being new in the retail industry, 759 Store had experienced many setbacks in the course of development, namely abrupt changes in the local supply chain, Japan tsunami and its subsequent Fukushima nuclear crisis. Thanks to Hong Kong government's swift response, coupled with the stringent control of the Food and Environmental Hygiene Department on foodstuffs imported from Japan, the citizens in Hong Kong regained their trust in Japanese food in a short period of time. This also laid the groundwork for the Group's continuous growth. In spite of the various challenges and obstacles, 759 Store was fortunate enough to survive and grow in the course of learning; attributable to the strong support from various parties, including the support of our valuable customers, the concerted efforts of our staff, our partner suppliers who provided new products and assistants, and the principal banks' continuous support and readiness to increase our line of credit amid business transformation of the Hong Kong branch and uncertainties over the future, providing vital funding for the business expansion of the Group.

The Group originally intended to establish approximately 10 Japanese confectioneries stores as an experience and a trial for the Hong Kong headquarters to explore the feasibility of a new business model. Despite that the Group adhered to its principle of lower margin with high turnover, the positioning and the product range of the then 759 Store were no different from other confectioneries stores in the market where the products were mainly sourced from the local renowned branded manufacturers and distributors who imported foodstuffs. Insisting to strive for independent pricing, the Group was obligated to change its sourcing mode – from heavy reliance on local supplies in the past to parallel imports as its major mode of purchase. As a result of the change in mode of purchase, in addition to engaging in retail business, the Group also took the role of an importer. To cope with the new mode of purchase that takes a full container load as one import unit, the Group expanded the business scale of 759 Store in the meantime. The target of 10 outlets under the initial plan increased to 60 for the first phase (accomplished in December 2011) and 120 for the second phase, expected to be accomplished at the end of 2012.

Capitalizing on the purchase mode of parallel imports and the business aim of "lower margin with high turnover", 759 Store is able to expand itself into a sizable retail chain store. We aim to offer customers with a leisurely and comfortable shopping environment as well as relatively affordable prices as a result of high turnover, so that the general public can enjoy high quality imported foodstuffs that are used to be available only at high-end supermarkets. In this regard, the outlets of 759 Store are mainly located in citizens' living districts such as shopping malls or stalls situated at public and private housing estate and shops along the MTR stations.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Retail business (*continued*)

As at 30 April 2012, 759 Store had a total of 71 outlets, representing a substantial increase of 60 outlets as compared to 11 outlets in the same period last year. As the number of outlets increased, the revenue from retail business also rose to HK$241,158,000, accounting for approximately 30.3% of the total revenue of the Group. As mentioned above, retail business experienced strong growth during the year, offsetting the decrease in revenue from the electronic component manufacturing business due to its cyclical adjustment. In the meantime, the gross profit margin of retail business was 29.6%, relatively higher than traditional coils business. As our retail business is still at the stage of rapid growth and investment, it will inevitably exert pressure on the overall performance of the Group. During the period, the operating profit of retail business experienced a turnaround and grew to HK$3,101,000. The Group believes that, with the continuous business expansion of 759 Store, the retail segment will take over the electronic component manufacturing business to become the Group's major source of income in the near term. At the same time, we also believe that the retail business will drive the Group to greater heights.

Investment property

For the financial year ended 30 April 2012, rental income of the Group was HK$3,149,000, similar to that of last year (2011: HK$ 3,064,000). To support the rapid development of retail business, the Group used some investment properties for its retail business to meet the increasing needs of inventory flow. As a result, total segment asset value of investment properties reduced from HK$ 112,776,000 of last year to HK$ 76,871,000. As required by relevant accounting rules, investment properties shall be accounted at fair value as at the date of change to properties held for own use purpose. The Group had recorded a fair value gain of investment properties of HK$ 5,172,000 in this respect.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2012, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$66,372,000 (2011: HK$52,349,000). As at 30 April 2012, the Group had aggregate banking facilities (excluding that of foreign exchange derivative financial instrument)of HK$381,903,000 (2011: HK$246,677,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK$102,816,000 (2011: HK$50,079,000). At 30 April 2012, the utilized banking facilities amounting to HK$277,087,000 were secured by charges on the Group's certain land and buildings, investment properties, pledges of the Group's accounts receivable, bank deposits and available-for-sale financial assets. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 30 April 2012, the Group could comply with such financial covenants.

As at 30 April 2012, the Group's total borrowings from banks amounted to HK$279,087,000 (2011: HK$196,197,000). As at 30 April 2012, the Group's gearing ratio* was 0.31 (2011: 0.24), reporting an increase of 0.07. Moreover, the Group did not have any contingent liabilities (2011: 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))*

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Interest Expense

In light of our business growth and increase on borrowings, interest expense of the Group amounted to HK$9,796,000 for the year ended 30 April 2012 (2011: HK$7,321,000), representing an increase of HK$2,475,000 as compared with last year.

Financial Resources and Capital Structure

For the year ended 30 April 2012, net cash inflow of the Group amounted to HK$8,405,000 (2011: outflow of HK$16,075,000). Net cash inflow from operating activities amounted to HK$23,935,000 (2011: HK$77,438,000), decreased by HK$53,503,000. The decrease in cash inflow from operating activities was mainly attributable to the development of new business by the Group during the year, among which, increase in prepayments, deposits and other receivables as well as inventories represented 80.6% of the total decrease in net cash inflow from operating activities. Besides, net cash outflow from investing activities amounted to HK$80,155,000 (2011:HK$72,730,000) which was mainly used as the purchase of certain properties held for own use for retail stores and warehouses and renovation work for retail stores. Net cash inflow from financing activities amounted to HK$64,625,000 (2011: net cash outflow of HK$20,783,000). The increase on borrowings had resulted in increase on net cash inflow from financing activities during the year.

Cash Flow Summary

	2012	2011
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**23,935**	77,438
Net cash outflow from investing activities	**(80,155)**	(72,730)
Net cash inflow/(outflow) from financing activities	**64,625**	(20,783)
Increase/(decrease) in cash and cash equivalents	**8,405**	(16,075)

As at 30 April 2012, the net current liabilities was HK$19,656,000 (2011: net current assets of HK$18,921,000) and the current ratio was 0.94 (2011: 1.07).

Charges on Assets

As at 30 April 2012, certain assets of the Group with an aggregate carrying value of approximately HK$235,132,000 (2011: HK$115,256,000) were pledged to secure banking facilities of the Group.

Exchange Risks

The Group's business is mainly conducted in Hong Kong, Mainland China and Southeast Asia. The major revenue currencies are primarily denominated in Hong Kong dollar, Renminbi and United States dollars; whilst the major currencies in purchase commitments and operation costs are primarily denominated in Hong Kong dollar, Renminbi, United States dollars and Japanese Yen. The Group will endeavour to use forward contracts to hedge potential foreign exchange fluctuation if necessary. 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.

Management Discussion and Analysis

EMPLOYEES

As at 30 April 2012, the Group employed approximately 3,900 staff (2011: 4,600). 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 (2011: Nil)

CORPORATE SOCIAL RESPONSIBILITY

The Group continued to take active role in corporate citizenship practice through participating in various forms of charity, volunteer services and health activities, encouraging our 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. Details of events participated during the year are listed as follows:

- Set up CEC-COILS Scholarships for Hong Kong Shue Yan University, The Hong Kong Polytechnic University and Vocational Training Council to support local higher education and encourage student to study hard.

- Zhongshan Coils and its employee participated in the blood donation activity organized by the Red Cross of the city.

- Donated to Hong Kong Aged Concern Limited for providing welfares such as IT courses, cultural and leisure activities, emergency support, etc. to the elderly, promoting the spirit of "self-help", "mutual help", "help others".

- Supported the "Creative Art World" project implemented by the Hong Kong Sheng Kung Hui Welfare Council, benefiting 466 disadvantaged youth and women in the Tung Chung community by developing their performing talents and potential, enhancing their self-confidence and providing assistance according to their own will throughout their career planning process.

- Participated in the fund-raising activity "Zhongshan Charity Parade 2012".

- Sponsored gifts to support different charity events, such as "情繫公約 • 社區情" carnival, "乘『豐』助『浪』" fund-raising activity, "全城關愛捐獻" donation program, etc.

In 2011, Coils Electronic Co., Ltd, the main subsidiary of the Group, was awarded the "5 Consecutive Years Caring Company" logo by the Hong Kong Council of Social Service.

Management Discussion and Analysis

OUTLOOK

Looking forward, global economy is still lingering with numerous uncertain factors. While the Euro zone debt crisis grows severely, US economic recovery remains slow and China's economy is undergoing structural adjustment, these will directly hamper the total demand for global manufacturing, as well as electronic consumer products, bringing challenges for the Group's manufacturing business in the near term. To prepare for the future challenges, the Group is keen to equip itself by making more efforts in implementing operating efficiency enhancement measures, including strengthening procedural automation's application in the plant, and optimizing product design and product mix to alleviate the rising pressure on domestic labor and operating cost.

In the wake of the unstable global economic environment, the Group is proactively expanding its retail business. By extending its branch network, the Group expected that revenue from retail business shall outdistance conventional manufacturing business. We will continue to endeavour to introduce premium food products from all parts of the world allowing local citizens to enjoy a global wide range of quality confectioneries and foodstuffs at a reasonable price. We will constantly remind ourselves that customers' trust and support are key cornerstones for 759 Store's sustainable development at all times. In return for our valued customers' unrivalled support, we will stick to the reasonable pricing principle. Even 759 Store has evolved into a retail chain, in the process of our development, we must not forget about our mission of serving our "kai-fongs". We will always listen and respect our customers' feedback and to include wider range of products to cater for the needs of customers from various age groups. We will adhere to our leading principle of "lower margin with high turnover" and target to expand to 180 outlets in the medium to long term. Even our vision is having 300 outlets, to achieve this, we must first reach an intermediate target of 180 stores, with prominent results, together with promising market outlook and support from concerned parties.

We strongly believed, under the fierce competition in the retail regime, 759 Store could only survive by offering "reasonable price, good quality and outstanding products".

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, 27 July 2012

Directors and Senior Management Profile

Directors

Executive Directors

Mr. LAM Wai Chun, aged 53, 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 41 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 42, 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., Ltd.). 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 43, 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 in 1991 and a master of business administration from The University of Northern Virginia, the United States of America, in 2003. Ms. Li joined the Group in 1994.

Mr. CHUNG Wai Kin, aged 31, 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 market management function of retail business. Mr. Chung has been admitted to the degree of Bachelor of Information Engineering with Honours and the degree of Master of Science in System Engineering and Engineering Management in The Chinese University of Hong Kong in 2002 and 2007 respectively. Mr. Chung joined the Group in 2002.

Mr. HO Man Lee, aged 32, was appointed as an executive director of the Company with effect from 27 September 2011. He is responsible for managing the administration and personnel 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

Independent Non-Executive Directors

Mr. AU Son Yiu, aged 66, 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.

Dr. TANG Tin Sek, aged 53, 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 31 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 New Smart Energy Group Limited and Wai Chun Group Holdings Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited, until 10 June 2009 and 28 September 2009 respectively.

Mr. GOH Gen Cheung, aged 65, 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 China Flavors and Fragrances Company Limited, a company listed on The Stock Exchange of Hong Kong Limited, until 16 December 2009.

Directors and Senior Management Profile

Professor ZHU Yuhe, aged 74, 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 38, 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 44, 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 44, 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 33, is the head of business, responsible for the management of sales functions of the Group. She has over 14 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 43, 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. HE Guogao, aged 46, is the head of quality assurance responsible for the management of food quality and labeling 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 62, 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 41 years of experience in production engineering of electronic components. Mr. Shinoda joined the Group in 2010.

Mr. ZHANG Tinghua, aged 37, 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 labor 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.

Purchasing Management

Ms. LAI Wanru, aged 40, is the head of material control responsible for the purchase, materials procurement and logistics management functions of the Group. Ms. Lai has over 22 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 49, 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 29 years of experience in administration. Ms. Mai joined the Group in 1983.

Mr. JIANG Pingyuan, aged 43, 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 19 years of experience in production management. Mr. Jiang joined the Group in 1993.

Mr. LAO Xin, aged 40, 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.

Directors and Senior Management Profile

Information Engineering Management

Mr. ZHAO Xiangqun, aged 50, is the head of information system of the Group responsible for the overall planning of the development of the Group's information technology and network as well as the application of hardware technology in retail business. 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.

Mr. Qing Liang, aged 34, is the head of information system responsible for managing the development and application of information system. Mr. Qing has been admitted to the degree of Bachelor of Computer Science and Technology with Honours in the Chongqing Jiaotong University, Mainland China (formerly known as the Chongqing Jiaotong Institute) in 2000. Mr. Qing joined the Group in 2002.

Retail Management

Mr. CHEUNG Ming Yat, aged 36, is the senior manager of retail network development, responsible for managing the leasing of shops. 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 30, is the purchasing manager of retail business, responsible for coordinating the purchases and 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. Fukuoka Kazuaki, aged 48, is the retail business development manager, responsible for the development of sourcing in Japan of the retail business. Mr. Fukuoka has over 26 years of experience in such areas as retail of snack, confectionary and grocery, shop management, visual merchandising, layout design, etc. Mr. Fukuoka joined the Group in 2011.

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 revised corporate governance rules and codes as well as those of the former rules and codes of the Corporate Governance Code (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 2012, 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.

   Before 27 September 2011, one independent non-executive director of the Company had 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 has complied 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 at the annual general meeting held on 27 September 2011 ("2011 AGM"). The other three 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 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 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.

Corporate Governance Report

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 2011 to 30 April 2012.

BOARD OF DIRECTORS

The Board currently comprises five executive directors, namely Mr. Lam Wai Chun (Chairman and Managing Director), Ms. Tang Fung Kwan, Ms. Li Hong, Mr. Chung Wai Kin and Mr. Ho Man Lee; and four independent non-executive directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek, Mr. Goh Gen Cheung and Professor Zhu Yuhe. The number of independent non-executive directors of the Company represents more than one-third of the Board and there is one independent non-executive director who possesses 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, who has served as independent non-executive directors for more than nine years, shall retire and, being eligible, offer himself for re-election as independent non-executive director of the Company at the forthcoming annual general meeting of the Company. Pursuant to the Code Provision A.4.3 of the Code, further appointment of Mr. Au as the independent non-executive director should be subject to separate resolution to be approved by the shareholders of the Company. In this regard, a resolution will be proposed at the forthcoming annual general meeting of the Company for further appointment of Mr. Au as an independent non-executive director.

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.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

During the year under review, the key non-routine matters addressed by the Board included establishing the Nomination Committee, the terms of reference of the Board and the shareholders communication policy, revising the terms of reference of Remuneration Committee and Audit Committee, approving the remuneration packages of executive directors and repurchase of shares, as well as making proposals to the shareholders of the election of executive director and the remuneration of independent non-executive directors.

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. Monthly updates are provided to directors to ensure that they are aware of the business and regulatory environment in which the Group conducts its business.

The Company renewed the directors' and officers' liability insurance for members of the Board in January 2012 to provide protection against claims arising from the lawful discharge of duties by the directors.

BOARD MEETINGS

The Board meets regularly to review the financial and operating performance of the Group each financial year. Regular Board meetings are held at least four times per year. The directors may attend Board meetings in person or by means of a conference telephone, electronic or other communications equipment in accordance with the Company's Bye-laws.

Corporate Governance Report

ATTENDANCES OF MEETINGS

The number of meetings of the Board and its committees during the year ended 30 April 2012, the individual attendance of each Board and committee member at these meetings and the attendance of the Board members at 2011 AGM are set out below:

Directors	Board	Audit Committee	Remuneration Committee	Accounts Receivable Supervisory Committee	2011 AGM
Executive Directors					
Lam Wai Chun	5/5	–	–	–	1/1
Tang Fung Kwan	5/5	–	4/4	1/1	1/1
Li Hong	5/5	–	–	–	1/1
Chung Wai Kin	5/5	–	–	–	1/1
Ho Man Lee *(appointed on 27 September 2011)*	3/3	–	–	–	–
Independent Non-Executive Directors					
Au Son Yiu	5/5	4/4	4/4	1/1	1/1
Tang Tin Sek	5/5	4/4	4/4	–	1/1
Goh Gen Cheung	5/5	4/4	4/4	–	1/1
Zhu Yuhe	5/5	–	4/4	–	1/1
Lee Wing Kwan, Denis *(retired on 27 September 2011)*	2/2	1/1	1/1	–	0/1

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 four non-executive directors are independent. All of them 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, 28 September 2010 and 27 September 2011.

Corporate Governance Report

INDUCTION AND DEVELOPMENT

Upon their appointments, directors are advised on the legal and other duties and obligations they have as directors of a listed company. An induction session was held for Mr. Ho Man Lee who joined the Board newly in September 2011.

Directors' training is an ongoing process. During the year ended 30 April 2012, directors are updated on any developments or changes affecting the Company and their obligations to it at regular Board meetings. All directors are also encouraged to attend relevant training courses. Effective from 1 April 2012, all directors are required to provide the Company with his or her training records on an annually basis.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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 (i) the Company's policy and structure for all remuneration and fees of directors of the Company and senior management of the Group, (ii) the remuneration packages of individual executive directors of the Company and senior management of the Group, including benefits in kind, pension rights and compensation payments, and (iii) the remuneration of non-executive directors of the Company, as well as to review and approve the management's remuneration proposals.

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 emoluments of the members of the senior management by band for the year ended 30 April 2012 is set out below:

	Number of members	
Emolument bands	**2012**	2011
Nil to HK$1,000,000	**17**	21

Further particulars regarding Directors' emoluments and the 5 highest paid individuals as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 24 to the financial statements.

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 31 to 32 of this annual report.

Corporate Governance Report

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

During the year ended 30 April 2012, 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 chairmen 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 packages of the senior management of the Group, approving the remuneration packages (including the relevant service agreements and supplemental agreements, if any) 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 five members including one executive director, namely Ms. Tang Fung Kwan, and four independent non-executive directors, namely Mr. Au Son Yiu (chairman of the Remuneration Committee), Dr. Tang Tin Sek, Mr. Goh Gen Cheung and Professor Zhu Yuhe.

NOMINATION COMMITTEE

The Board established a Nomination Committee on 21 March 2012 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 Nomination Committee. The principal duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board, to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy and to assess the independence of independent non-executive directors of the Company. The Nomination Committee currently comprises four members including one executive director, namely Mr. Lam Wai Chun (chairman of the Nomination Committee), and three independent non-executive directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek and Mr. Goh Gen Cheung.

Before the establishment of the Nomination Committee, 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 2012, a Board meeting was held for the appointment of Mr. Ho Man Lee as a new executive director to be proposed for shareholders' approval after the assessment of selection criteria was made by all the directors. All the directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Ms. Li Hong, Mr. Chung Wai Kin, Mr. Au Son Yiu, Dr. Tang Tin Sek, Mr. Lee Wing Kwan, Denis, Mr. Goh Gen Cheung and Professor Zhu Yuhe, attended the Board meeting.

AUDITOR'S REMUNERATION

During the year ended 30 April 2012, the fees paid/payable to the external auditor of the Company, PricewaterhouseCoopers, amounted to approximately HK$1,710,000 for statutory audit services and approximately HK$98,600 for non-audit services (comprising tax and other services) rendered to the Group.

Corporate Governance Report

AUDIT COMMITTEE

The Board established the Audit Committee in September 1999 with written terms of reference (containing the minimum specific duties as set out in the Code), which are available on the Company's website (www.0759.com). The Audit Committee currently comprises three independent non-executive directors, namely Dr. Tang Tin Sek (chairman of the Audit Committee), Mr. Au Son Yiu 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 2012.

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.

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.

The Accounts Receivable Supervisory Committee currently comprises two members including one executive director, namely Ms. Tang Fung Kwan (chairman of the Accounts Receivable Supervisory Committee), and one independent non-executive director, namely Mr. Au Son Yiu.

Corporate Governance Report

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;

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

– adequate measures and control systems have been deployed for mitigating the financial and operational risks 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 2012, 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 40 of this annual report.

Corporate Governance Report

INVESTOR RELATIONS, SHAREHOLDERS' RIGHTS AND COMMUNICATIONS

A Shareholders Communication Policy was adopted in March 2012 to ensure that shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company. The policy is posted on the Company's website and is regularly reviewed to ensure its effectiveness.

The Company has established different communication channels with its shareholders and the investors, including (i) the annual general meetings of the Company which provide 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 which are available on the websites 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. Separate resolutions are proposed at annual general meeting on each substantially separate issue, including the election or re-election of each individual director.

Pursuant to the Bye-laws 58 of the Bye-laws of the Company, any shareholder holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Secretary of the Company at 2nd Floor, Hing Win Factory Building, 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. Any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of meeting will explain the poll voting procedures at the relevant general meeting and answer any questions from shareholders on voting by poll.

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries by addressing them to the Company Secretary by post to 2nd Floor, Hing Win Factory Building, 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong or by email at secretary@ceccoils.com.

CONTINUOUS CORPORATE GOVERNANCE ENHANCEMENT

The Board is committed to progressively reinforce its corporate governance including giving closer attention to any regulatory changes with a view to maintain a corporate culture built on ethics and integrity and increasing shareholder value as a whole.

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 2012.

Principal activities and geographical analysis of operations

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) 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, (ii) retailing of food and beverages, as well as (iii) investment property holding.

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 2012 are set out in the consolidated income statement on page 44 of this annual report.

No interim dividend has been declared for the year ended 30 April 2012 (2011: Nil). The board of directors of the Company (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 (2011: HK0.50 cent) per share for the year ended 30 April 2012 payable on or about 24 October 2012 to the shareholders whose names appear on the Company's register of members on 11 October 2012.

Reserves

Movements in the reserves of the Group and of the Company during the year ended 30 April 2012 are set out in note 17 to the financial statements.

Donations

Charitable and other donations made by the Group during the year ended 30 April 2012 amounted to HK$710,000 (2011: HK$1,518,000).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year ended 30 April 2012 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 16 to the financial statements.

Report of the Directors

Distributable reserves

As at 30 April 2012, the Company's contributed surplus of approximately HK$131,338,000 (2011: HK$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained earnings of approximately HK$16,614,000 (2011: HK$20,240,000) 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 2012, the Company acquired an aggregate of 2,954,000 of its own shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$955,840 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$)*
June 2011	2,954,000	0.330	0.320	955,840
			Total expenses on shares repurchased	8,394
				964,234

All the 2,954,000 shares repurchased were cancelled on delivery of the share certificates during the year ended 30 April 2012. 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 2012.

Report of the Directors

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 27 July 2012, 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 2012, no option was granted under the Scheme (2011: 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 2012 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
Mr. Ho Man Lee *(appointed on 27 September 2011)*

Independent non-executive Directors

Dr. Tang Tin Sek
Mr. Au Son Yiu
Mr. Goh Gen Cheung
Professor Zhu Yuhe
Mr. Lee Wing Kwan, Denis *(retired on 27 September 2011)*

Report of the Directors

Directors *(continued)*

Pursuant to Bye-law 87 of the Company's Bye-laws, Ms. Li Hong, Mr. Chung Wai Kin and Mr. Au Son Yiu shall retire by rotation at the forthcoming annual general meeting of the Company. Ms. Li Hong and Mr. Au Son Yiu shall, being eligible, offer themselves for re-election whilst Mr. Chung Wai Kin 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 has served as an independent non-executive Director for more than nine years. Pursuant to the Code Provision A.4.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, further appointments of Mr. Au as the independent non-executive Director should be subject to separate resolutions to be approved by the shareholders of the Company. In this regard, a resolution will be proposed at the forthcoming annual general meeting of the Company for any further appointment of Mr. Au as an independent non-executive Director.

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. On 18 July 2012, Mr. Lam entered into a new service contract with Zhongshan Coils for a term of three years commencing from 1 August 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 2011 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. On 18 July 2012, Ms. Tang entered into a new service contract with Zhongshan Coils for a term of three years commencing from 1 August 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 indirectly 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 31 March 2011 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 30 March 2011, Ms. Li Hong also entered into an employment contract with Xiamen Coils Electronic Co., Ltd. ("Xiamen Coils"), an indirect wholly-owned subsidiary of the Company, 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, which was amended by the supplemental agreement to service agreement dated 30 January 2012 and the 2nd supplemental agreement to service agreement dated 21 March 2012, 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.

Mr. Ho Man Lee entered into a service agreement, which was amended by the supplemental agreement to service agreement dated 30 January 2012 and the 2nd supplemental agreement to service agreement dated 21 March 2012, with the Company on 27 September 2011 for a term of three years, commencing on 27 September 2011 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 or at any time during the year ended 30 April 2012.

Report of the Directors

Interests of directors and chief executive in securities

As at 30 April 2012, 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)*	70.89%
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. Ho Man Lee	30,000			30,000	0.0045%
Mr. Au Son Yiu	6,597,440	–	–	6,597,440	0.99%
Dr. Tang Tin Sek	4,098,000	–	–	4,098,000	0.62%

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 2012, 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 2012, 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.

Report of the Directors

Directors' rights to acquire shares or debentures

Other than the Scheme, at no time during the year ended 30 April 2012 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 2012, 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				Percentage of issued share capital
Name	Beneficial owner	Family interests	Corporate interests	Trusts interests	
Ms. Law Ching Yee	–	472,250,848 *(Note 2)*	–	–	70.89%
Ka Yan China Development (Holding) Company Limited	442,295,660 *(Notes 2 and 3)*	–	–	–	66.39%
Ka Yan China Investments Limited	–	–	442,295,660 *(Notes 2 and 3)*	–	66.39%
HSBC International Trustee Limited	–	–	–	442,295,660 *(Notes 2 and 3)*	66.39%

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				Percentage of issued share capital
Name	Beneficial owner	Family interests	Corporate interests	Trusts interests	
Toko, Inc.	36,785,402	–	–	–	5.52% *(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 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 2012, 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 2012 (i.e. 666,190,798 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 2012.

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 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 31 to 32 of this annual report.

Report of the Directors

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	20%
– five largest suppliers combined	37%
Sales	
– the largest customer	19%
– five largest customers combined	31%

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.

Related party transactions

Details of significant related party transactions entered into by the Group are set out in note 33 to the financial statements which did not constitute notifiable connected transactions under the Listing Rules.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at 27 July 2012, 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 2012 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, 27 July 2012

Independent Auditor's Report

羅兵咸永道

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 41 to 99, which comprise the consolidated and the company statements of financial position as at 30 April 2012, 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 2012, 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, 27 July 2012

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Consolidated Statement of Financial Position

As at 30 April 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Land use rights	6	**21,080**	21,057
Property, plant and equipment	7	**379,900**	288,099
Investment properties	8	**70,178**	111,642
Investment in an associate	10	**–**	–
Available-for-sale financial assets	11	**9,072**	8,919
Rental deposits	14	**12,354**	5,107
Deposits paid for acquisition of property, plant and equipment and investment properties		**10,811**	3,891
		503,395	438,715
Current assets			
Inventories	12	**118,383**	93,709
Accounts receivable	13	**126,146**	133,891
Deposits, prepayments and other receivables	14	**22,979**	8,660
Pledged bank deposits	15	**27,750**	30,486
Bank deposits with maturity over 3 months from date of deposits	15	**–**	598
Cash and cash equivalents	15	**38,622**	21,265
		333,880	288,609
Total assets		**837,275**	727,324

The notes on pages 48 to 99 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 30 April 2012

	Note	2012 HK$'000	2011 HK$'000
EQUITY			
Share capital	16	**66,619**	66,914
Reserves	17		
Proposed final dividend		**3,331**	3,331
Others		**410,654**	385,925
Total equity		**480,604**	456,170
LIABILITIES			
Non-current liabilities			
Deferred income tax	20	**3,135**	1,466
Current liabilities			
Borrowings	19	**279,087**	196,197
Accounts and bills payable	21	**36,849**	36,938
Accruals and other payables		**34,608**	27,037
Taxation payable		**2,992**	9,516
		353,536	269,688
Total liabilities		**356,671**	271,154
Total equity and liabilities		**837,275**	727,324
Net current (liabilities)/assets		**(19,656)**	18,921
Total assets less current liabilities		**483,739**	457,636

LAM WAI CHUN
Director

TANG FUNG KWAN
Director

The notes on pages 48 to 99 are an integral part of these financial statements.

Statement of Financial Position

As at 30 April 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**241,841**	244,943
Current assets			
Deposits, prepayments and other receivables	14	**91**	83
Due from subsidiaries	9	**3,331**	4,331
Cash and cash equivalents	15	**224**	430
		3,646	4,844
Total assets		**245,487**	249,787
EQUITY			
Share capital	16	**66,619**	66,914
Reserves	17		
Proposed final dividend		**3,331**	3,331
Others		**174,738**	178,738
Total equity		**244,688**	248,983
Current liabilities			
Accruals and other payables		**799**	804
Total liabilities		**799**	804
Total equity and liabilities		**245,487**	249,787
Net current assets		**2,847**	4,040
Total assets less current liabilities		**244,688**	248,983

LAM WAI CHUN
Director

TANG FUNG KWAN
Director

The notes on pages 48 to 99 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 30 April 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	5	**795,593**	642,125
Cost of sales	23	**(607,500)**	(523,501)
Gross profit		**188,093**	118,624
Other gains, net	22	**11,840**	23,401
Selling and distribution expenses	23	**(77,735)**	(18,870)
General and administrative expenses	23	**(91,724)**	(81,162)
Operating profit		**30,474**	41,993
Finance income		**45**	51
Finance costs		**(9,796)**	(7,430)
Finance costs – net	25	**(9,751)**	(7,379)
Profit before taxation		**20,723**	34,614
Taxation	26	**(5,223)**	(6,024)
Profit for the year	27	**15,500**	28,590
Earnings per share,basic and diluted	28	**HK2.33 cents**	HK4.15 cents
Dividend	29	**3,331**	3,331

The notes on pages 48 to 99 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**15,500**	28,590
Other comprehensive income		
Change in fair value on available-for-sale financial assets	**161**	307
Currency translation differences	**13,068**	20,544
Revaluation of buildings upon transfer to investment properties	**–**	652
Total comprehensive income for the year	**28,729**	50,093

The notes on pages 48 to 99 are an integral part of these financial statements.

Consolidated Statement of Changes In Equity

For the year ended 30 April 2012

	Attributable to equity holders of the Company		
	Share capital *HK$'000*	**Reserves** *(Note 17)* *HK$'000*	**Total** *HK$'000*
Balance at 1 May 2010	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
Balance at 1 May 2011	66,914	389,256	456,170
Profit for the year	–	15,500	15,500
Other comprehensive income:			
Change in fair value of available-for-sale financial assets	–	161	161
Currency translation differences	–	13,068	13,068
Total comprehensive income	–	28,729	28,729
Transactions with owners:			
Purchase of own shares	(295)	(669)	(964)
2010/2011 final dividend	–	(3,331)	(3,331)
	(295)	(4,000)	(4,295)
Balance at 30 April 2012	66,619	413,985	480,604

The notes on pages 48 to 99 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 April 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	34,019	78,382
Hong Kong profits tax paid		(9,303)	(588)
Hong Kong profits tax refunded		–	1,892
Overseas tax paid		(886)	(2,248)
Overseas tax refunded		105	–
Net cash generated from operating activities		23,935	77,438
Cash flows from investing activities			
Purchase of property, plant and equipment		(70,188)	(26,199)
Proceeds from disposal of property, plant and equipment		246	98
Purchase of investment properties		–	(42,140)
Decrease/(increase) in short-term bank deposits with maturity over 3 months		598	(598)
Deposits paid for acquisition of property, plant and equipment and investment properties		(10,811)	(3,891)
Net cash used in investing activities		(80,155)	(72,730)
Cash flows from financing activities			
Proceeds from borrowings		445,041	411,938
Repayments of borrowings		(369,106)	(404,510)
Decrease/(increase) in pledged bank deposits		2,736	(4,806)
Interest received		45	51
Interest paid		(9,796)	(7,321)
Repurchase of shares		(964)	(16,135)
Dividend paid		(3,331)	–
Net cash generated from/(used in) financing activities		64,625	(20,783)
Increase/(decrease) in cash and cash equivalents and bank overdrafts		8,405	(16,075)
Translation adjustments		1,994	3,704
Cash and cash equivalents and bank overdrafts at the beginning of the year		7,548	19,919
Cash and cash equivalents and bank overdrafts at the end of the year	30(b)	17,947	7,548

The notes on pages 48 to 99 are an integral part of these financial statements.

Notes to the Financial Statements

1. General information

The Company, CEC International Holdings Limited, is an investment holding company. Its subsidiaries are principally engaged in (i) 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, (ii) retailing of food and beverages, and (iii) investment property holding. 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 27 July 2012.

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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

At 30 April 2012, the Group's current liabilities exceeded its current assets by approximately HK$19,656,000. This is mainly because a portion of the bank borrowings contractually due for repayment after one year but contain a repayment on demand clause amounting to approximately HK$36,864,000 have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause". In preparing these financial statements, the directors have taken into account all information that could reasonably be expected to be available and consider that it is not probable that the relevant bank will exercise its discretion to demand immediate repayment. Accordingly, the directors believe that such bank borrowings will be repaid in accordance with the scheduled dates set out in the relevant loan agreements. In addition, the directors also consider that the Group will have adequate financial resources to support its operation in the foreseeable future. Under these circumstances, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

Standards, interpretations and amendments effective in 2011

- HKAS 24 (Revised), "Related Party Disclosures"
- HKAS 32 (Amendment), "Classification of Right Issues"
- HKFRS 1 (Amendment), "Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter"
- HK(IFRIC) – Int 14, "Prepayments of a Minimum Funding Requirement"
- HK(IFRIC) – Int 19, "Extinguishing Financial Liabilities with Equity Instruments"
- Third improvements to HKFRS (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2012.

The adoption of the above revised standards, amendments to standards and interpretations did not have material effect on the financial statements or result in any material changes in the Group's significant accounting policies.

Notes to the Financial Statements

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 2012:

- HKAS 1 (Amendment), "Presentation of Items at Other Comprehensive Income", effective for annual periods beginning on or after 1 July 2012
- HKAS 19 (Amendment), "Employee Benefits", effective for annual periods beginning on or after 1 January 2013
- 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
- HKAS 32 (Amendment), "Presentation – Offsetting Financial Assets and Financial Liabilities", effective for annual periods beginning on or after 1 January 2014
- HKFRS 1 (Amendment), "First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans", effective for annual periods beginning on or after 1 July 2013
- HKFRS 7 and HKFRS 9 (Amendments), "Mandatory Effective Date of HKFRS 9 and Transition Disclosures", effective for annual periods beginning on or after 1 January 2015
- HKFRS 7 (Amendment), "Disclosures – Offsetting Financial Assets and Financial Liabilities", effective for annual periods beginning on or after 1 January 2013
- HKFRS 9, "Financial Instruments", effective for annual periods beginning on or after 1 January 2015
- 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 20, "Stripping Costs in the Production Phase of a Surface Mine", effective for annual periods beginning on or after 1 January 2013

The Group has not early adopted these standards, interpretations and amendments and the directors anticipate that the adoption of these new or revised standards and amendments will not result in a significant impact on the results and financial position of the Group.

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 2011 and 2012 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.

Notes to the Financial Statements

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 Executive Directors that make strategic decisions.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net.'

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.

Notes to the Financial Statements

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, retail outlets 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	Over the period of the lease
– Buildings	2.5%
– Machinery	10%
– Furniture and equipment	16.7% to 25%
– Motor vehicles	16.7% to 30%
– Leasehold improvements	20% to 33% or over the lease period, whichever is shorter

Notes to the Financial Statements

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

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

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

2.7 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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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 and excludes borrowing costs. For the manufacturing operations, 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). For retail business, the cost includes all expenditures including material cost and shipping cost in bringing the inventory to its present location. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.10 Accounts and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade 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 statements 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.

Notes to the Financial Statements

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

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

Notes to the Financial Statements

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 (electronic components manufacturing) – sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Sale of goods (retail) – sales of goods are recognised at the point of sales to the customer.

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

Notes to the Financial Statements

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.

Notes to the Financial Statements

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 mainly settled in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen.

As at 30 April 2012, 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$58,000 (2011: HK$141,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of Renminbi denominated bank balances and cash.

As at 30 April 2012, if Hong Kong dollars had strengthened/weakened by 5% against Japanese Yen with all other variables held constant, post-tax profit for the year would have been approximately HK$2,385,000 (2011: HK$18,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of Japanese Yen denominated account 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.

Notes to the Financial Statements

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. For electronic components manufacturing, sales to the top five customers accounted for approximately 31% of the Group's total sales; while as at 30 April 2012, approximately 50% of the Group's accounts receivables was due from five customers. 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. For retail business, the transactions are settled in cash or other form of electronic monies and therefore no credit risk is anticipated.

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 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.

Notes to the Financial Statements

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

	On demand[#] HK$'000	Less than 1 year HK$'000
Group		
At 30 April 2012		
Borrowings	**279,087**	**–**
Accounts and bills payable	**–**	**36,849**
Accruals and other payables	**–**	**34,608**
Interest payable	**4,661**	**–**
	283,748	**71,457**
At 30 April 2011		
Borrowings	196,197	–
Accounts Payable	–	36,938
Accruals and other payables	–	27,037
Interest payable	3,229	–
	199,426	63,975

[#] The Group's bank borrowings 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 15 and 19. As at 30 April 2012, 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$888,000 (2011: HK$601,000) 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.

Notes to the Financial Statements

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 2012 and 2011 were as follows:

	2012	2011
	HK$'000	*HK$'000*
Total borrowings *(Note 19)*	**279,087**	196,197
Less: Bank balances and cash *(Note 15)*	**(66,372)**	(52,349)
Net debt	**212,715**	143,848
Total equity	**480,604**	456,170
Total capital	**693,319**	600,018
Gearing ratio	**31%**	24%

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 balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

Notes to the Financial Statements

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 2012.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Available-for-sale financial assets				
– Investment fund	**8,919**	**–**	**–**	**8,919**
– Equity securities	**153**	**–**	**–**	**153**
Total assets	**9,072**	**–**	**–**	**9,072**

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 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.

Notes to the Financial Statements

4 Critical accounting estimates and judgements

(c) Provision for current taxation and deferred taxation

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

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

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

Net realisable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at each 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; (ii) Retail business; and (iii) Investment property holding as a result of the growing importance of the second segment to the total revenue and 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 entered into under normal commercial terms and conditions.

The segment information provided to the management for the reportable segments for the years ended 30 April 2012 and 2011 is as follows:

	Electronic components manufacturing		Retail business		Investment property holding		Eliminations		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**551,286**	622,400	**241,158**	16,661	**3,149**	3,064	**–**	–	**795,593**	642,125
Intersegment sales	**–**	–	**–**	–	**621**	185	**(621)**	(185)	**–**	–
	551,286	622,400	**241,158**	16,661	**3,770**	3,249	**(621)**	(185)	**795,593**	642,125
Segment results										
Operating profit/(loss)	**20,695**	26,074	**3,101**	(3,748)	**14,964**	28,237			**38,760**	50,563
Corporate expenses									**(8,241)**	(8,519)
Finance costs									**(9,796)**	(7,430)
Profit before taxation									**20,723**	34,614
Taxation									**(5,223)**	(6,024)
Profit for the year									**15,500**	28,590
Depreciation and amortisation	**36,634**	49,129	**6,381**	668	**31**	35			**43,046**	49,832
Distribution cost and administrative expenses	**92,150**	84,515	**68,360**	6,535	**708**	463			**161,218**	91,513
Additions to non-current assets(other than financial instruments)	**3,568**	14,580	**78,585**	20,617	**6,093**	42,140			**88,246**	77,337

Notes to the Financial Statements

5 Segment information *(continued)*

	Electronic components manufacturing		Retail business		Investment property holding		Eliminations		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**559,939**	583,209	**205,271**	36,289	**76,871**	112,776	**(5,122)**	(5,463)	**836,959**	726,811
Unallocated assets										
– Corporate assets									**316**	513
									837,275	727,324
Segment liabilities	**58,422**	59,222	**12,412**	3,956	**4,946**	5,456	**(5,122)**	(5,463)	**70,658**	63,171
Borrowings									**279,087**	196,197
Unallocated liabilities										
– Deferred income tax									**3,135**	1,466
– Taxation payable									**2,992**	9,516
– Corporate liabilities									**799**	804
Total liabilities									**356,671**	271,154

Geographical information

	Revenue		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including the Hong Kong Special Administrative Region)	**677,099**	505,268	**503,380**	438,580
Other regions	**118,494**	136,857	**15**	135
	795,593	642,125	**503,395**	438,715

Revenue by geographical location is determined on the basis of the destination of shipment or place of sales to the customers.

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

For the year ended 30 April 2012, revenues of approximately HK$149,978,000 (2011: HK$187,559,000) 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

	2012	2011
	HK$'000	*HK$'000*
Sales of goods – electronic components manufacturing	**551,286**	622,400
Sales of goods – retail business	**241,158**	16,661
Rental income	**3,149**	3,064
	795,593	642,125

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:

	2012	2011
	HK$'000	*HK$'000*
In Mainland China, held on:		
Land use rights of between 10 to 50 years	**19,916**	19,582
Land use rights of over 50 years	**1,164**	1,475
	21,080	21,057

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

	2012	2011
	HK$'000	*HK$'000*
At 1 May	**21,057**	20,681
Exchange differences	**538**	871
Amortisation (included in cost of sales)	**(515)**	(495)
At 30 April	**21,080**	21,057

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Land and buildings HK$'000	Machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
Year ended 30 April 2011						
Opening net book amount	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	4,073	1,880	2,779	26,199
Disposal/written off	–	(658)	(1,972)	–	–	(2,630)
Revaluation	652	–	–	–	–	652
Transfer from investment properties, net *(Note 8)*	451	–	–	–	–	451
Depreciation	(3,658)	(38,032)	(5,883)	(1,096)	(668)	(49,337)
Closing net book amount	145,030	124,663	13,191	3,104	2,111	288,099
At 30 April 2011						
Cost	169,203	733,456	79,356	11,257	2,779	996,051
Accumulated depreciation and impairment	(24,173)	(608,793)	(66,165)	(8,153)	(668)	(707,952)
Net book amount	145,030	124,663	13,191	3,104	2,111	288,099
Year ended 30 April 2012						
Opening net book amount	145,030	124,663	13,191	3,104	2,111	288,099
Exchange differences	2,808	3,620	738	29	–	7,195
Additions	41,701	2,886	7,276	1,914	20,302	74,079
Disposal/written off	–	(1,250)	(6)	(168)	–	(1,424)
Transfer from investment properties, net *(Note 8)*	54,482	–	–	–	–	54,482
Depreciation	(5,371)	(25,235)	(4,689)	(1,267)	(5,969)	(42,531)
Closing net book amount	238,650	104,684	16,510	3,612	16,444	379,900
At 30 April 2012						
Cost	268,560	743,922	87,052	12,259	23,081	1,134,874
Accumulated depreciation	(29,910)	(639,238)	(70,542)	(8,647)	(6,637)	(754,974)
Net book amount	238,650	104,684	16,510	3,612	16,444	379,900

Notes to the Financial Statements

7 Property, plant and equipment *(continued)*

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

	2012	2011
	HK$'000	*HK$'000*
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**69,260**	22,983

During the year, investment properties with carrying amount of approximately HK$54,482,000 were transferred to land and buildings. In 2011, investment properties with carrying amount of approximately HK$2,475,000 was transferred to land and buildings and land and buildings with carrying amount of approximately HK$2,024,000 was transferred to investment property *(Note 8)*.

Depreciation expense of approximately HK$34,366,000 (2011: HK$45,584,000) and HK$8,165,000 (2011: HK$3,753,000) 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$113,034,000 as at 30 April 2012 (2011: HK$5,609,000) were pledged against certain of Group's borrowing *(Note 32)*.

8 Investment properties

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 May	**111,642**	44,020
Additions	**–**	42,140
Fair value gains *(Note 22)*	**13,018**	25,933
Transfer to property, plant and equipment, net *(Note 7)*	**(54,482)**	(451)
At 30 April	**70,178**	111,642

The investment properties were revalued on an open market basis at 30 April 2012 by an independent professional qualified valuer, Castores Magi (Hong Kong) Limited.

The consolidated income statement included rental income from investment property of HK$3,149,000 (2011: HK$3,064,000) and related direct operating expenses of approximately HK$468,000 (2011: HK$481,000).

Notes to the Financial Statements

8 Investment properties *(continued)*

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

	2012	2011
	HK$'000	*HK$'000*
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**70,178**	111,642

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$66,214,000 as at 30 April 2012 (2011: HK$40,302,000) were pledged against certain of the Group's borrowings (Note 32).

9 Investments in and balance with subsidiaries – Company

	2012	2011
	HK$'000	*HK$'000*
Unlisted investments, at cost	**137,348**	137,348
Due from subsidiaries	**104,493**	107,595
	241,841	244,943

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Other balance with subsidiaries are current in nature, unsecured and interest free.

The following is a list of the subsidiaries of the Company as at 30 April 2012:

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%
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%

Notes to the Financial Statements

9 Investments in and balance with subsidiaries – Company *(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; retail of food and beverages	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%
Zhongshan CEC-Coils Food Co., Limited (c)	Mainland China	Inactive	Registered capital US$1,000,000 (d)	100%
Xiamen Guo Zhong Food Co., Ltd (c)	Mainland China	Inactive	Registered capital US$500,000 (d)	100%

Notes to the Financial Statements

9 Investments in and balance with subsidiaries – Company *(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 2012.

As at 30 April 2012, the Company had given guarantees to banks of approximately HK$279,087,000 (2011: HK$191,974,000) 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 2012 (2011: 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.

Zhongshan CEC-Coils Food Co., Limited is a wholly foreign owned enterprise established in Mainland China to be operated for 11 years up to January 2023.

Xiamen Guo Zhong Food Co., Ltd is a wholly foreign owned enterprise established in Mainland China to be operated for 20 years up to April 2032.

(d) Zhongshan CEC-Coils Food Co., Limited and Xiamen Guo Zhong Food Co., Ltd were established with registered capital of US$1,000,000 and US$500,000, respectively. As at 30 April 2012, the Group had outstanding commitments of approximately US$850,006 and US$500,000, respectively, for capital contribution to these subsidiaries.

Notes to the Financial Statements

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 (2011: 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 2012 HK$'000	2011 HK$'000
Investment fund	**8,919**	8,697
Equity securities:		
– listed in Hong Kong, at market value	**153**	222
	9,072	8,919

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

	Group 2012 HK$'000	2011 HK$'000
United States dollar	**8,919**	8,697
Hong Kong dollar	**153**	222
	9,072	8,919

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

Increase in fair values of available-for-sale financial assets of approximately HK$161,000 (2011: HK$307,000) are recorded in investment revaluation reserve.

There was no disposal on available-for-sale financial assets during the years ended 30 April 2011 and 2012.

As at 30 April 2011 and 30 April 2012, the Group's capital guaranteed fund was pledged as collateral for the Group's borrowings *(Note 32)*.

Notes to the Financial Statements

12 Inventories

	Group 2012 HK$'000	2011 HK$'000
Raw materials	**59,078**	55,366
Work-in-progress	**15,179**	12,299
Finished goods	**44,126**	26,044
	118,383	93,709

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$405,746,000 (2011: HK$333,755,000).

As at 30 April 2012, certain of the Group's inventories were pledged as security for the Group's trust receipts import bank loan *(Note 32)*.

13 Accounts receivable

	Group 2012 HK$'000	2011 HK$'000
Amounts receivable	**128,701**	137,435
Less: provision for impairment of receivables	**(2,555)**	(3,544)
Amounts receivable – net	**126,146**	133,891

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

	Group 2012 HK$'000	2011 HK$'000
0-30 days	**55,537**	57,346
31-60 days	**35,168**	44,858
61-90 days	**19,474**	14,873
91-120 days	**5,391**	9,325
Over 120 days	**13,131**	11,033
	128,701	137,435
Less: provision for impairment of receivables	**(2,555)**	(3,544)
	126,146	133,891

As at 30 April 2012 and 30 April 2011, the carrying amount of accounts receivable approximated its fair value.

Notes to the Financial Statements

13 Accounts receivable *(continued)*

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 2012, a subsidiary of the Company had factored trade receivables of approximately HK$19,215,000 (2011: HK$30,162,000) (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 trade receivables have been accounted for as the Group's liabilities and included in borrowings as "bank advances for factored receivables" (Note 19).

As at 30 April 2012, accounts receivable of HK$16,109,000 (2011: HK$21,441,000) were past due but not impaired. These relate to a number of customers for whom there is no significant defaults in the past. The ageing analysis of these accounts receivable is as follows:

	2012	2011
	HK$'000	*HK$'000*
Overdue by 0 – 1 month	**12,821**	14,453
Overdue by 1 – 2 months	**1,635**	5,464
Overdue by 2 – 3 months	**742**	1,524
Overdue by more than 3 months	**911**	–
	16,109	21,441

As at 30 April 2012, accounts receivable of HK$2,555,000 (2011: HK$3,544,000) were impaired. The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations. The ageing of these accounts receivable is as follows:

	2012	2011
	HK$'000	*HK$'000*
Overdue by more than 3 months	**2,555**	3,544

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

	2012	2011
	HK$'000	*HK$'000*
At the beginning of the year	**3,544**	6,094
(Write back of)/provision for impairment	**(905)**	1,551
Write-off of provision	**(98)**	(4,140)
Exchange differences	**14**	39
At the end of the year	**2,555**	3,544

Notes to the Financial Statements

13 Accounts receivable *(continued)*

The creation and release of provision for impaired receivables have been included in "general and administrative expenses" in the consolidated income statement *(Note 23)*.

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

	2012	2011
	HK$'000	*HK$'000*
Hong Kong dollar	**44,695**	47,859
Renminbi	**50,303**	43,051
United States dollar	**30,577**	41,380
Other currencies	**571**	1,601
	126,146	133,891

14 Deposits, prepayments and other receivables

	Group		**Company**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments for purchase of inventories	**9,042**	1,867	**–**	–
Other prepayments	**3,772**	2,542	**91**	83
Rental deposits	**15,976**	5,359		
Other deposits and receivables	**6,543**	3,999	**–**	–
	35,333	13,767	**91**	83
Less:				
Non-current rental deposits	**(12,354)**	(5,107)	**–**	–
	22,979	8,660	**91**	83

The carrying amounts of the Group's deposits and other receivables are denominated in the following currencies:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong dollar	**17,478**	6,442
Renminbi	**2,719**	2,309
Japanese Yen	**1,834**	383
Other currencies	**488**	224
	22,519	9,358

15 Pledged bank deposits and cash and bank balances

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and cash equivalents	**38,622**	21,265	**224**	430
Bank deposits with maturity over 3 months from date of deposits	**–**	598	**–**	–
Pledged bank deposits	**27,750**	30,486	**–**	–
	66,372	52,349	**224**	430

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**40,339**	24,007	**224**	430
Renminbi	**5,399**	9,599	**–**	–
United States dollar	**19,071**	17,498	**–**	–
Other currencies	**1,563**	1,245	**–**	–
	66,372	52,349	**224**	430

Notes:

(a) The effective interest rate on bank fixed deposits was approximately 0.07% (2011: 0.07%) per annum. These deposits have an average maturity of 32 (2011: 44) days.

(b) The conversion of Renminbi ("RMB") denominated balances into foreign currencies and repatriation of RMB out of China is subject to the rules and regulations of foreign exchange promulgated by the government of the Mainland China. As at 30 April 2012, the Group's cash and bank balances amounting to HK$3,963,000 (2011:HK$6,246,000) were denominated in RMB and deposited with banks in the PRC.

(c) As at 30 April 2012, the Group's bank deposits of approximately HK$27,750,000 (2011: HK$30,486,000) were pledged as collateral for the Group's borrowings *(Note 32)*.

Notes to the Financial Statements

16 Share capital

	Number of shares	2012 HK$'000	Number of shares	2011 HK$'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	**669,144,798**	**66,914**	716,610,798	71,661
Repurchase and cancellation of shares	**(2,954,000)**	**(295)**	(47,466,000)	(4,747)
At 30 April	**666,190,798**	**66,619**	669,144,798	66,914

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$669,000 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.

17 Reserves

Group

	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	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 to the Financial Statements

17 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 2011	25,744	4,747	13,934	238	3,124	16,209	3,141	87,067	235,052	389,256
Currency translation differences	–	–	–	–	–	–	–	13,068	–	13,068
Change in fair value of available-for-sale financial assets *(Note 11)*	–	–	–	161	–	–	–	–	–	161
Transfer from retained earnings to other reserves	–	–	–	–	–	191	–	–	(191)	–
Repurchase and cancellation of shares	(669)	295	–	–	–	–	–	–	(295)	(669)
Profit for the year	–	–	–	–	–	–	–	–	15,500	15,500
2010/2011 final dividend	–	–	–	–	–	–	–	–	(3,331)	(3,331)
At 30 April 2012	25,075	5,042	13,934	399	3,124	16,400	3,141	100,135	246,735	413,985

Note:

(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.

Notes to the Financial Statements

17 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 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
Repurchase and cancellation of shares	(669)	295	–	(295)	(669)
2010/2011 final dividend	–	–	–	(3,331)	(3,331)
At 30 April 2012	25,075	5,042	131,338	16,614	178,069

Contributed surplus of the Company represents the difference between the norminal 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.

18 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 2012 (2011: Nil).

Notes to the Financial Statements

19 Borrowings

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank borrowings	**239,197**	152,318	**–**	–
Bank advances for factored receivables *(note)*	**19,215**	30,162	**–**	–
Bank overdrafts	**20,675**	13,717	**–**	–
Total borrowings	**279,087**	196,197	**–**	–

Note: 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 certain of those factored receivables, those receivables have been accounted for as bank advances for the year ended 30 April 2012. The related factored receivables to banks that remained outstanding as at 30 April 2012 amounted to HK$19,215,000 (2011: HK$30,162,000).

The maturity of borrowings is analysed as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**242,223**	172,761	**–**	–
Between one and two years	**13,538**	5,742	**–**	–
Between two and five years	**12,717**	3,542	**–**	–
More than five years	**10,609**	14,152	**–**	–
	279,087	196,197	**–**	–

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.

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

	Group						
	2012				2011		
	HK$	**US$**	**JPY**	**EUR**	HK$	US$	JPY
	%	**%**	**%**	**%**	%	%	%
Borrowings	**0.91 – 6.25**	**3.17 – 4.90**	**2.60 – 3.70**	**3.09 – 5.13**	0.97 – 6.25	3.82 – 3.89	2.59

The carrying amounts of borrowings approximate their fair values.

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**190,939**	171,631	**–**	–
United States dollar	**29,402**	24,168	**–**	–
Japanese Yen	**57,876**	398	**–**	–
Euro dollar	**870**	–	**–**	–
	279,087	196,197	**–**	–

Refer to Note 32 for details of the Group's banking facilities and pledges of assets.

Notes to the Financial Statements

20 Deferred income tax

Deferred tax is calculated 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 2012 HK$'000	Group 2011 HK$'000
At 1 May	**1,466**	625
Deferred taxation		
– charged to consolidated income statement *(Note 26)*	**2,338**	1,429
Payment of dividend withholding tax upon distribution of unremitted profits	**(669)**	(588)
At 30 April	**3,135**	1,466

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	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the year	**657**	920	**501**	1	**1,158**	921
(Charged)/credited to income statement	**(44)**	(263)	**90**	500	**46**	237
End of the year	**613**	657	**591**	501	**1,204**	1,158

Notes to the Financial Statements

20 Deferred income tax *(continued)*

Deferred tax liabilities	Accelerated depreciation allowance of property, plant and equipment		Accelerated depreciation allowances of investment properties		Withholding tax		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the year	**1,490**	284	**442**	270	**692**	992	**2,624**	1,546
Charged/(credited) to income statement	**2,434**	1,206	**(50)**	172	**–**	288	**2,384**	1,666
Payment of dividend withholding tax upon distribution of unremitted profits	**–**	–	**–**	–	**(669)**	(588)	**(669)**	(588)
End of the year	**3,924**	1,490	**392**	442	**23**	692	**4,339**	2,624

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:

	2012	2011
	HK$'000	*HK$'000*
Deferred tax liabilities	**3,135**	1,466

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$22,136,000 (2011: HK$24,972,000) 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$8,473,000 (2011: HK$15,875,000) have no expiry date and the remaining losses will expire at variable dates up to and including 2016.

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.

Notes to the Financial Statements

20 Deferred income tax *(continued)*

The Group is subject to withholding tax at tax rate of 5% on distributions of profits generated after 31 December 2007 from the Group's foreign-invested enterprises in the PRC. As at 30 April 2012, deferred tax liabilities amounting to HK$23,000 (2011: HK$692,000) 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.

21 Accounts and bills payable

	Group	
	2012	2011
	HK$'000	*HK$'000*
Accounts payable	**36,849**	36,537
Bills payable	**–**	401
	36,849	36,938

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
0-30 days	**26,659**	32,314
31-60 days	**8,452**	3,243
61-90 days	**975**	143
91-120 days	**84**	152
Over 120 days	**679**	685
	36,849	36,537

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

	2012	2011
	HK$'000	*HK$'000*
Hong Kong dollar	**4,759**	6,599
Renminbi	**27,776**	24,596
US dollar	**3,832**	4,845
Other currencies	**482**	497
	36,849	36,537

Notes to the Financial Statements

22 Other gains, net

	2012 HK$'000	2011 HK$'000
Fair value gains on investment properties	**13,018**	25,933
Net loss on written off/disposal of property, plant and equipment	**(1,178)**	(2,532)
	11,840	23,401

23 Expenses by nature

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

	2012 HK$'000	2011 HK$'000
Auditors' remuneration	**2,147**	1,743
Amortisation of land use rights *(Note 6)*	**515**	495
Cost of inventories recognised as expenses included in cost of sales	**405,746**	333,755
Depreciation of property, plant and equipment *(Note 7)*	**42,531**	49,337
Direct operating expenses arising from investment properties that generate rental income	**468**	481
Employee benefit expenses (including directors' emoluments) *(Note 24)*	**203,055**	180,475
Net exchange losses	**539**	2,798
Operating lease rentals	**31,521**	5,274
(Write back of)/provision for impairment of accounts receivable *(Note 13)*	**(905)**	1,551
Utility expenses	**35,979**	31,760
Other expenses	**55,363**	15,864
Total cost of sales, distribution and selling expenses and general and administrative expenses	**776,959**	623,533

Notes to the Financial Statements

24 Employee benefit expenses

	2012	2011
	HK$'000	*HK$'000*
Wages, salaries, allowances and bonuses	**185,909**	165,812
Pension costs – defined contribution plans *(Note a)*	**13,855**	11,194
Staff welfare	**3,291**	3,469
	203,055	180,475

(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 join after 1 December 2000.

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

As stipulated by the rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group contributes to the retirement plans at rates of approximately 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.

Notes to the Financial Statements

24 Employee benefit expenses *(continued)*

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

The employees of the Company's subsidiary in Singapore are members of the Central Provident Funds (the "Funds") operated by the government of Singapore. The subsidiary contributes to the Funds approximately 16% 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 2012, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK$13,855,000 (2011: HK$11,194,000), with no deduction of forfeited contributions (2011: Nil). As at 30 April 2012, 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:

	2012	2011
	HK$'000	*HK$'000*
Directors' fees for independent non-executive directors	**1,993**	2,238
Other emoluments for executive directors		
– basic salaries, allowances and other benefits in kind	**4,123**	3,775
– bonuses	**20**	–
– contributions to pension schemes	**293**	274
	6,429	6,287

No directors waived any emoluments during the year (2011: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

Notes to the Financial Statements

24 Employee benefit expenses *(continued)*

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

The remuneration of the Directors for the year ended 30 April 2012 is set out below:

	Fees HK$'000	Basic salaries, allowances and other benefits in kind HK$'000	Bonuses HK$'000	Employer's contribution to pension schemes HK$'000	2012 Total HK$'000
Executive directors:					
Mr. Lam Wai Chun	–	1,295	–	100	1,395
Ms. Tang Fung Kwan	–	1,420	–	120	1,540
Ms. Li Hong	–	605	–	35	640
Mr. Chung Wai Kin	–	499	17	24	540
Mr. Ho Man Lee *(appointed on 27/9/2011)*	–	304	3	14	321
Independent non-executive directors:					
Dr. Tang Tin Sek	498	–	–	–	498
Mr. Au Son Yiu	480	–	–	–	480
Mr. Goh Gen Cheung	420	–	–	–	420
Professor Zhu Yuhe	420	–	–	–	420
Mr. Lee Wing Kwan, Denis *(retired on 27/9/2011)*	175	–	–	–	175
	1,993	4,123	20	293	6,429

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

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

24 Employee benefit expenses *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining two (2011: two) individuals during the year are as follows:

	2012	2011
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits in kind	**1,127**	1,098
Bonuses	**10**	–
Contributions to pension schemes	**48**	36
	1,185	1,134

The emoluments fell within the following band:

	Number of individuals	
	2012	2011
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.

25 Finance costs – net

	2012	2011
	HK$'000	*HK$'000*
Interest expense on bank borrowings *(Note)*		
– wholly repayable within five years	**9,445**	7,191
– not wholly repayable within five years	**351**	130
Total interest expense incurred during the year	**9,796**	7,321
Amortisation of loan arrangement costs	**–**	109
Finance costs	**9,796**	7,430
Interest income from bank deposits	**(45)**	(51)
	9,751	7,379

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.

Notes to the Financial Statements

26 Taxation

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

	2012 **HK$'000**	2011 HK$'000
Hong Kong profits tax		
– over provision in prior years	**(138)**	–
– current tax	**2,767**	2,298
Overseas taxation including Mainland China		
– current tax	**361**	2,330
– Over provision in prior years	**(105)**	(33)
Deferred taxation *(Note 20)*	**2,338**	1,429
Total taxation	**5,223**	6,024

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% (2011: 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 at the rate of 25% (2011: 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.

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:

	2012 ***HK$'000***	2011 *HK$'000*
Profit before taxation	**20,723**	34,614
Tax calculated at weighted average domestic tax rates applicable to profits in the respective territories	**3,072**	5,770
Tax effect on income not subject to taxation	**(2,168)**	(4,280)
Tax effect on expenses not deductible for taxation purposes	**2,905**	2,339
Utilisation of previously unrecognised tax losses	**(57)**	–
Unrecognised tax losses	**1,841**	948
Over provision in prior years	**(243)**	(33)
Withholding tax on unremitted profit	**–**	288
Others	**(127)**	991
	5,223	6,024

Notes to the Financial Statements

27 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 2012 and 30 April 2011.

28 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$15,500,000 (2011: HK$28,590,000) and the weighted average number of 666,611,642 (2011: 689,395,908) shares in issue during the year.

For the years ended 30 April 2012 and 30 April 2011, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

29 Dividend

	2012	2011
	HK$'000	*HK$'000*
Proposed final dividend of HK0.50 cent (2011: HK0.50 cent) per share	**3,331**	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 do not reflect this dividend payable.

Notes to the Financial Statements

30 Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2012 HK$'000	2011 HK$'000
Profit for the year	15,500	28,590
Adjustments for:		
– Taxation	5,223	6,024
– Interest income	(45)	(51)
– Interest expense	9,796	7,321
– Amortisation of loan arrangements costs	–	109
– Amortisation of land use rights	515	495
– Depreciation of property, plant and equipment	42,531	49,337
– Net loss on written off/disposal of property, plant and equipment	1,178	2,532
– (Write back of)/provision for impairment of accounts receivable	(905)	1,551
– Fair value gains on investment properties	(13,018)	(25,933)
	60,775	69,975
Changes in working capital:		
– Increase in inventories	(21,736)	(7,048)
– Decrease/(increase) in accounts receivable	10,142	(1,572)
– Increase in deposits, prepayments and other receivables	(21,363)	(5,831)
– (Decrease)/increase in accounts and bills payable	(946)	15,551
– Increase in accruals and other payables	7,147	7,307
Cash generated from operations	34,019	78,382

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

	2012 HK$'000	2011 HK$'000
Net book value	1,424	2,630
Loss on written off/disposal of property, plant and equipment	(1,178)	(2,532)
Proceeds from disposal of property, plant and equipment	246	98

Notes to the Financial Statements

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

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

	2012	2011
	HK$'000	*HK$'000*
Cash and cash equivalents	**38,622**	21,265
Bank overdrafts	**(20,675)**	(13,717)
	17,947	7,548

31 Commitments and contingent liabilities

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Contracted but not provided for	**58,569**	14,365

The Company did not have significant capital commitments as at 30 April 2012 (2011: Nil).

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

At 30 April 2012, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	2012	2011
	HK$'000	*HK$'000*
Not later than one year	**38,592**	15,975
Later than one year and not later than five years	**40,011**	21,410
	78,603	37,385

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.

Notes to the Financial Statements

31 Commitments and contingent liabilities *(continued)*

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

At 30 April 2012, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2012	2011
	HK$'000	*HK$'000*
Note later than one year	**1,399**	3,110
Later than one year and not later than five years	**417**	1,006
	1,816	4,116

32 Banking facilities and pledge of assets

As at 30 April 2012, the Group had aggregate banking facilities of approximately HK$434,493,000 (2011: HK$309,292,000) 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$155,406,000 (2011: HK$112,694,000). These facilities were secured by corporate guarantees executed by the Company and certain of its subsidiaries.

As at 30 April 2012, certain of the Group's banking facilities were secured by:

(a) pledges of the Group's land and buildings of approximately HK$113,034,000 (2011: HK$5,609,000) *(Note 7)*.

(b) pledges of the Group's investment properties of approximately HK$66,214,000 (2011: HK$40,302,000) *(Note 8)*.

(c) pledges of the Group's available-for-sale financial assets of approximately HK$8,919,000 (2011: HK$8,697,000) *(Note 11)*.

(d) pledges of the Group's factored accounts receivable of approximately HK$19,215,000 (2011: HK$30,162,000) *(Note 13)*.

(e) pledges of the Group's bank deposits of approximately HK$27,750,000 (2011: HK$30,486,000) *(Note 15)*.

(f) charges over certain of the Group's inventories held under trust receipts import bank loan arrangements *(Note 12)*.

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

Notes to the Financial Statements

33 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:

		2012	2011
		HK$'000	*HK$'000*
(a)	Rental expense paid to a related company which is owned by directors of the Company	**639**	87
	Rental expense paid to a director of the Company	**246**	191

(b) Key management compensation is as below:

	2012	2011
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	**4,123**	3,775
Bonuses	**20**	–
Pension costs – defined contribution plans	**293**	274
	4,436	4,049

Schedule of Principal Investment Properties

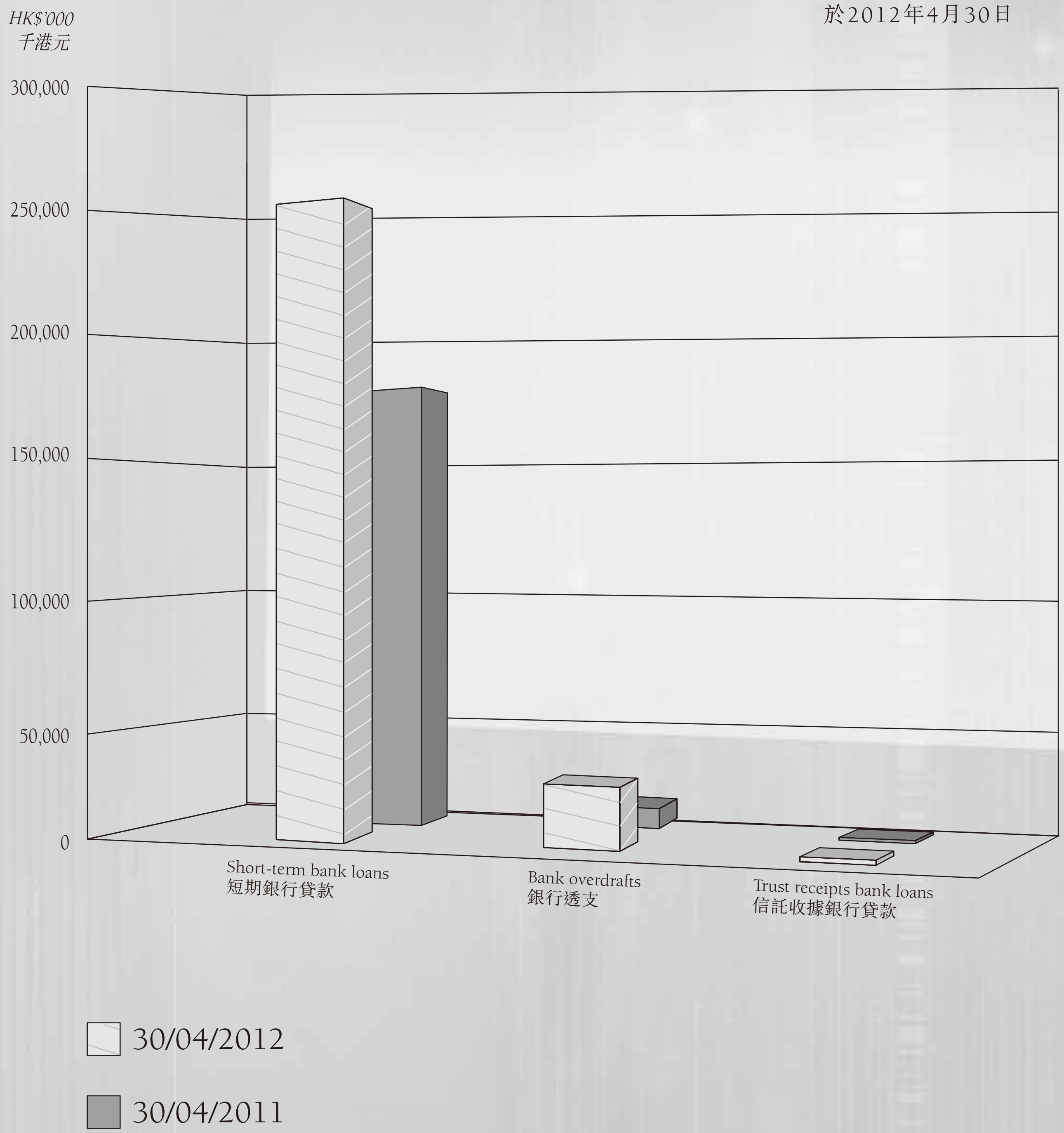
Major properties held for investment are under medium-term lease which directors consider material:

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. Flat A7 on 40th Floor of Block A and portion A7 of Roof, Tak Bo Garden, No. 3 Ngau Tau Kok Road, Kowloon Bay, Kowloon, Hong Kong	Section A of New Kowloon Inland Lot No. 2695 and the others	Residential
9. 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

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

As at 30 April 2012

於2012年4月30日



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