759阿信屋®

Annual Report 2015/2016 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 International Holdings Limited ("CEC International") is a small and medium-sized enterprise that upholds "progressive, determined, 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.

「CEC國際控股有限公司」(簡稱:CEC國際)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。

Founded in 1979, our electronic coils business 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 appliance and power tools. CEC International 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.

電子線圈業務始創於1979年,經過多年來不斷循序發展,至今已成為較具規模的電子線圈製造商,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國際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。

759 STORE was established by the Group on 7 July 2010, as the Group started to develop its retail business with reference to the consumption model of Japanese localities. Adherent to the Group's objective of implementing "lower margin with high turnover" policy, 759 STORE, running with high inventory turnover rate, aimed to give desirable service to local Hong Kong residents, providing a relaxing shopping environment with wide range of products for our customers to choose. Our products not only came from Japan, but also from European countries, South-east Asia, Korea, Mainland China, Taiwan and so forth. To provide our customers with a much comprehensive range of products to select, we did best to further increase the varieties of our products and, apart from food, we self-imported frozen food, alcohol beverages, household products, kitchenware, personal care and cosmetics goods, etc. Looking forward, 759 STORE will continue to serve Hong Kong local residents and provide comfortable, relaxing, diversified and much brand new shopping experience to our customers.

集團於2010年7月7日創立759阿信屋,參照日本生活區的消費模式開拓本地的零售業務。秉承集團薄利多銷的宗旨,759阿信屋採取高流量、多品種選擇性的策略,向顧客提供優閒的購物環境及稱心的服務,並以服務本港街坊為目標。除日本外,貨源亦來自歐洲各國、東南亞、韓國、中國內地及台灣等。759阿信屋積極將進貨領域進一步擴大,除食品外、自行進口急凍食品、酒類、住宅用品、廚具、個人護理用品及化妝品等等,為本港顧客提供更全面的選擇。未來,759阿信屋將繼續致力為街坊服務,提供舒適悠閒、多元、具新意的購物體驗。

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

CEC國際於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。

Contents

Corporate Information

DIRECTORS

Executive Directors
Mr. Lam Wai Chun
(Chairman and Managing Director)
Ms. Tang Fung Kwan
Mr. Ho Man Lee

Independent Non-executive Directors
Mr. Au Son Yiu
Mr. Goh Gen Cheung
Mr. Chan Chiu Ying

AUDIT COMMITTEE

Mr. Chan Chiu Ying *(Chairman)*
Mr. Au Son Yiu
Mr. Goh Gen Cheung

REMUNERATION COMMITTEE

Mr. Au Son Yiu *(Chairman)*
Mr. Goh Gen Cheung
Ms. Tang Fung Kwan
Mr. Chan Chiu Ying

NOMINATION COMMITTEE

Mr. Lam Wai Chun *(Chairman)*
Mr. Au Son Yiu
Mr. Goh Gen Cheung
Mr. Chan Chiu Ying

COMPANY SECRETARY

Ms. Ho Wing Yi

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

HEADQUARTERS IN MAINLAND CHINA

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co.
Appleby

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar
MUFG Fund Services
(Bermuda) Limited
The Belvedere Building
69 Pitts Bay 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

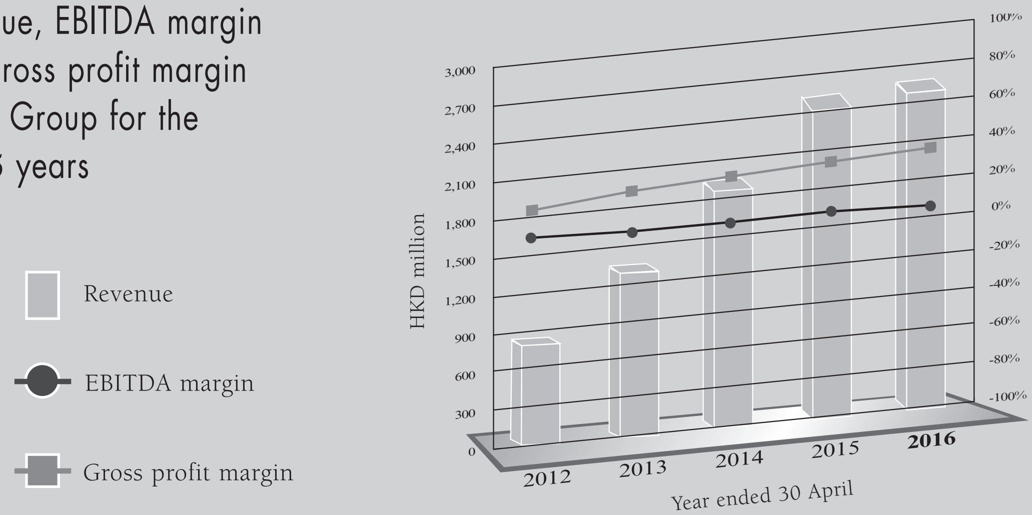
E-mail: info@ceccoils.com

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 2016 HK$'000	2015 HK$'000	Change
Revenue	**2,458,839**	2,422,372	+1.5%
(Loss)/profit attributable to equity holders of the Company	**(29,715)**	27,708	N/A
Total assets	**1,315,450**	1,313,930	+0.1%
Net assets	**503,366**	557,858	–9.8%
Per Share Data			
Basic (loss)/earnings per share (HK cents)	**(4.46)**	4.15	N/A
Net assets per share (HK cents)	**75.6**	83.7	–9.7%
Financial Ratios			
Gross profit margin (%)	**33.4**	31.8	+1.6
EBITDA margin (%)	**3.0**	5.6	–2.6
Current ratio	**0.70**	0.70	0
Interest coverage ratio	**3.33**	7.10	–3.77
Gearing ratio	**0.53**	0.48	+0.05

Definitions

Basic (loss)/earnings per share = $\frac{\text{(Loss)/profit attributable to equity holders of the Company}}{\text{Weighted average number of issued shares}}$

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

Gross profit margin (%) = $\frac{\text{Gross profit X 100\%}}{\text{Revenue}}$

EBITDA margin (%) = $\frac{\text{Operating (loss)/profit plus depreciation and amortisation X 100\%}}{\text{Revenue}}$

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

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

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

Five Years' Financial Summary

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

	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Loss)/profit attributable to equity holders	**(29,715)**	27,708	23,773	20,150	15,500
Total assets	**1,315,450**	1,313,930	1,137,838	1,029,713	837,275
Total liabilities	**(812,084)**	(756,072)	(604,851)	(527,767)	(356,671)
	503,366	557,858	532,987	501,946	480,604

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 seventeenth 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.

2015/2016 SUMMARY OF RESULTS

– Revenue increased 2% to HK$2,458,839,000 (2015: HK$2,422,372,000);

– Loss attributable to equity holders of the Company was HK$29,715,000 (2015: profit of HK$27,708,000);

– Basic loss per share was HK4.46 cents (2015: Basic earnings per share of HK4.15 cents);

– Net cash inflow from operating activities decreased by 36% to HK$42,256,000 (2015: HK$66,256,000); and

– Gross profit margin increased by 1.6 percentage points to 33.4% (2015: 31.8%).

DIVIDEND

No interim and final dividend was declared for the year ended 30 April 2016 (2015: final dividend of HK1.00 cent per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 26 September 2016 to Wednesday, 28 September 2016 (both dates inclusive), during which period no transfer of shares of the Company will be effected. Shareholders whose names appear on the register of members of the Company on Wednesday, 28 September 2016 are entitled to attend and vote at the annual general meeting of the Company to be held on Wednesday, 28 September 2016 (the "2016 Annual General Meeting"). In order to qualify to attend and vote at the 2016 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, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Friday, 23 September 2016.

Management Discussion and Analysis

BUSINESS REVIEW

Overview

Reviewing the year 2015/16, the Group recorded total revenue of HK$2,458,839,000 (2015: HK$2,422,372,000), representing an increase of about 1.5% compared with last year. In the period, the consolidated gross profit was HK$821,425,000 (2015: HK$771,239,000), representing a rise of 6.5% compared with the same period last year, and the consolidated gross profit margin was 33.4% (2015: 31.8%), went up by 1.6 percentage points than that of last year. The increase in consolidated revenue, gross profit and gross profit margin were mainly driven by the growth of our retail business. For the period under review, the revenue from our retail business "759 STORE" accounted for 93% (2015: 88%) of the total revenue, while the share of our electronic components manufacturing business dropped to about 7% (2015: 12%).

As for profit, the Group recorded a consolidated loss of HK$29,715,000 (2015: profit of HK$27,708,000). The loss for the Year is primarily attributable to:

- A turbulent international currency market that saw a strong recovery in the exchange rate of Japanese Yen starting from the beginning of 2016 and resulted in net exchange losses of HK$29,207,000 (2015: net exchange gains of HK$14,046,000) on the Group's retail business, a difference of approximately HK$43,253,000 compared with last year;

- Fair value losses of about HK$9,732,000 (2015: gains of HK$10,732,000) included on the consolidated income statement for investment properties carried at fair value recorded for the period;

- The underestimation by the Group on the scale of downturn in local retail market conditions resulting from the rapid slowdown in economic conditions, the revenue growth of our retail business for the period is lower than expected and the growth is also lower than the increase in operating costs.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Retail business

In the financial year, the retail market of Hong Kong had experienced an abrupt reverse. According to the "Report on Monthly Survey of Retail Sales" released monthly by the Census and Statistics Department of Hong Kong, value of total retail sales recorded a drop in every month during the financial year when compared with the same month last year, and posted an escalating trend in terms of magnitude of the falls. This reflected a continual downturn in the retail market of Hong Kong as well as an increasingly steep decline in consumer confidence. In fact, the founder has foreseen considerable degree of adjustment in the economy of Hong Kong after years of prosperity and growth, and yet believes that the Group should grasp the opportunities to actively consolidate the market position and the operational scale of 759 STORE, stick to the self-import model of high flow rate and the "Quick Turnover with Lower Margin" policy, and also orderly increase the proportion of daily necessities that are immune to economical ups and downs, such as food groceries (oil, rice, noodles and etc), frozen meats and seafood and personal care products. As at 30 April 2016, our retail business had 271 (2015: 248) shops in operation (not including co-operative shops), representing an increase of 9.3% in percentage terms. Segment revenue for the Year was HK$2,277,969,000 (2015: HK$2,133,805,000), representing an increase of about 6.8% as compared with that of last year. The growth recorded was nevertheless unable to fulfill the Board's expectation in terms of magnitude. In particular, as for the Christmas and the Lunar New Year in the second half year, in the light of the perceived abrupt downturn in the market conditions, the founder decided to stop selling holiday products for the whole festival periods in order to avoid the risk of inventory becoming inactive for too much destructive competition. For this reason, instead of introducing the fine items for gifts, full line of our stores kept selling food items and articles for daily use to get a better balance on the revenue which should have been gained from end-of-year gift market in compared with that in last year.

As at 30 April 2016, the Group's 271 shops spanned 18 districts of Hong Kong and penetrated residential areas. However, owing to the lower-than-expected growth in sales in addition to the remaining high level of market rental rate, the proportion of rental expenses to revenue increased to about 11.8% (2015: 10.6%). As for front-line staff, the Group maintained the average front-line employees per shop at 4.0 persons (2015: 4.0 persons). In the Year, 759 STORE adopted a system of higher bonus so as to give more strength to front-line staff to maintain keen customer service, even under this adverse market situation. The weighting of front-line staff wage to revenue increased by 1.0 percent point to 8.9% (2015: 7.9%) in compared with that in last year. Rent and salary of front-line staff were also directly attributable to the 19.0% increase in selling and distribution expenses of our retail business for the Year, which amounted to HK$659,212,000 (2015: HK$553,968,000). General and administrative expenses amounted to HK$126,235,000 (2015: HK$107,793,000), representing an increase of 17.1% compared with last year. The Group newly rented a warehouse with a saleable area of more than 70,000 sq. ft. in the Year to cope with the logistical needs arising from the planned expansion in food groceries category, a new cost item for the Year.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Retail business *(continued)*

The Group adopted the model of parallel import in container loads, through which 759 STORE was able to introduce a wider variety of products for customers to choose. Since retailing Japanese snack was considered promising in the market, the number of Japanese snack shops in the city continuously increased. Nonetheless, although the revenue of the Group's snack category and Japanese-made products still had recorded some growth, the weighting of snack category to the whole business had further decreased as the import of food groceries and frozen foods from Europe, America and Southeast Asia increased drastically. In April this year, the Group had formally opened up its self-importing channel for 100% Pure Thai Hom Mali Rice grown and packed in its place of origin. The Group expanded its rice warehouse, which was approved by the Trade and Industry Department. Meanwhile, since the import quota of rice application has to be made quarterly, 759 STORE had accordingly made application for the remarkable increase in imported volume of rice from Thailand in the coming year. About 23,000 varieties (2015: around 23,500) of merchandise were sold during the Year. The weighting of snack category, of which its revenue took the greatest share in total revenue, decreased to only 33% (2015: 39%). The weighting of food groceries including rice, oil, noodles, seasonings and canned foods increased to 25% (2015: 13%), followed in descending order by drinks (including alcohols), frozen foods, personal care products, housewares and baby products. Products were imported from 61 countries and regions (2015: 61). In terms of sales, the region which took the greatest share was still Japan, though its weighting had dropped to about 39% (2015: 43%), followed by Europe, Southeast Asia, Korea, Taiwan, Mainland China, Americas and other regions.

Given our revenue grew with the Group's continued expansion of its retail business, as at 30 April 2016, the Group's inventory increased to HK$327,287,000 (2015: HK$297,760,000), representing an increase of 9.9%. Inventory turnover also increased to 70 days (2015: 57 days). Main reasons for the increase in inventory level and inventory turnover were namely that: (1) inventory for display increased with the increase in the number of shops and larger average shop floor area; (2) Opening of certain large grocery stores and specialty shops increased the varieties of self-imported goods and their relevant inventory; (3) Even though the retail market trend reversed sharply, the medium term prospect on the procurement from our overseas manufacturing partners had not been on hold; (4) the turnover rate of certain types of products were relatively low, especially cosmetics, home groceries and household electrical appliances. The Group will put forth efforts to control inventory as well as inventory turnover. On one hand, we have communicated with overseas manufacturers for a relatively prudent purchase plan in view of local market conditions; on the other hand, the Group will focus on increasing fast-moving items like snacks, beverages, food groceries, meats, personal care products and consumable housewares.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Retail business *(continued)*

Apart from 759 STORE, the Group operates specialty shops in different themes, which include 759 KAWAII/KAWAIILAND, 759 STORE FROZEN MARKET, 759 STORE HOUSEHOLD MARKET/ KAGUYA, 759 SKYLAND and 759 SHINGUYA. According to the operation data collected for years, products of the aforesaid specialty stores shows much outstanding sales performance when they were built-in inside "759 STORE" and "759 STORE SUPERMARKET" of bigger size. The figures such as customers' shop patronage, number of transactions and the product combination of each transaction also shows that customers tend to give their patronage to "759 STORE" and "759 STORE SUPERMARKET" of bigger size and wider variety of product offerings. The management would actively negotiate with landlords to seek for shop sites with bigger floor area and for broadening the user of the shop to contain more product categories. A shop with bigger shop floor area could provide customers with a much spacious and comfortable shopping and leisure environment. It could also display more product categories which provides wider choice for customers. The rent-to-revenue ratios for medium-sized and large-sized "759 STORE" and "759 STORE SUPERMARKET" are obviously lower than the average. As at 30 April 2016, total gross floor area of the Group's shops was approximately 544,000 sq. ft. (2015: 431,000 sq. ft.), while the average branch gross floor area was about 2,007 sq. ft. (2015: 1,733 sq. ft.).

Electronic components manufacturing business

The Group's electronic components manufacturing business and coil products are widely used in various electronic consumer products, such as lighting products, mobile communication equipment, household appliances, computer and its peripheral products, and power supply devices. During the Year, the Group continued to downsize the electronic components manufacturing business in an orderly manner, maintain a low level of resources input, as well as more efficient utilisation of our well-established automated production facilities, and focus on providing coil product, service and support for its international customers of years' partnership. In the Year, the electronic components manufacturing business recorded a segment revenue of HK$176,957,000 (2015: HK$285,771,000), representing a decrease of 38.1% compared with last year, which was mainly attributable to the Group's planned scaling down on its business scale and the closure of Nanjing workshop completed in the later part of last year. Segment operating loss for the Year was HK$7,407,000 (2015: HK$13,263,000), representing a decline of 44.2% compared with last year. Segment depreciation and amortisation of the manufacturing business for the Year was HK$13,475,000 (2015: HK$16,421,000).

Investment Properties

The Group's rental income for the Year was HK$3,913,000 (2015: HK$2,796,000), increased by 39.9% over last year. Fair value losses of about HK$9,732,000 (2015: gains of HK$10,732,000) included on the consolidated income statement for investment properties carried at fair value recorded for the period as the property market in Hong Kong experienced adjustments in the Year.

Management Discussion and Analysis

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2016, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$119,653,000 (2015: HK$117,502,000). As at 30 April 2016, the Group had aggregate banking facilities of HK$944,749,000 (2015: HK$922,518,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK$262,932,000 (2015: HK$295,765,000). At 30 April 2016, the utilised banking facilities amounting to HK$681,817,000 (2015: HK$626,753,000) were secured by charges on the Group's certain land and buildings, investment properties, pledges of the Group's accounts receivable, bank deposits and inventories. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 30 April 2016, the Group could comply with such financial covenants.

The Group's bank loans as at 30 April 2016 amounted to HK$679,413,000 (2015: HK$623,011,000), increased by 9.1%. As at 30 April 2016, the Group's gearing ratio* was 0.53 (2015: 0.48), which increased by 0.05 as compared with the previous financial year end. At the same time, the Group did not have any contingent liabilities (2015: Nil).

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

Assets

As at 30 April 2016, the Group had an inventory balance of HK$327,287,000 (2015: HK$297,760,000). The increase in inventory could be attributed to the inventory requirement of newly added shops of 759 STORE and increased types of imported products. Meanwhile, total prepayments, deposits and other receivables (including prepaid rent and rental deposits of retail shops) of the Group as at 30 April 2016 also increased along with the expansion of 759 STORE retail network, reaching HK$143,491,000 (2015: HK$130,523,000).

Interest Expenses

In the Year, interest expenses of the Group amounted to HK$22,664,000 (2015: HK$19,010,00), increased by 19.2% over last year.

Financial resources and capital structure

In the Year, the Group's net cash outflow was HK$37,706,000 (2015: net cash inflow of HK$6,605,000), while net cash inflow from operating activities was HK$42,256,000 (2015: HK$66,256,000), decreased by 36% compared with last year. The decrease was mainly attributed to the enlarged inventory requirement as a result of the expansion of retail network. Net cash outflow from investing activities amounted to HK$57,998,000 (2015: HK$160,612,000) in the Year, representing a significant decrease of 63.9% compared with last year. This could be attributable to fitting-out of newly opened retail shops and the acquisition of warehouse property of HK$38,305,000 during the Year (2015: HK$141,306,000).

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Cash Flow Summary

	2016	2015
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**42,256**	66,256
Net cash outflow from investing activities	**(57,998)**	(160,612)
Net cash (outflow)/inflow from financing activities	**(21,964)**	100,961
(Decrease)/increase in cash and cash equivalents	**(37,706)**	6,605

As at 30 April 2016, the Group's net current liabilities was HK$236,729,000 (2015: HK$219,682,000) while current ratio stood at 0.7 time (2015: 0.7 time), which included pledge loans of approximately HK$182,377,000 (HK$93,862,000 repayable within one year; HK$88,515,000 repayable after one year). Such loan of HK$88,515,000 due for repayment after one year but contain a repayment on demand clause 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". After taking into account of the available banking facilities, and expecting future demand of capital required for retail network expansion will be mitigated after the retail business development has entered into a consolidation stage, the management considers that the Group's working capital at hand in addition to the banking facilities provided by major financing bankers are sufficient to fund its existing development plans.

Charges on Assets

As at 30 April 2016, certain assets of the Group with an aggregate carrying value of approximately HK$409,386,000 (2015: HK$448,844,000) were pledged to secure banking facilities of the Group.

Exchange Risks

The Group's business is mainly conducted in Hong Kong, Mainland China and South-east Asia. The major revenue currencies are denominated in Hong Kong dollar, Renminbi and United States dollars; whilst the major currencies in purchase commitments and operation costs are denominated in Japanese Yen, United States dollars, Euro, Hong Kong dollar and Renminbi. The Group will endeavor to be vigilant in monitoring the fluctuation in exchange market, and will proactively adjust the combination of imported merchandise in order to offset the impact that may occur from currency fluctuation. Presently, if the exchange rates of Japanese Yen and Euro go up significantly, it will impact the Group's overall cost of imports. Because of this, the Group will pay vigilant attention to the fluctuation of Japanese Yen and Euro.

Management Discussion and Analysis

EMPLOYEES

As at 30 April 2016, the Group had employed approximately 2,700 staff (2015: 3,000). The remuneration of the employees is determined by a wide range of factors including references to market benchmark, individual performance, academic qualification and work experience, subject to periodic reviews. 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.

In August 2015, the Group launched the "Youth Training Program", under which a number of university graduates were recruited to commence the "759 ONLINE" project for continuing development and exploration of the e-commerce business.

SOCIAL RESPONSIBILITIES

The Group is proactive in carrying out the responsibilities of a corporate citizen. By participating in various kinds of charitable, volunteer, and recreational activities, we have encouraged our staff force to care about the community and have promoted a sound mind in a sound body as well as their balanced development. We have also made donation to charitable organizations and educational institutions and have endeavored to participate in social welfare activities.

FUTURE PLAN AND OUTLOOK

Looking into the future, the Group determines to focus its retail business on the three main brands: "759 STORE" being the key for sustainable development, "759 KAWAII/KAWAIILAND" as the brand of personal care products, cosmetics and fashionable gadgets, and "759 CART NOODLE" serving as a long-term tentative development in the Catering industry.

Further downturns are expected in the retail market because of the uncertainties and challenges remain clouded in the global and local economic conditions. The Group is operating 271 shops in Hong Kong, which represent a well-established shop-network foundation penetrating almost all local residential districts and operating steadily in terms of revenue, purchase volume, membership and number of consumers. The Group keeps a highly even distribution of rental renewal schedule. Rental renewal of around 70 shops is expected in this and the upcoming years. When re-negotiating with landlords the rents, the Group would consider market conditions and evaluation of the shop network at the moment. Calibration of distances among shops and reasonable number of stores derived from scientific decision models would be served as indicators in the adjustment of shop network. Since most of the rental contracts were settled before the reverse of market conditions, the management will re-negotiate with landlords based on the actual operating performance of each shop. Renewal of leases shall not be made if rental offers exceed the affordability of each particular shop. As for warehouse facilities, the Group will re-negotiate with landlords the leased areas based on actual needs.

Management Discussion and Analysis

FUTURE PLAN AND OUTLOOK *(continued)*

In respect of the product range, 759 STORE will focus on the category of food groceries in the light of the encouraging performance from the sales of Hom Mali Rice self-imported from Thailand started in the April of the fiscal year. The Group will gradually raise the import volume of rice and actively strive for turning more of its shops into sales points of rice directly imported. In addition to rice, 759 STORE has been making effort to introduce cereals, meat, seafood, cooking oils, canned food and a wide range of seasonings to its product portfolio. From the operation data since 759 STORE's inception in 2010, food groceries with most market demand are not originated from Japan nor Korea, but Europe, Southeast Asia, China, Australia and New Zealand. The following table represents the product categories with their countries of origin which 759 STORE will develop with great exertion.

Europe	Pork, Poultry, Meat products, Seafood, Cereals, Noodles, Cooking oils, Dairy products, Seasonings
Southeast Asia	Rice, Noodles, Seafood, Canned food, Seasonings
Mainland China	Noodles, Canned foods, Edible mushrooms, Seasonings
Australia and New Zealand	Beef, Mutton, Cereals

The proportion of product category would continue be leaded by snacks, followed by staple food, food groceries and frozen food in 759 STORE. While for personal care products and housewares, the Group will focus on developing consumable commodities by classifying them under conventional products, which would be regularly available in more 759 shops, and adopting the "Quick Turnover with Lower Margin" policy. Durables, such as kitchenware, household appliances, storage appliances, beddings and small household electrical appliances and so forth, are also highly welcomed by customers, reflected by the operation data. Subjected to its much lower frequency of repeated purchases comparing to the consumables, the durables would be served as non-conventional products not meant to be supplied on continual basis. In the upcoming future, 759 STORE will launch sales campaigns with various seasonal and festival related themes. Series of themed durables would be featured and be priced based on its customary policy of "Quick Turnover with Lower Margin". This tactic could avoid additional inventory burdens arising from long-term shelving of slow-moving items.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 28 July 2016

Directors and Senior Management Profile

Directors

Executive Directors

Mr. LAM Wai Chun, aged 57, 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. He is also the Chairman of the Nomination Committee of the Company. Mr. Lam found the Group in 1979 and has over 45 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 46, was appointed as an executive director of the Company with effect from 29 September 1999. She is responsible for the overall management of the procurement function of the Group's retail business. Ms. Tang is also a director of Coils Electronic (Zhong Shan) 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.

Mr. HO Man Lee, aged 36, was appointed as an executive director of the Company with effect from 27 September 2011. He is responsible for managing the Group's administration and personnel functions in Hong Kong and overseas, and co-ordinating the development of the Group's information system. 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.

Independent Non-Executive Directors

Mr. AU Son Yiu, aged 70, 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, the Nomination 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, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Until 31 January 2015, Mr. Au was also an independent non-executive director of China City Construction Group Holdings Limited (formerly known as Chun Wo Development Holdings Limited), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, Mr. Au is the Ex-Deputy Chairman of Hong Kong Clearing (1992-1994), the Ex-Council member of the Stock Exchange of Hong Kong Limited (1988-1994) and was a member of the Election Committee for the financial services subsector election for the 1998 Legislative Council.

Directors and Senior Management Profile

Mr. GOH Gen Cheung, aged 69, 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, the Remuneration Committee and the Nomination 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 Beijing Properties (Holdings) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was also an independent non-executive director of Yuhua Energy Holdings Limited (formerly known as Shinhint Acoustic Link Holdings Limited), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, until 30 November 2014.

Mr. CHAN Chiu Ying, aged 57, was appointed as an independent non-executive director of the Company with effect from 1 February 2015 and is the Chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee of the Company. Mr. Chan has over 20 years' experience in the fields of accounting, securities and corporate finance spanning from regulatory to investment advisory and management of listed companies in Hong Kong. Mr. Chan holds a Master degree in Business Administration from the University of Bradford, the United Kingdom and is an advisor providing corporate and strategic advisory services in Hong Kong and China. He is a fellow of the Hong Kong Institute of Certified Public Accountants. He is also an associate of the Chartered Institute of Management Accountants, the United Kingdom and a member of the Hong Kong Securities and Investment Institute. Until 31 January 2015, Mr. Chan was also an independent non-executive director of China City Construction Group Holdings Limited (formerly known as Chun Wo Development Holdings Limited), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Senior Management

Company Secretary

Ms. HO Wing Yi, aged 42, 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.

Electronic Components Manufacturing Business

Ms. MAI Shaoling, aged 52, is the head of factory affairs of Coils Electronic (Zhong Shan) Co., Ltd. responsible for managing the factory affairs of Zhongshan main plant as well as the operation of the restaurant business. 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 33 years of experience in administration and has been admitted to the degree of Master of Business Administration in The University of Wales, United Kingdom in 2013. Ms. Mai joined the Group in 1983.

Directors and Senior Management Profile

Mr. WANG Zhengwen, aged 48, 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.

Ms. HUANG Shaobing, aged 37, is the head of business, responsible for the management of sales functions of the Group. Ms. Huang has over 18 years of working experience in management of coil products procurement as well as sales and marketing. She has been admitted to the degree of Bachelor of Laws in the Nanjing Army Command College, Mainland China, in 2013. Ms. Huang joined the Group in 1998.

Ms. POH Po Leng, aged 47, is the head of business of CEC-Coils Singapore Pte Ltd. responsible for the development of the Group's business in the Far East and the purchasing of Southeast Asian food products of 759 STORE. She previously worked in several prestigious Japanese electronic product manufacturers. Ms. Poh joined the Group in 2000.

Mr. ZHAO Xiangqun, aged 54, is the head of engineering and quality responsible for the management of the engineering and quality functions of the Group's electronic components manufacturing 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. LAO Xin, aged 44, is the head of administration of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the management of the Group's administration and personnel functions in Mainland China. 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.

Retail Business

Purchasing Management

Ms. LAI Wanru, aged 44, is the head of purchasing of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the purchase, materials procurement and logistics management functions of the Group's coil business as well as the purchasing function of 759 STORE. Ms. Lai has over 26 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.

Ms. SIU Pui Yan, aged 34, 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. MORI Kenji, aged 41, is the business development manager of purchasing of retail business, responsible for the purchasing of Japanese snacks and food products of 759 STORE. Mr. Mori has over 16 years of experience in such areas as retail of snack, confectionary and grocery, purchase management, etc. Mr. Mori joined the Group in 2011.

Directors and Senior Management Profile

Mr. FUKUOKA Kazuaki, aged 52, is the business development manager of purchasing of retail business, responsible for the development of sourcing in Japan of 759 STORE. Mr. Fukuoka has over 30 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.

Mr. OGISHIMA Yoshimasa, aged 31, is the purchasing manager of retail business, responsible for the purchasing of Japanese snacks and food products of 759 STORE. He has been admitted to the degree of Bachelor of International Studies in the Takushoku University, Japan in 2008. Mr. Ogishima joined the Group in 2012.

Mr. YANG Yong, aged 41 is the head of purchasing in China of retail business, responsible for the purchasing of Mainland China products of 759 STORE. He has over 22 years of working experience in management of coil products procurement as well as sales and marketing. Mr. Yang joined the Group in 1994.

Quality Management

Mr. HE Guogao, aged 50, 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. CAO Huizhong, aged 46, is the quality assurance manager responsible for the management of food quality and labeling functions. He has been admitted to the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. Cao joined the Group in 1994.

Information Technology Management

Mr. QING Liang, aged 38, 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 and the degree of Master of Science in Engineering Business Management jointly awarded by The University of Warwick, United Kingdom and The Hong Kong Polytechnic University in 2014. Mr. Qing joined the Group in 2002.

Shop Management

Ms. LI Yuk Yu, aged 53, is the area manager responsible for regional shop management of 759 Store. Ms. Li worked in a large-scale chained supermarket and has over 26 years of experience in shop operations. She has been admitted to the degree of Bachelor in Philosophy in the Sun Yat-Sen University, Guangdong Province, Mainland China, in 1984 Ms. Li joined the Group in 2013.

Mr. MA Hei Shing, aged 49, is the deputy general manager of shop operation responsible for the management of shop operation of 759 Kawaiiland. Mr. Ma has over 29 years of experience in retail industry. Mr. Ma joined the Group in 2012.

Directors and Senior Management Profile

Mr. LAU Chi Chiu, aged 49, is the general manager assistant of shop operation responsible for regional shop management of 759 Store. Mr. Lau worked in a large-scale chained supermarket and has over 26 years of experience in shop operations. Mr. Lau joined the Group in 2013.

Retail Management

Mr. CHEUNG Ming Yat, aged 40, is the general manager of trading department responsible for the development of product sourcing and business analysis of 759 STORE. 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. WONG Sin Kam, aged 54, is the head of property management department responsible for coordinating the leasing function of 759 STORE. She has over 34 years of working experience in related field. Ms. Wong joined the Group in 1990.

Mr. HO Kwok Keung, aged 58, is the head of engineering (interior fitting out) responsible for managing the fitting-out and its maintenance of the retail shops. He is a former executive director of the Company (appointed on 20 December 2002 and resigned on 14 August 2003). He has over 39 years of experience in electronics and electrical industry. Mr. Ho joined the Group in 1996.

Mr. CHUA You Sing, aged 68, is the head of logistic responsible for the transportation and logistic management of 759 STORE. He is a former executive director of the Company (appointed on 1 May 2005 and retired on 27 September 2007). Mr. Chua has over 45 years' extensive experience in management and electronic manufacturing business. Mr. Chua joined the Group in 2005.

Mr. CHAN Yuk Lun, aged 48, is the head of warehouse responsible for the warehouse management of 759 STORE. 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. YAU Leung Hung Charles, aged 35, is the manager of personnel department responsible for the daily personnel management of 759 STORE. He has been admitted to the degree of Bachelor of Arts in Public and Social Administration in the City University of Hong Kong, in 2003 and the degree of Master of Science in Engineering Business Management jointly awarded by The University of Warwick, United Kingdom and The Hong Kong Polytechnic University in 2011. Mr. Yau joined the Group in 2003.

Mr. YAU Tat Wing, aged 35, is the design manager of marketing department responsible for managing the advertising design function of 759 STORE. Mr. Yau has been admitted to the degree of Bachelor of Arts in Graphic Design in The University of Huddersfield, United Kingdom, in 2010. He has over 16 years of experience in advertising design. Mr. Yau joined the Group in 2012.

Ms. CHAN Wing Lam, aged 34, is the interior design manager responsible for managing the shop design function of 759 STORE. Ms. Chan has over 10 years of experience in interior design of retail shops. She has been admitted to the degree of Bachelor of Arts with Honours in Art and Design in Education in The Hong Kong Polytechnic University in 2016. Ms. Chan joined the Group in 2014.

759 Online (Youth Training Program)

Ms. LEE Tsz Kei, aged 23, is the department officer of 759 Online responsible for coordinating the online sales business – 759 Online. She has been admitted to the degree of Bachelor of Business Administration in Operations Management and Management with Honours in The Hong Kong University of Science and Technology in 2015. Ms. Lee joined the Group in 2015.

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 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 2016, except for the following deviations:

1. Under code provision A.2.1 of the Code, 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.

2. Under code provision E.1.2 of the Code, the Chairman of the Board should attend the annual general meeting of the Company.

   The Chairman of the Board did not attend the Annual General Meeting of the Company held on 25 September 2015 (the "2015 AGM") due to illness at the material time. Ms. Tang Fung Kwan, the executive director of the Company, who took the chair of the 2015 AGM and other members of the Board (including the chairman of each of the Audit Committee and the Remuneration Committee and the members of the Nomination Committee) attended the 2015 AGM to ensure effective communication with the shareholders of the Company.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code at the applicable times for the period from 1 May 2015 to 30 April 2016. The Model Code also applies to the relevant employees of the Group.

Corporate Governance Report

BOARD OF DIRECTORS

The Board currently comprises three executive directors, namely Mr. Lam Wai Chun (Chairman and Managing Director), Ms. Tang Fung Kwan and Mr. Ho Man Lee; and three independent non-executive directors, namely Mr. Au Son Yiu, Mr. Goh Gen Cheung and Mr. Chan Chiu Ying. The number of independent non-executive directors of the Company represents half 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. Goh Gen Cheung, who has served as independent non-executive director for more than nine years, shall retire and, being eligible, offer himself for re-election as an independent non-executive director of the Company at the forthcoming annual general meeting of the Company. Pursuant to code provision A.4.3 of the Code, further appointment of Mr. Goh as an 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. Goh as an independent non-executive director. The Nomination Committee of the Company has reviewed and assessed his annual confirmation of independence based on the independence factors set out in Rule 3.13 of the Listing Rules. With his extensive experience and sharp business acumen, Mr. Goh has provided valuable independent advice for the Group's business development in his previous tenures. As Mr. Goh is not involved in the day-to-day management of the Company and there is no evidence that his independence would be affected by his length of term, the Board considers that Mr. Goh will continue to provide valuable contributions to the Company and the shareholders as a whole.

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 the 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 approving the re-appointment of the executive director, reviewing the terms of reference of the Audit Committee, approving the re-appointment of the independent non-executive directors, the remuneration packages of an executive director and the senior management of the Group, as well as making proposals to the shareholders of 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 2016 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 communication in accordance with the Company's Bye-laws.

ATTENDANCES OF MEETINGS

The number of meetings of the Board and its committees during the year ended 30 April 2016, the individual attendance of each Board and committee member at these meetings and the attendance of the Board members at the 2015 AGM are set out below:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Accounts Receivable Supervisory Committee	2015 AGM
Executive Directors						
Lam Wai Chun	4/5	–	–	1/1	–	0/1
Tang Fung Kwan	5/5	–	4/4	–	1/1	1/1
Ho Man Lee	5/5	–	–	–	–	1/1
Independent Non-Executive Directors						
Au Son Yiu	5/5	4/4	4/4	1/1	1/1	1/1
Goh Gen Cheung	5/5	4/4	4/4	1/1	–	1/1
Chan Chiu Ying	5/5	4/4	4/4	1/1	–	1/1

Corporate Governance Report

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 three non-executive directors are independent and have entered into their respective letters of appointment for a term of two years.

INDUCTION AND DEVELOPMENT

Upon their appointments, directors will meet with our external legal adviser and be advised on the legal and other duties and obligations they have as directors of a listed company. Throughout the course of their directorship, directors are updated on any developments or changes affecting the Company and their obligations to it monthly and at regular Board meetings.

Directors' training is an ongoing process. All directors are encouraged to attend relevant training courses at the Company's expense. During the year ended 30 April 2016, the Company has sponsored the directors and relevant staff to attend summits relating to the global economy and the market environment in which the Group operates. All directors had also participated in an in-house briefing conducted by the external auditor during a Board meeting, with relevant reading materials given to them, regarding updates on the ESG reporting requirements of the Listing Rules. In addition, all directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Mr. Ho Man Lee, Mr. Au Son Yiu, Mr. Goh Gen Cheung and Mr. Chan Chiu Ying had participated in continuous professional development programmes by attending external conferences and seminars organized by professional bodies, to develop and refresh their knowledge and skills in relation to their contribution to the Board. The Company has received from all directors of their respective training records for the year ended 30 April 2016.

Corporate Governance Report

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 each executive director 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 emoluments of the members of the senior management by band for the year ended 30 April 2016 is set out below:

	Number of members	
Emolument bands	**2016**	2015
Nil to HK$1,000,000	**28**	31

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 8 to the financial statements.

During the year ended 30 April 2016, the Remuneration Committee held four meetings. The works performed by the Remuneration Committee included making recommendation to the Board of the remuneration packages (including the relevant service agreements and supplemental agreements, if any) of executive directors and certain members of the senior management, the terms and conditions of the letters of appointment for independent non-executive directors, the directors' fees of independent non-executive directors and the additional remuneration for each of the chairman of the Audit Committee and the Remuneration Committee, reviewing the remuneration policy and the remuneration packages of the senior management of the Group, 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 four members including one executive director, namely Ms. Tang Fung Kwan, and three independent non-executive directors, namely Mr. Au Son Yiu (chairman of the Remuneration Committee), Mr. Goh Gen Cheung and Mr. Chan Chiu Ying.

Corporate Governance Report

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, composition and diversity (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, Mr. Goh Gen Cheung and Mr. Chan Chiu Ying.

The Company recognizes the importance of the diversity of the composition of the Board for the sustainable and balanced development of the Group in the long term. On 26 August 2013, the Board adopted a policy (the "Board Diversity Policy") that sets out the approach to achieving the Board's diversity. Selection of candidates for the Board will be based on a range of perspectives, including but not limited to gender, age, cultural and educational background, experience, professional qualifications, expertise, skills and the business plans of the Group at the material time. All appointment of directors of the Company will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will monitor the implementation of the Board Diversity Policy and, for the purpose of ensuring its effectiveness, the Nomination Committee will review this policy and recommend any revisions to the Board for consideration and approval, when necessary.

The Nomination Committee held one meeting during the year ended 30 April 2016. The Nomination Committee reviewed the structure, size, composition and diversity of the Board, assessed the independence of independent non-executive directors and considered the re-election of retiring directors.

AUDITOR'S REMUNERATION

During the year ended 30 April 2016, the fees paid/payable to the external auditor of the Company, PricewaterhouseCoopers, amounted to approximately HK$2,650,000 for statutory audit services and approximately HK$97,700 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 Mr. Chan Chiu Ying (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 accounting, securities and corporate finance. 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 2016.

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. Two post-meeting sessions with the external auditor in the absence of management have been held during the year ended 30 April 2016.

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.

COMPANY SECRETARY

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the procedures and activities of the Board and its committees as well as good communication flow among the Board members, shareholders and the senior management.

During the year ended 30 April 2016, Ms. Ho Wing Yi, the company secretary of the Company (the "Company Secretary"), undertook no less than 15 hours of relevant professional training to keep abreast of latest legislative and regulatory changes and to refresh her skills and knowledge.

Corporate Governance Report

INTERNAL CONTROL

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

To enhance the standard of the risk management and internal control systems, the Group continues to engage an external audit firm to carry out on-going projects to conduct internal independent review and to evaluate all the shops and major operations of the Group to ensure that:

– proper segregation of duties, risk management and internal control systems have been established by the management of the Group and are functioned as intended;

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

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

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

– adequate measures, management and control systems have been deployed for mitigating the financial and operational risks exposure by the Group; and

– control weaknesses, findings and improvement processes are reported to the Audit Committee regularly.

During the year ended 30 April 2016, the Board through the Audit Committee reviewed the effectiveness of the Group's risk management and internal control systems, including the approval of internal audit planning and procedures as well as the assessment and review of internal audit reports in order to ensure that a sound and adequate risk management and control environment have been installed in the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is fully aware of its obligations under the new Part XIVA of the Securities and Futures Ordinance, Chapter 571 effective from 1 January 2013 and the Listing Rules. In December 2013, a policy has been adopted by the Board which sets out guidelines to the directors, officers and all relevant employees of the Group to ensure inside information of the Company is to be disseminated to the public in equal and timely manner.

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 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 maintaining 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 this report together with the audited financial statements for the year ended 30 April 2016.

Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) retail of food and beverage, household and personal care products, (ii) design, development, manufacture and sale of a wide range of coils, ferrite powder and other electronic components, and (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.

Business Review

A review of the business of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance are set out in the Management Discussion and Analysis on pages 6 to 14 and Note 3 to the consolidated financial statements as set out on pages 64 to 70. There was no major events affecting the Group that have occurred since the end of financial year ended 30 April 2016. The review forms part of the Report of the Directors.

Description of the principal risks and uncertainties facing the Group and discussions on the Group's environmental policies, compliance with relevant laws and regulations, and relationships with its key stakeholders which have a significant impact on the Group are provided in the paragraphs below.

Principal Risks and Uncertainties

Risks associated with import costs

759 STORE has adopted the model of self-import in container loads, through which over 90% of its goods are imported directly from places of origin. Purchase commitments are normally settled in Japanese Yen, Euro and United States dollars, and hence fluctuations in Japanese Yen and Euro will have direct impacts on our import costs. In order to balance risks associated with ongoing fluctuations in foreign exchange, 759 STORE has been devoted to diversify the sourcing of goods from different places of origin with its purchase network covering 61 countries and regions that can disperse to the utmost impacts on import costs arising from fluctuations in currency and economy in a single region.

Uncertainties in conditions of the retail market

The value of retail sales released monthly by the Census and Statistics Department of Hong Kong has recorded consecutive year-on-year drops for more than one year without any trace of recovery so far, which reveals grave uncertainties in conditions of the local retail market. The Group maintains a retail network in comprehensive distribution, and the layout of this network will be adjusted based on actual market conditions. In respect of the renewal policy on shop tenancy contracts, we would reset the shop rents with landlords to suitable level, based on the actual operation performance of the shops. In this connection, for those shops of operation performance below the standard that current market rent requested, we would have their tenancy contracts discontinue or have them relocate. On the other hand, in the light of the uncertainty in retail market, the Group would save all unnecessary expenses in prudent way so as to give the best preparation for new challenge.

Report of the Directors

Keen Competition

The competition in retail market became much keen as the trend of retail market reversed. Apart from the competition of large supermarket chains and convenience chain stores, 759 STORE also faced the competition of small and medium-sized retail shops and various size snack shops, which increased their shop number in these 2 years, making the keen market competition situation much complicate. New market players kept emerging in this shrinking retail market, giving us an extremely challenging task on maintaining the revenue level. 759 STORE would stay firm on its self-import model, continuously refreshing its product lines with new products introduced from all over the world. 759 STORE would position itself as a retailer of daily necessities, on one hand putting snack as leading category, and on the other hand putting its major effort on developing foods and groceries, in good hope to make itself as the first priority in Hong Kong residents daily life.

Environmental Protection (“EP”)

The Group put great attention on environmental protection. We implement measures in areas such as energy-saving and anti-pollution in our retail business and electronic components manufacturing business, with an aim to achieve environmental sustainability all along with our business development.

In order to enhance energy efficiency, most of our 759 STORE branches have replaced old type spotlights with LED lights. We, as a participant of the Charter on External Lighting of the Environment Bureau, also pledges to switch off lighting installations of decorative, promotional or advertising purposes which affect the outdoor environment during the preset time, aiming to minimize light nuisance and energy wastage. Besides, certain branches have participated in Energy Saving Charter of the Environment Bureau echoing the invitations by the landlords of the shopping malls, pledges to maintain an average indoor temperature between 24-26°C so as to curtail electricity use.

In the case of our electronic components manufacturing business, the Group’s headquarter plant in Dong Feng Zhen, Zhongshan has attained ISO 14001 Environmental Management System certification since 2005. Our product design, production, various upgrades and modification works as well as plant-use land development projects will undergo environmental impact assessments during their respective planning stages and these assessments will be made as priority principles for staff to observe and follow. The Group will act in accordance with environment laws and regulations and other requirements of the PRC or relevant local provinces to formulate EP guidelines for operation and production flows, endeavoring to accomplish energy-saving and efficiency-enhancement, control emission of waste water, waste air and noise, perfect management of chemicals and disposal and recycling of wastes, eliminate step by step substances harmful to the environment and develop EP products. These initiatives go hand in hand with comprehensive training and promotional activities to create a widely adopted platform of environmental awareness through which EP awareness by all staff is reinforced. We will also prioritize EP material and equipment, bring into play of our own influence to encourage more parties to participate in environmental protection.

Report of the Directors

Compliance with Laws and Regulations

During the year, the Group did not aware of any material breach of or non-compliance with the applicable laws and regulations that has a significant impact on its businesses and operations.

Relationship with Customers and Suppliers

759 STORE adopts high flow rate, wide product variety and "Quick Turnover with Lower Margin" policy, having its outlets penetrated in almost all residential districts in Hong Kong and endeavoring to provide quality services to customers.

On the supply chain front, 759 STORE sticks to its self-import model with suppliers from 61 countries and regions globally, most of them are overseas manufacturers, farms and large scaled wholesalers.

The Group values mutually beneficial long lasting relationships with its customers and suppliers to ensure sustainable development.

Relationship with Employees

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The management reviews regularly the compliance of the subsidiaries with local labour laws and regulations in order to ensure fair labour practice among the workforce.

The Group believes that employees are the valuable assets of an entrerprise and regards human resources as its corporate wealth. The management regularly reviews the Group's remuneration packages to ensure they are in line with prevailing market standard in order to attract and retain employees. The Group also provides on-job training and development opportunities to enhance employees' career progression.

Results and appropriations

The results of the Group for the year ended 30 April 2016 are set out in the consolidated income statement on page 41 of this annual report.

No interim and final dividend dividend was declared for the year ended 30 April 2016 (2015: final dividend of HK1.00 cent per share).

Donations

Charitable and other donations made by the Group during the year ended 30 April 2016 amounted to HK$1,194,000 (2015: HK$243,000).

Principal investment properties

Details of the principal properties of the Group held for investment purposes are set out on page 106 of this annual report.

Report of the Directors

Distributable reserves

As at 30 April 2016, the Company's contributed surplus of approximately HK$131,338,000 (2015: HK$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained earnings of approximately HK$3,635,000 (2015: HK$10,289,000) 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

The Company had not redeemed any of its listed shares during the year ended 30 April 2016. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the year ended 30 April 2016.

Directors

The Directors who held office during the year ended 30 April 2016 and up to the date of this report were:

Executive Directors

Mr. Lam Wai Chun *(Chairman and Managing Director)*
Ms. Tang Fung Kwan
Mr. Ho Man Lee

Independent non-executive Directors

Mr. Au Son Yiu
Mr. Goh Gen Cheung
Mr. Chan Chiu Ying

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

The Company has received from each independent non-executive Director an annual confirmation of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers such Directors to be independent. Mr. Goh Gen Cheung 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. Goh as an 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. Goh as an independent non-executive Director.

Report of the Directors

Directors *(continued)*

The Nomination Committee of the Company has reviewed and assessed his annual confirmation of independence based on the independence factors set out in Rule 3.13 of the Listing Rules. With his extensive experience and sharp business acumen, Mr. Goh has provided valuable independent advice for the Group's business development in his previous tenures. As Mr. Goh is not involved in the day-to-day management of the Company and there is no evidence that his independence would be affected by his length of term, the Board considers that Mr. Goh will continue to provide significant contributions to the Company and the shareholders as a whole.

Directors' service contracts

Ms. Tang Fung Kwan entered into a service agreement with the Company on 19 May 2014, which was subsequently amended on 30 January 2015 and 29 July 2015, for a term of three years commencing on 1 May 2014 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), but in any event not exceeding its term.

Mr. Ho Man Lee entered into a service agreement with the Company on 13 August 2014, which was subsequently amended on 30 January 2015, for a term of three years commencing on 27 September 2014 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' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangements and contract of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent Company was a party and in which a Director and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of each year or at any time during the year.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 15 to 19 of this annual report.

Report of the Directors

Director's and chief executive' interests and/or short positions in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company or any other associated corporations

As at 30 April 2016, 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%
Mr. Ho Man Lee	30,000	–	–	30,000	0.0045%
Mr. Au Son Yiu	3,001,440	–	–	3,001,440	0.45%

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.

Director's and chief executive' interests and/or short positions in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company or any other associated corporations *(continued)*

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

Coils Electronic Co., Limited

	Number of non-voting deferred shares of HK$1.00 each held				Percentage of issued non-voting
Name of director	Personal interests	Corporate interests	Family interests	Total interests	deferred shares
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 2016, 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 2016, 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

At no time during the year ended 30 April 2016 was the Company, its subsidiaries, its fellow subsidiaries, its holding companies or its other associated corporations 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 2016, 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%

Report of the Directors

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

Notes:

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

2. Of the 472,250,848 shares, 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. The remaining 29,955,188 shares were held by Mr. Law Wai Chun as beneficial owner. 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 2016, 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.

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 2016.

Management contracts

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

Emolument Policy

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

The basis of determining the remuneration of the Directors is set out under the section headed "Remuneration of Directors and Senior Management" of the Corporate Governance Report on page 24 of this annual report.

Report of the Directors

Major suppliers

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

Purchases	
– the largest supplier	27%
– five largest suppliers combined	43%

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.

Major customers

During the year, the Group sold less than 5% of its goods and services to its five largest customers.

Related party transactions

Details of significant related party transactions entered into by the Group are set out in note 30 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 28 July 2016 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 2016 and up to the date of this report.

Permitted indemnity provision

During the year ended 30 April 2016 and up to the date of this annual report, the Company has maintained the directors' and officers' liability insurance for Directors and officers of the Company to provide protection against claims arising from the lawful discharge of duties by the Directors and officers.

Five years' 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.

Report of the Directors

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, 28 July 2016

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 set out on pages 41 to 105, which comprise the consolidated statement of financial position as at 30 April 2016, 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 financial position of the Company and its subsidiaries as at 30 April 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 July 2016

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Consolidated Income Statement

For the year ended 30 April 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	5	**2,458,839**	2,422,372
Cost of sales	7	**(1,637,414)**	(1,651,133)
Gross profit		**821,425**	771,239
Other (losses)/gains, net	6	**(5,568)**	5,763
Selling and distribution expenses	7	**(663,972)**	(561,673)
General and administrative expenses	7	**(158,759)**	(155,431)
Operating (loss)/profit		**(6,874)**	59,898
Finance income		**143**	66
Finance costs		**(22,664)**	(19,010)
Finance costs, net	9	**(22,521)**	(18,944)
(Loss)/profit before income tax		**(29,395)**	40,954
Income tax expense	10	**(320)**	(13,246)
(Loss)/profit attributable to equity holders of the Company		**(29,715)**	27,708
(Loss)/earnings per share, basic and diluted, attributable to equity holders of the Company	11	**(HK4.46 cents)**	HK4.15 cents

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2016

	2016 *HK$'000*	2015 *HK$'000*
(Loss)/profit for the year	**(29,715)**	27,708
Other comprehensive (loss)/income		
Items that have been or may be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	**(283)**	343
Realisation of investment revaluation reserve upon disposal of available-for-sale financial assets	**–**	(387)
Currency translation differences	**(17,832)**	1,870
Total comprehensive (loss)/income for the year attributable to equity holders of the Company	**(47,830)**	29,534

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 30 April 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Land use rights	13	18,666	19,694
Property, plant and equipment	14	576,404	595,408
Investment properties	15	72,280	92,277
Available-for-sale financial assets	16	258	541
Prepaid rent on operating leases	19	75,818	77,514
Deposits paid for acquisition of property, plant and equipment		5,720	1,705
Deferred tax assets	24	6,038	2,895
		755,184	790,034
Current assets			
Inventories	17	327,287	297,760
Accounts and bills receivables	18	45,653	55,625
Deposits, prepayments and other receivables	19	67,673	53,009
Pledged bank deposits	20	41,728	49,116
Cash and cash equivalents	20	77,925	68,386
		560,266	523,896
Total assets		1,315,450	1,313,930
EQUITY			
Share capital	21	66,619	66,619
Reserves	22	436,747	491,239
Total equity		503,366	557,858

Consolidated Statement of Financial Position

As at 30 April 2016

	Note	2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	24	**3,369**	1,599
Provision for reinstatement cost	26	**11,720**	10,895
		15,089	12,494
Current liabilities			
Borrowings	23	**679,413**	623,011
Accounts payable	25	**30,811**	25,355
Accruals and other payables	26	**82,275**	77,050
Taxation payable		**4,496**	18,162
		796,995	743,578
Total liabilities		**812,084**	756,072
Total equity and liabilities		**1,315,450**	1,313,930

The financial statements were approved by the Board of Directors on 28 July 2016 and were signed on its behalf.

Lam Wai Chun
Director

Tang Fung Kwan
Director

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes In Equity

For the year ended 30 April 2016

	Attributable to equity holders of the Company		
	Share capital *(Note 21)* *HK$'000*	**Reserves** *(Note 22)* *HK$'000*	**Total** *HK$'000*
Balance at 1 May 2014	66,619	466,368	532,987
Profit for the year	–	27,708	27,708
Other comprehensive income:			
Change in fair value of available-for-sale financial assets	–	343	343
Currency translation differences	–	1,870	1,870
Realisation of investment revaluation reserve upon disposal of available-for-sale financial assets	–	(387)	(387)
Total comprehensive income	–	29,534	29,534
Transactions with owners:			
2013/2014 final dividend	–	(4,663)	(4,663)
Balance at 30 April 2015	66,619	491,239	557,858
Balance at 1 May 2015	66,619	491,239	557,858
Loss for the year	–	(29,715)	(29,715)
Other comprehensive loss:			
Change in fair value of available-for-sale financial assets	–	(283)	(283)
Currency translation differences	–	(17,832)	(17,832)
Total comprehensive loss	–	(47,830)	(47,830)
Transactions with owners:			
2014/2015 final dividend	–	(6,662)	(6,662)
Balance at 30 April 2016	66,619	436,747	503,366

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 April 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash generated from operations	27 (a)	57,615	72,251
Hong Kong profits tax paid		(15,048)	(5,699)
Overseas tax paid		(311)	(296)
Net cash generated from operating activities		42,256	66,256
Cash flows from investing activities			
Purchase and deposits paid for purchases of property, plant and equipment		(68,481)	(169,919)
Proceeds from disposal of property, plant and equipment	27 (a)	10,483	385
Receipt from disposal of available-for-sale financial assets		–	8,922
Net cash used in investing activities		(57,998)	(160,612)
Cash flows from financing activities			
Proceeds from borrowings		1,496,243	1,481,279
Repayments of borrowings		(1,496,556)	(1,339,185)
Decrease/(increase) in pledged bank deposits		7,388	(18,210)
Interest received		143	66
Interest paid		(22,520)	(18,326)
Dividend paid		(6,662)	(4,663)
Net cash (used in)/generated from financing activities		(21,964)	100,961
(Decrease)/increase in cash and cash equivalents		(37,706)	6,605
Exchange difference		(9,470)	470
Cash and cash equivalents at the beginning of the year		53,081	46,006
Cash and cash equivalents at the end of the year	27 (b)	5,905	53,081

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1 General information

CEC International Holdings Limited (the "Company") is an investment holding company. Its subsidiaries are principally engaged in (i) retail of food and beverage, household and personal care products, (ii) design, development, manufacture and sale of a wide range of coils, ferrite powder and other electronic components, 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 are presented in thousands of Hong Kong dollars, unless otherwise stated.

These consolidated financial statements have been approved for issue by the board of directors (the "Board") of the Company on 28 July 2016.

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 all applicable Hong Kong Financial Reporting Standards ("HKFRS") and under 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)*

(a) Going Concern Basis

The Group's operations are financed both by bank borrowings and internal resources. As at 30 April 2016, the Group's current liabilities exceeded its current assets by HK$236,729,000 (2015: HK$219,682,000). This liquidity shortfall was attributable to (i) certain of the Group's non-current assets including property, plant and equipment had been financed mainly by the Group's internal funding and short-term bank borrowings, and (ii) bank borrowings contractually due for repayment after one year contain a repayment on demand clause amounting to HK$88,515,000 being classified as current liabilities in accordance with HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayable on Demand Clause". As at 30 April 2016, the Group's total borrowings, including the above borrowing amount of HK$88,515,000 with repayment on demand clause and original maturity beyond 30 April 2017, amounted to HK$679,413,000 (2015: HK$623,011,000) and are repayable within twelve months from 30 April 2016 (see Note 23). The Group's cash and cash equivalents (net of bank overdrafts) amounted to HK$5,905,000 as at 30 April 2016 (2015: HK$53,081,000) (see Note 27(b)).

In addition, during the year ended 30 April 2016, the Group reported a loss of HK$29,715,000, which was primarily attributable to (i) net exchange loss of HK$21,533,000 (2015: net exchange gain of HK$15,562,000) primarily in relation to the Group's purchases denominated in Japanese Yen; (ii) the fair value loss for investment properties of HK$9,732,000 (2015: gain of HK$10,732,000), and (iii) the challenges we experienced in the local retail market conditions, in particular in the second half of the financial year, resulting in lower revenue growth in the retail business while having operating costs remained at a high level.

Amid the challenging business environment, the Group had to continue to make payment to suppliers of merchandise and renovation of stores according to pre-determined schedule, and scheduled repayment of trust receipt bank loans and term loans.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Going Concern Basis (continued)

The management closely monitors the Group's financial performance and liquidity position. In view of these circumstances, the management has been implementing measures to improve profitability, control operating costs and contain capital expenditure in order to improve the Group's operating performance and alleviate its liquidity risk. These measures include (i) remapping its marketing strategies and pricing policies, (ii) restructuring the geographical locations and product mix of underperforming retail stores and catering outlets, and (iii) negotiating with the landlords for rental reduction upon renewal of relevant tenancy agreements. The management believes that these measures will result in improvement of gross profit margin and the resulting cash flows. Also, the management will slow down the Group's retail network expansion plan in order to contain additional capital expenditure. With respect to the Group's bank financing, the Group maintains continuous communication with its banks and has successfully renewed the bank facilities with principal banks during the year ended 30 April 2016 with an increase in the amount of facilities granted to the Group as compared to prior year. As at 30 April 2016, the Group had unutilised bank facilities of HK$262,932,000, in which unutilised trade financing facilities amounted to HK$227,580,000 and unutilised term loan and overdraft facilities amounted to HK$35,352,000 (see Note 29). In May 2016, the Group successfully obtained a new 5-year secured term loan of HK$10,000,000 from a principal bank. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the principal banks to withdraw their bank facilities or require early repayment of the borrowings, and the directors believe that the existing bank facilities will be renewed when their current terms expire given the good track records and relationship the Group has with the banks.

The Company's directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 30 April 2016. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 April 2016. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditure and the continuous availability of bank facilities. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity, and the continuous availability of bank facilities from its banks. The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operational performance and the successful renewal and continuous availability of the bank facilities, believe that there will be sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 April 2016. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) *New/revised standards and interpretations and amendments to existing standards effective during the year ended 30 April 2016*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 May 2015:

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contribution
HKFRSs (Amendment)	Annual improvements to HKFRSs 2010 – 2012 cycle
HKFRSs (Amendment)	Annual improvements to HKFRSs 2011 – 2013 cycle

In addition, the disclosure requirements of the revised Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited ("HK Listing Rules") came into effect from 31 December 2015. Amongst these, the Listing Rules require financial statements to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622) and its supporting regulations that came into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) *New and amended standards and interpretations and amendments to existing standards have been issued but are not effective*

The following new and amended standards and interpretations and amendments to existing standards have been issued but are not mandatory for the year ended 30 April 2016:

HKAS 1 (Amendment)	Disclosure initiative(1)
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation(1)
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements(1)
HKFRS 9	Financial Instruments(2)
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture(4)
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception(1)
HKFRS 11 (Amendment)	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operation(1)
HKFRS 14	Regulatory Deferral Accounts(1)
HKFRS 15	Revenue from Contracts with Customers(2)
HKFRS 16	Leases(3)
HKFRSs (Amendment)	Annual improvements to HKFRSs 2012 – 2014 cycle(1)

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(c) *New and amended standards and interpretations and amendments to existing standards have been issued but are not effective (continued)*

(1) Effective for the Group for annual period beginning on 1 May 2016.
(2) Effective for the Group for annual period beginning on 1 May 2018.
(3) Effective for the Group for annual period beginning on 1 May 2019.
(4) Effective date to be determined.

The Group is in the process of making an assessment on the impact of these new/revised standards and interpretations and amendments to existing standards and is not yet in a position to state whether they would have a significant impact on its results of operation and financial position.

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 2015 and 2016 were used, after making adjustments which are considered necessary by the directors of the Company for compliance with HKFRS.

(a) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries (continued)

Intra-group 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 for by the Company on the basis of dividends received and receivable.

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

2.3 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.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions 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 consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

(b) Transactions and balances (continued)

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.

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 consolidated 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

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 and impairment loss, if any. 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 consolidated 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	33% or over the lease period, whichever is shorter

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 (losses)/gains, net" in the consolidated income statement.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.6 Investment properties

Investment properties, comprising residential and office buildings, are held for long-term rental yields and is not occupied by the Group. Investment properties are 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 offer prices, recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of "Other (losses)/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 properties are measured initially at its cost, including related transaction costs.

2.7 Impairment of investments in subsidiaries and other non-financial assets

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

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

2.8 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets *(continued)*

(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 end of the reporting period. These are classified as non-current assets. Loans and receivables are classified as accounts and bills receivables, deposits and other receivables and cash and bank balance in the consolidated statement of financial position (Note 2.11 and 2.12).

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

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

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 consolidated 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 "Other (losses)/gains, net" in the consolidated income statement as 'Gain on disposal of available-for-sale financial assets'. Dividends on available-for-sale equity instruments are recognised in the consolidated 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 consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated 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 the end of each reporting period 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 profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the consolidated income statement. Impairment testing of accounts and other receivables is described in Note 2.11.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 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)*

2.11 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.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, 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 in the consolidated statements of financial position.

2.13 Share capital

Ordinary shares are classified as equity.

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

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated 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 end of the reporting period.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company's subsidiaries and associated company 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income 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 income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.15 Current and deferred taxation *(continued)*

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Accounts and other payables

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

2.17 Employee benefits

(a) Employee leave entitlements

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

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)*

2.17 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 in the consolidated income statement 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) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits, and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in the consolidated income statement.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.19 Revenue recognition

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

(a) Sale of goods (retail) – sales of goods are recognised at the point of sales to the customers.

(b) 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.

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

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

(e) 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.

2.20 Leases

(a) Operating lease

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.20 Leases *(continued)*

(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.

2.21 Dividend distribution

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

2.22 Financial guarantees

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

2.23 Provision for reinstatement cost

Provision for reinstatement cost represents the present value of the estimated cost for the restoration work of the Group's leased retail shops agreed to be carried out upon the expiry of the relevant leases using a risk-free pre-tax interest rate. The provision has been determined by the directors based on their best estimates. The related reinstatement costs have been included as leasehold improvement in the consolidated statement of financial position (see Note 2.5).

Notes to the Financial Statements

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 functional currency of the Group's entities.

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

As at 30 April 2016, if Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables held constant, post-tax loss for the year would have been approximately HK$122,000 higher/lower (2015: post-tax profit for the year would have been approximately HK$157,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of Renminbi denominated monetary assets of the Group's entities whose functional currencies are in Hong Kong dollars.

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

As at 30 April 2016, if Hong Kong dollars had strengthened/weakened by 5% against Japanese Yen with all other variables held constant, post-tax loss for the year would have been approximately HK$5,985,000 lower/higher (2015: post-tax profit for the year would have been approximately HK$6,196,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of Japanese Yen denominated payables and borrowings.

As at 30 April 2016, if Hong Kong dollars had strengthened/weakened by 5% against Euro with all other variables held constant, post-tax loss for the year would have been approximately HK$1,454,000 lower/higher (2015: post-tax profit for the year would have been approximately HK$1,133,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of Euro denominated payables and borrowings.

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 mainly comprise accounts and bills 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 in relation to the electronic components manufacturing business. Sales to the top five customers accounted for approximately 42% of the Group's segment sales in relation to the electronic components manufacturing business; while as at 30 April 2016, approximately 16% of the Group's accounts receivables was due from top five debtors. 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, all transactions are settled in cash or other form of electronic monies and therefore management do not anticipate significant credit risk.

The credit risk on bills receivable and cash at banks is limited because the counterparties are major financial institutions located in Hong Kong and Mainland China.

The Company has no significant exposure to credit risk because the Company's assets are mainly relating to balances with subsidiaries.

(c) Liquidity risk

The Group's management regularly monitors current and expected liquidity requirements to ensure that sufficient reserves of cash and adequate amount of committed credit facilities are available to meet the Group's liquidity requirements in the short and long term. At 30 April 2016, the Group's current liabilities exceeded its current assets by approximately HK$236,729,000. As described more fully in Note 2.1, management believes that there is no significant liquidity risk in view of the expected cashflow from operations and continuous support from the Group's banks in the coming twelve months. In addition, the directors regularly review the liquidity position of the Group to ensure that all covenants with banks are complied with at all times.

Notes to the Financial Statements

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

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

	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group					
At 30 April 2016					
Borrowings	**590,898**	**55,815**	**32,700**	**–**	**679,413**
Accounts payable	**30,811**	**–**	**–**	**–**	**30,811**
Other payables	**55,284**	**–**	**–**	**–**	**55,284**
Interest payable	**3,537**	**1,403**	**612**	**–**	**5,552**
	680,530	**57,218**	**33,312**	**–**	**771,060**
At 30 April 2015					
Borrowings	506,786	41,215	74,777	233	623,011
Accounts payable	25,355	–	–	–	25,355
Other payables	52,784	–	–	–	52,784
Interest payable	3,874	2,376	2,026	2	8,278
	588,799	43,591	76,803	235	709,428

The Group's bank borrowings contain a repayment on demand clause which can be exercised by the banks at their discretion. The analysis below 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.

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*
At 30 April 2016		
Borrowings	**679,413**	**–**
Accounts payable	**–**	**30,811**
Other payables	**–**	**55,284**
Interest payable	**5,552**	**–**
	684,965	**86,095**
At 30 April 2015		
Borrowings	623,011	–
Accounts payable	–	25,355
Other payables	–	52,784
Interest payable	8,278	–
	631,289	78,139

(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 20 and 23. As at 30 April 2016, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$2,337,000 higher/lower (2015: post-tax profit for the year would have been approximately HK$2,111,000 lower/higher), mainly as a result of higher/lower interest income on bank deposits net off with higher/lower interest expense on 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.

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 2016 and 2015 were as follows:

	2016	2015
	HK$'000	*HK$'000*
Total borrowings *(Note 23)*	**679,413**	623,011
Less: Bank balances and cash (including pledged bank deposits) *(Note 20)*	**(119,653)**	(117,502)
Net debt	**559,760**	505,509
Total equity	**503,366**	557,858
Total capital	**1,063,126**	1,063,367
Gearing ratio	**53%**	48%

3.3 Fair value estimation

The carrying value less impairment provision of receivables 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 consolidated 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 2016:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale financial assets				
– Equity securities	**258**	**–**	**–**	**258**

The following table presents the Group's assets that are measured at fair value at 30 April 2015:

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets				
– Equity securities	541	–	–	541

There were no transfers between level 1 and 2 during the year.

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.

Notes to the Financial Statements

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) Provision for impairment of property, plant and equipment, prepaid rent and onerous contracts

Property, plant and equipment and prepaid rentals 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.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable, (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business, and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

Notes to the Financial Statements

4 Critical accounting estimates and judgements *(continued)*

(a) Provision for impairment of property, plant and equipment, prepaid rent and onerous contracts *(continued)*

Onerous contracts are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Certain retail outlets with non-cancellable clause in the respective agreements generated low profits or losses during the year, management had performed the impairment assessment on those loss-making retail stores. Provision for onerous operating lease was assessed based on a best estimate of the net amount of the unavoidable lease costs.

(b) Fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in consolidated income statement. It obtains independent valuations at least annually. At the end of each reporting period, the management update their assessment of the fair value of each property, taking into account the most recent independent valuations.

(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) Estimation of reinstatement provision of retail shops

Most of the Group's retail shops are leased under operating lease and are subject to reinstatement obligation as stipulated in the lease agreements. Management assesses the amount of provision made for each shop based on various factors, including the size of the shop, the complexity of refurbishment and specific requirement from landlords. The Group's management assess the adequacy of such provision at the end of each reporting period.

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 and assess the business principally based on natures of products sold.

During the year, the Group has three reporting segments, namely (i) retail business, (ii) electronic components manufacturing ("Coils Business"), and (iii) investment property holding. Segment information provided to Management for decision-making is measured in a manner consistent with that in the financial statements.

The segment information provided to the Management for the reportable segments for the years ended 30 April 2016 and 2015 is as follows:

	Retail business		Electronic component manufacturing		Investment property holding		Eliminations		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**2,277,969**	2,133,805	**176,957**	285,771	**3,913**	2,796	**–**	–	**2,458,839**	2,422,372
Intersegment sales	**–**	–	**–**	–	**1,585**	1,585	**(1,585)**	(1,585)	**–**	–
	2,277,969	2,133,805	**176,957**	285,771	**5,498**	4,381	**(1,585)**	(1,585)	**2,458,839**	2,422,372
Segment results										
Operating profit/(loss)	**15,840**	68,637	**(7,407)**	(13,263)	**(7,454)**	11,957			**979**	67,331
Corporate expenses									**(7,853)**	(7,433)
Finance costs, net									**(22,521)**	(18,944)
(Loss)/profit before income tax									**(29,395)**	40,954
Income tax expense									**(320)**	(13,246)
(Loss)/profit for the year									**(29,715)**	27,708
Depreciation and amortisation	**68,341**	58,237	**13,475**	16,421	**–**	–			**81,816**	74,658
Closure cost of a factory of the Coils Business	**–**	–	**–**	11,078	**–**	–			**–**	11,078
Total distribution cost and administrative expenses	**785,447**	661,761	**28,149**	46,694	**1,282**	1,216			**814,878**	709,671
Additions to non-current assets (other than financial instruments)	**67,469**	184,440	**1,050**	1,713	**–**	–			**68,519**	186,153

Notes to the Financial Statements

5 Segment information *(continued)*

	Retail business		Electronic components manufacturing		Investment property holding		Eliminations		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**935,815**	874,412	**307,058**	351,055	**73,232**	93,095	**(6,753)**	(7,727)	**1,309,352**	1,310,835
Unallocated assets										
– Deferred income tax									**6,038**	2,895
– Corporate assets									**60**	200
Total assets									**1,315,450**	1,313,930
Segment liabilities	**99,895**	82,785	**23,975**	29,975	**7,074**	8,068	**(6,753)**	(7,727)	**124,191**	113,101
Borrowings									**679,413**	623,011
Unallocated liabilities										
– Deferred income tax									**3,369**	1,599
– Taxation payable									**4,496**	18,162
– Corporate liabilities									**615**	199
Total liabilities									**812,084**	756,072

Geographical information

	Revenue		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including Hong Kong Special Administrative Region)	**2,392,690**	2,315,925	**755,134**	789,959
Other regions	**66,149**	106,447	**50**	75
	2,458,839	2,422,372	**755,184**	790,034

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.

The Group has a large number of customers. For the year ended 30 April 2016, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2015: same).

Notes to the Financial Statements

6 Other (losses)/gains, net

	2016 HK$'000	2015 HK$'000
Fair value (losses)/gains on investment properties *(Note 15)*	(9,732)	10,732
Net gain/(loss) on disposal of property, plant and equipment	4,734	(4,238)
Impairment loss on properties, plant and equipment *(Note 14)*	(570)	(1,118)
Gain on disposal of available-for-sale financial assets	–	387
	(5,568)	5,763

7 Expenses by nature

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

	2016 HK$'000	2015 HK$'000
Auditors' remuneration		
– audit services	2,650	2,830
– non-audit services	98	98
Amortisation of land use rights *(Note 13)*	530	545
Cost of inventories recognised as expenses included in cost of sales	1,485,581	1,514,355
Depreciation of property, plant and equipment *(Note 14)*	81,286	74,113
Direct operating expenses arising from investment properties that generate rental income	353	356
Employee benefit expenses (including directors' emoluments) *(Note 8)*	375,117	335,916
Net exchange losses/(gains)		
– recognised in cost of sales	29,207	(14,046)
– recognised in general and administrative expenses	(7,674)	(1,516)
Operating lease rentals		
– basic rent *(i)*	283,514	227,365
– turnover rent	1,689	11,163
(Reversal)/provision for impairment of accounts receivable *(Note 18)*	(3,765)	169
(Reversal)/provision for impairment of inventories	(1,151)	1,875
Closure cost of a factory of the Coils Business *(ii)*	–	11,078
Utility expenses	83,350	70,864
Freight and transportation	44,806	46,665
Other expenses	84,554	86,407
Total cost of sales, selling and distribution expenses and general and administrative expenses	2,460,145	2,368,237

Notes to the Financial Statements

7 Expenses by nature *(continued)*

Notes:

(i) During the year ended 30 April 2016, included in the operating lease rentals was reversal of provision for prepaid rental and rentals of the onerous contracts with respect to certain loss-making retail stores amounting to HK$557,000 (2015: provision for prepaid rental and rentals of onerous contracts amounting to HK$6,051,000).

(ii) During the year ended 30 April 2015, the Group ceased operations of one of its factories in Nanjing, the PRC. Accordingly, the Group incurred a one-off closure cost amounting to approximately HK$11,078,000, which comprised of staff redundancy cost of approximately HK$1,893,000, and provision for inventories of HK$3,388,000, accounts receivable of HK$3,652,000 and prepayments of HK$2,145,000.

8 Employee benefit expenses

	2016	2015
	HK$'000	*HK$'000*
Wages and salaries	**347,866**	313,849
Pension costs – defined contribution plans *(Note a)*	**23,207**	18,169
Staff welfare	**4,044**	3,898
	375,117	335,916

(a) **Pension costs – 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 for new employees who joined after 1 December 2000.

Notes to the Financial Statements

8 Employee benefit expenses *(continued)*

(a) Pension costs – defined contribution plans *(continued)*

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. 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$1,250 per month before 1 June 2014 and HK$1,500 per month thereafter, and further 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.

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 17% 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 2016, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK$23,207,000 (2015: HK$18,169,000), with no deduction of forfeited contributions (2015: Nil). As at 30 April 2016, there were no material forfeitures available to offset the Group's future contributions.

Notes to the Financial Statements

8 Employee benefit expenses *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2015: two) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining two (2015: three) individuals during the year are as follows:

	2016	2015
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits in kind	**1,643**	2,461
Contributions to pension schemes	**39**	66
	1,682	2,527

The emoluments fell within the following band:

	Number of individuals	
	2016	2015
Emolument bands		
Nil to HK$1,000,000	**2**	3

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

(c) Senior management's emoluments by band

The senior management's emolument fell within the following bands:

	Number of members	
	2016	2015
Emolument bands		
Nil to HK$1,000,000	**28**	31

Notes to the Financial Statements

9 Finance costs, net

	2016 HK$'000	2015 HK$'000
Interest expense on bank borrowings	22,664	19,010
Interest income from bank deposits	(143)	(66)
	22,521	18,944

10 Income tax expense

The amount of income tax expense charged to the consolidated income statement represents:

	2016 HK$'000	2015 HK$'000
Hong Kong profits tax		
– current tax	1,416	12,699
– under/(over)-provision in prior years	56	(89)
Overseas income tax including Mainland China		
– current tax	221	371
Deferred income tax *(Note 24)*	(1,373)	265
Total income tax expense	320	13,246

The Company is incorporated in Bermuda and is exempted from income tax in Bermuda until 2035. Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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% (2015: 25%) on their taxable income determined according to Mainland China tax laws. Other overseas income tax has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

Notes to the Financial Statements

10 Income tax expense *(continued)*

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

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit before income tax	**(29,395)**	40,954
Tax calculated at weighted average domestic tax rates applicable to profits in the respective territories	**(5,064)**	4,718
Tax effect on income not subject to income tax	**(786)**	(1,760)
Tax effect on expenses not deductible for income tax purposes	**3,656**	3,332
Utilisation of previously unrecognised tax losses	**(3,512)**	(515)
Tax losses for which no deferred tax is recognised	**4,439**	4,632
Under/(over)-provision in prior years	**56**	(89)
Others	**1,531**	2,928
	320	13,246

11 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to equity holder of approximately HK$29,715,000 (2015: profit of HK$27,708,000) and the weighted average number of 666,190,798 (2015: 666,190,798) shares in issue during the year.

For the years ended 30 April 2016 and 30 April 2015, diluted (loss)/earnings per share equals basic (loss)/earnings per share as there was no dilutive potential share.

12 Dividend

The board of directors does not recommend the payment of any dividend in respect of the year ended 30 April 2016 (2015: final dividend of HK1.00 cent per share, totaling HK$6,662,000).

13 Land use rights

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

	2016	2015
	HK$'000	*HK$'000*
At 1 May	**19,694**	20,173
Exchange differences	**(498)**	66
Amortisation (included in cost of sales)	**(530)**	(545)
At 30 April	**18,666**	19,694

Notes to the Financial Statements

14 Property, plant and equipment

	Land and buildings	Leasehold improvements	Machinery	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 April 2015						
Opening net book amount	346,851	49,029	63,253	38,153	4,877	502,163
Exchange differences	664	–	513	68	4	1,249
Additions	97,245	44,061	591	26,252	3,701	171,850
Disposal	–	(662)	(3,891)	(70)	–	(4,623)
Depreciation	(10,832)	(34,051)	(12,801)	(13,973)	(2,456)	(74,113)
Impairment	–	(1,118)	–	–	–	(1,118)
Closing net book amount	433,928	57,259	47,665	50,430	6,126	595,408
At 30 April 2015						
Cost	491,942	129,405	693,756	142,838	20,549	1,478,490
Accumulated depreciation and impairment	(58,014)	(72,146)	(646,091)	(92,408)	(14,423)	(883,082)
Net book amount	433,928	57,259	47,665	50,430	6,126	595,408
Year ended 30 April 2016						
Opening net book amount	433,928	57,259	47,665	50,430	6,126	595,408
Exchange differences	(3,973)	–	(2,654)	(534)	(38)	(7,199)
Additions	6,088	32,217	583	23,933	3,379	66,200
Disposal	(4,950)	(445)	(316)	(16)	(22)	(5,749)
Transfer from investment properties	9,600	–	–	–	–	9,600
Depreciation	(12,881)	(36,362)	(9,684)	(19,321)	(3,038)	(81,286)
Impairment	–	(570)	–	–	–	(570)
Closing net book amount	427,812	52,099	35,594	54,492	6,407	576,404
At 30 April 2016						
Cost	496,950	154,311	655,111	164,480	22,869	1,493,721
Accumulated depreciation and impairment	(69,138)	(102,212)	(619,517)	(109,988)	(16,462)	(917,317)
Net book amount	427,812	52,099	35,594	54,492	6,407	576,404

Notes to the Financial Statements

14 Property, plant and equipment *(continued)*

During the year, depreciation expense of approximately HK$19,536,000 (2015: HK$22,275,000), HK$54,071,000 (2015: HK$44,988,000) and HK$7,679,000 (2015: HK$6,850,000) was charged to cost of sales, selling and distribution expenses and general and administrative expenses respectively.

Land and buildings with an aggregate carrying amount of approximately HK$307,979,000 as at 30 April 2016 (2015: HK$312,615,000) were pledged against certain of the Group's borrowing (Note 29).

15 Investment properties

	2016	2015
	HK$'000	*HK$'000*
At 1 May	**92,277**	81,460
Fair value (losses)/gains *(Note 6)*	**(9,732)**	10,732
Transfer to property, plant and equipment	**(9,600)**	–
Exchange difference	**(665)**	85
At 30 April	**72,280**	92,277

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$59,500,000 as at 30 April 2016 (2015: HK$79,930,000) were pledged against certain of the Group's borrowings (Note 29).

The consolidated income statement includes rental income from investment properties of HK$3,913,000 (2015: HK$2,796,000) and related direct operating expenses of approximately HK$353,000 (2015: HK$356,000).

The Group's investment properties were valued at 30 April 2016 by Castores Magi (Hong Kong) Limited, an independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. The revaluation gains or losses are included in 'Other (losses)/ gains, net' in the consolidated income statement (Note 6).

The Group reviews the valuation performed by independent valuer for financial reporting purposes. Discussion of valuation process and results are held between management and independent qualified valuer once a year for financial reporting purposes.

Notes to the Financial Statements

15 Investment properties *(continued)*

The following table analyses the fair value hierarchy of the investment properties.

	Fair value measurements at 30 April 2016 using		
Description	**Quoted prices in active markets for identical assets (Level 1)** *HK$'000*	**Significant other observable inputs (Level 2)** *HK$'000*	**Significant unobservable inputs (Level 3)** *HK$'000*
Recurring fair value measurements:			
Investment properties	**–**	**–**	**72,280**

	Fair value measurements at 30 April 2015 using		
Description	Quoted prices in active markets for identical assets (Level 1) *HK$'000*	Significant other observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*
Recurring fair value measurements:			
Investment properties	–	–	92,277

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

Fair value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The investment properties were revalued on an open market basis. Fair value of the investment properties is derived from comparing the properties to be valued directly with other comparable properties in close proximity, which have recently transacted or offered. However, given the heterogeneous nature of the properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration. The most significant impact into this valuation approach is price per square feet.

There was no change to the valuation technique with that of prior year.

Notes to the Financial Statements

16 Available-for-sale financial assets

	2016 HK$'000	2015 HK$'000
Equity securities listed in Hong Kong	**258**	541

Available-for-sale financial assets are denominated in Hong Kong dollars.

17 Inventories

	2016 HK$'000	2015 HK$'000
Retail business		
– Merchandise	**262,207**	227,492
Electronic components manufacturing		
– Raw materials	**41,405**	44,622
– Work-in-progress	**9,480**	10,052
– Finished goods	**14,195**	15,594
	327,287	297,760

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$1,485,581,000 (2015: HK$1,514,355,000).

As at 30 April 2016, certain of the Group's inventories were pledged as collateral for the Group's import and trust receipts loans arrangements (Note 29).

Notes to the Financial Statements

18 Accounts and bills receivables

	2016 HK$'000	2015 HK$'000
Accounts receivables	52,006	60,196
Less: provision for impairment of receivables	(6,473)	(10,238)
Accounts receivables, net	45,533	49,958
Bills receivables	120	5,667
Accounts and bills receivables, net	45,653	55,625

The ageing analysis of accounts receivables is as follows:

	2016 HK$'000	2015 HK$'000
0-30 days	30,696	31,510
31-60 days	8,711	12,225
61-90 days	3,840	5,041
91-120 days	1,458	1,718
Over 120 days	7,301	9,702
	52,006	60,196
Less: provision for impairment of receivables	(6,473)	(10,238)
	45,533	49,958

As at 30 April 2016 and 30 April 2015, the carrying amount of accounts and bills receivables approximated its fair value.

The Group performs on-going credit and collectability evaluation of each customer. The Group primarily offers an average credit period ranging from 30 to 120 days to its non-retail business customers (2015: 30 to 120 days).

As at 30 April 2016, a subsidiary of the Company factored receivables of approximately HK$179,000 (2015: HK$7,183,000) (the "Factored Receivables") to banks for cash under receivables purchase agreements. As the subsidiary of the Company still retained the risks 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 23).

Notes to the Financial Statements

18 Accounts and bills receivables *(continued)*

As at 30 April 2016, accounts receivables of HK$7,416,000 (2015: HK$7,079,000) 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 trade receivable is as follows:

	2016	2015
	HK$'000	*HK$'000*
Overdue by 0 – 3 months	**7,416**	7,079

As at 30 April 2016, accounts receivables of HK$6,473,000 (2015: HK$10,238,000) were impaired. The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations or have delayed repayment for a prolonged period of time. As at 30 April 2015, HK$3,652,000 were provided in relation to closure of a factory of the Coils Business. The ageing of these trade receivable is as follows:

	2016	2015
	HK$'000	*HK$'000*
Up to 3 months	**–**	771
Overdue by more than 3 months	**6,473**	9,467
	6,473	10,238

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

	2016	2015
	HK$'000	*HK$'000*
At 1 May	**10,238**	6,528
(Reversal)/provision for impairment	**(3,765)**	3,821
Write-off of provision	**–**	(111)
At 30 April	**6,473**	10,238

The creation and release of provision for impaired receivables have been included in general and administrative expenses in the consolidated income statement (Note 7).

As at 30 April 2016, bills receivable of HK$120,000 (2015: HK$5,667,000) represent bank acceptance notes with maturity dates of six months or less from the end of the reporting period (2015: same).

Notes to the Financial Statements

18 Accounts and bills receivables *(continued)*

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

	2016	2015
	HK$'000	*HK$'000*
Hong Kong dollars	**17,359**	16,541
Renminbi	**13,488**	19,749
United States dollars	**13,981**	18,724
Other currencies	**825**	611
	45,653	55,625

19 Deposits, prepayments and other receivables

	2016	2015
	HK$'000	*HK$'000*
Prepayments and deposits for purchase of inventories	**14,585**	16,273
Prepaid rent on operating leases	**119,677**	106,560
Other deposits and other receivables	**9,229**	7,690
	143,491	130,523
Less:		
Non-current portion of prepaid rent on operating lease	**(75,818)**	(77,514)
	67,673	53,009

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

	2016	2015
	HK$'000	*HK$'000*
Hong Kong dollars	**6,418**	3,793
Renminbi	**2,446**	3,326
Japanese Yen	**4,368**	3,912
Other currencies	**545**	571
	13,777	11,602

As at 30 April 2016 and 30 April 2015, the carrying amount of deposits and other receivables approximated its fair value.

Notes to the Financial Statements

20 Pledged bank deposits and cash and cash equivalents

	2016	2015
	HK$'000	*HK$'000*
Pledged bank deposits	**41,728**	49,116
Cash and cash equivalents	**77,925**	68,386
	119,653	117,502

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

	2016	2015
	HK$'000	*HK$'000*
Hong Kong dollars	**77,878**	74,901
Renminbi	**17,544**	10,292
United States dollars	**18,837**	26,926
Other currencies	**5,394**	5,383
	119,653	117,502

Notes:

(a) The effective interest rate on pledged deposits was approximately 1.14% (2015: 0.24%) per annum. These deposits have a weighted average maturity of 296 (2015: 132) 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 2016, the Group's cash and cash equivalents amounting to HK$14,847,000 (2015: HK$7,722,000) were denominated in RMB and deposited with banks in the PRC.

(c) As at 30 April 2016, the Group's bank deposits of approximately HK$41,728,000 (2015: HK$49,116,000) were pledged as collateral for the Group's borrowings (Note 29).

21 Share capital

	2016		2015	
	Number of Shares	**Share capital**	Number of shares	Share capital
		HK$'000		*HK$'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 and at 30 April	**666,190,798**	**66,619**	666,190,798	66,619

Notes to the Financial Statements

22 Reserves

	Share premium	Capital redemption reserve	Capital reserve *(note a)*	Investment revaluation reserve	Property revaluation reserve *(note b)*	Statutory reserves *(note c)*	Exchange reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2014	25,075	5,042	13,934	447	10,574	19,632	107,759	283,905	466,368
Currency translation differences	–	–	–	–	–	–	1,870	–	1,870
Change in fair value of available-for-sale financial assets *(Note 16)*	–	–	–	343	–	–	–	–	343
Realisation of investment revaluation reserve upon disposal of available-for-sale financial assets	–	–	–	(387)	–	–	–	–	(387)
Profit for the year	–	–	–	–	–	–	–	27,708	27,708
2013/2014 final dividend	–	–	–	–	–	–	–	(4,663)	(4,663)
At 30 April 2015	25,075	5,042	13,934	403	10,574	19,632	109,629	306,950	491,239

	Share premium	Capital redemption reserve	Capital reserve *(note a)*	Investment revaluation reserve	Property revaluation reserve *(note b)*	Statutory reserves *(note c)*	Exchange reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2015	25,075	5,042	13,934	403	10,574	19,632	109,629	306,950	491,239
Currency translation differences	–	–	–	–	–	–	(17,832)	–	(17,832)
Change in fair value of available-for-sale financial assets *(Note 16)*	–	–	–	(283)	–	–	–	–	(283)
Loss for the year	–	–	–	–	–	–	–	(29,715)	(29,715)
2014/2015 final dividend	–	–	–	–	–	–	–	(6,662)	(6,662)
At 30 April 2016	25,075	5,042	13,934	120	10,574	19,632	91,797	270,573	436,747

Notes to the Financial Statements

22 Reserves *(continued)*

Notes:

(a) Capital reserve represents the difference between the nominal value of the Company's shares issued and the combined share capital of the subsidiaries acquired through an exchange of shares pursuant to the reorganisation in 1999.

(b) Property revaluation reserve represents revaluation surplus arising from the fair value change of land and buildings at the time of transfer from properties, plant and equipment to investment properties in prior years.

(c) 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 and a corporate development reserve account. The statutory reserve account can only be used to make up losses incurred or increase registered capital while the corporate development reserve account can be used for expansion of the production and operation or increase registered capital of respective subsidiaries in Mainland China. The percentage of appropriation is determined by the board of directors of respective subsidiaries in Mainland China.

23 Borrowings

	2016	2015
	HK$'000	*HK$'000*
Import and trust receipts loans	**414,837**	415,305
Other bank loans	**192,377**	185,218
Bank advances for factored receivables	**179**	7,183
Bank overdrafts	**72,020**	15,305
Total borrowings	**679,413**	623,011

The maturity of borrowings is analysed as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**590,898**	506,786
Between one and two years	**55,815**	41,215
Between two and five years	**32,700**	74,777
More than five years	**–**	233
	679,413	623,011

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.

Notes to the Financial Statements

23 Borrowings *(continued)*

As at 30 April 2016 and 30 April 2015, the ranges of effective interest rates of loans of major currencies were as follows:

	2016				2015			
	HK$	**US$**	**JPY**	**EUR**	HK$	US$	JPY	EUR
	%	**%**	**%**	**%**	%	%	%	%
Borrowings	**1.48-5.75**	**2.52-3.77**	**2.55-2.71**	**2.50-2.85**	1.03-6.25	2.18-3.85	2.70-3.28	2.63-2.70

The carrying amounts of borrowings approximate their fair values.

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

	2016	2015
	HK$'000	*HK$'000*
Hong Kong dollars	**401,210**	338,898
Japanese Yen	**144,179**	152,207
United States dollars	**93,360**	95,839
Euro	**31,684**	28,402
Others	**8,980**	7,665
	679,413	623,011

Details of the Group's bank facilities and pledges of assets are set out in Note 29.

Notes to the Financial Statements

24 Deferred income tax

Deferred tax is calculated on temporary differences under the liability method using tax rates enacted or substantively enacted by the end of the reporting period in the respective jurisdictions.

The movements of the net deferred tax (assets)/liabilities are as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 May	**(1,296)**	(1,561)
(Credited)/charged to consolidated income statement *(Note 10)*	**(1,373)**	265
At 30 April	**(2,669)**	(1,296)

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

Deferred tax assets	**Provisions**		**Tax losses**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 May	**1,765**	148	**1,390**	4,403	**3,155**	4,551
Credited/(charged) to consolidated income statement	**394**	1,617	**(1,390)**	(3,013)	**(996)**	(1,396)
At 30 April	**2,159**	1,765	**–**	1,390	**2,159**	3,155

	Accelerated depreciation allowance	
	2016	2015
	HK$'000	*HK$'000*
Deferred tax liabilities/(assets)		
At 1 May	**1,859**	2,990
Credited to consolidated income statement	**(2,369)**	(1,131)
At 30 April	**(510)**	1,859

Notes to the Financial Statements

24 Deferred income tax *(continued)*

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

	2016	2015
	HK$'000	*HK$'000*
Deferred tax assets	**6,038**	2,895
Deferred tax liabilities	**(3,369)**	(1,599)
	2,669	1,296

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$62,278,000 (2015: HK$63,309,000) to carry forward against future taxable income. These tax losses are subject to approval by the tax authorities of places of operation of the Company and the subsidiaries. Unrecognised tax losses of HK$5,179,000 (2015: HK$7,021,000) have no expiry date, the remaining losses will expire at variable dates up to and including 2020.

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 places 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.

The Group is subject to withholding tax on distributions of profits generated after 31 December 2007 from the Group's foreign-invested enterprises in the PRC. As all of the Group's foreign-invested enterprises are directly and wholly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. Deferred tax liabilities of HK$68,000 have not been provided for (2015: HK$88,000) as there are no 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.

Notes to the Financial Statements

25 Accounts payable

The ageing analysis of accounts payable is as follows:

	2016 **HK$'000**	2015 HK$'000
0-30 days	**27,190**	17,268
31-60 days	**2,642**	4,249
61-90 days	**281**	3,202
91-120 days	**8**	278
Over 120 days	**690**	358
	30,811	25,355

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

	2016 **HK$'000**	2015 HK$'000
Hong Kong dollars	**5,167**	3,924
Renminbi	**11,456**	18,289
Japanese Yen	**3,542**	101
United States dollars	**4,902**	2,085
Euro	**4,791**	11
Other currencies	**953**	945
	30,811	25,355

26 Accruals and other payables

	2016 **HK$'000**	2015 HK$'000
Receipts in advance	**6,726**	1,982
Salaries and other staff welfare payable	**37,350**	32,666
Rental and store utilities payable	**15,597**	17,925
Provision for reinstatement cost	**16,552**	14,218
Other taxes payable	**359**	670
Interest payable	**2,337**	2,193
Provision for auditor's remuneration	**2,754**	2,749
Provision for onerous contracts	**4,349**	2,542
Other accrued expenses	**7,971**	13,000
	93,995	87,945
Less:		
Non-current portion of provision for reinstatement cost	**(11,720)**	(10,895)
	82,275	77,050

Notes to the Financial Statements

27 Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2016 HK$'000	2015 HK$'000
(Loss)/profit for the year	(29,715)	27,708
Adjustments for:		
– Income tax expense	320	13,246
– Interest income	(143)	(66)
– Interest expense	22,664	19,010
– Amortisation of land use rights	530	545
– Depreciation of property, plant and equipment	81,286	74,113
– Net (gain)/loss on disposal of property, plant and equipment	(4,734)	4,238
– (Reversal)/provision for impairment of accounts receivable	(3,765)	3,821
– (Reversal)/provision for impairment of accelerated rents and prepaid rents	(2,341)	3,509
– Fair value losses/(gains) on investment properties	9,732	(10,732)
– Impairment loss on property, plant and equipment	570	1,118
– Gain on disposal of available-for-sale financial assets	–	(387)
	74,404	136,123
Changes in working capital:		
– Increase in inventories	(29,527)	(79,244)
– Decrease in accounts and bills receivables	13,737	26,956
– Increase in prepayments, deposits and other receivables	(10,627)	(30,243)
– Increase in accounts payable	5,456	1,585
– Increase in accruals and other payables	4,172	17,074
Cash generated from operations	57,615	72,251

Notes to the Financial Statements

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

(a) Cash generated from operations *(continued)*

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

	2016	2015
	HK$'000	*HK$'000*
Net book value *(Note 14)*	**5,749**	4,623
Net gain/(loss) on disposal of property, plant and equipment *(Note 6)*	**4,734**	(4,238)
Proceeds from disposal of property, plant and equipment	**10,483**	385

(b) Cash, cash equivalents and bank overdrafts include the following for the purpose of the consolidated statement of cash flows:

	2016	2015
	HK$'000	*HK$'000*
Cash and cash equivalents	**77,925**	68,386
Bank overdrafts	**(72,020)**	(15,305)
	5,905	53,081

Notes to the Financial Statements

28 Commitments and contingent liabilities

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

	2016	2015
	HK$'000	*HK$'000*
Contracted but not provided for	**11,298**	1,657

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

At 30 April 2016, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	2016	2015
	HK$'000	*HK$'000*
Not later than one year	**261,526**	234,642
Later than one year and not later than five years	**225,589**	262,032
Over five years	**5,471**	667
	492,586	497,341

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.

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

At 30 April 2016, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2016	2015
	HK$'000	*HK$'000*
Not later than one year	**2,232**	3,393
Later than one year and not later than five years	**382**	1,315
	2,614	4,708

29 Bank facilities and pledge of assets

As at 30 April 2016, the Group had aggregate bank facilities of approximately HK$944,749,000 (2015: HK$922,518,000) for overdrafts, term loans, import and trust receipt loans and bank advance for factoring of accounts receivable etc. Unutilised facilities as at the same date amounted to approximately HK$262,932,000 (2015: HK$295,765,000), in which approximately HK$227,580,000 (2015: HK$235,770,000) is relating to import and trust receipt loans and bank advance for factoring of accounts receivable and approximately HK$35,352,000 (2015: HK$59,995,000) is relating to term loans and overdrafts. These facilities were secured by corporate guarantees executed by the Company and certain of its subsidiaries and the following:

(a) pledges of the Group's land and buildings of approximately HK$307,979,000 (2015: HK$312,615,000) (Note 14).

(b) pledges of the Group's investment properties of approximately HK$59,500,000 (2015: HK$79,930,000) (Note 15).

(c) pledges of the Group's factored accounts receivable of approximately HK$179,000 (2015: HK$7,183,000) (Note 18).

(d) pledges of the Group's bank deposits of approximately HK$41,728,000 (2015: HK$49,116,000) (Note 20).

(e) charges over certain of the Group's inventories held under import and trust receipts loans arrangements (Note 17).

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

In May 2016, the Group obtained as new term loan of HK$10,000,000 from a bank, which is secured by the Group's land and buildings with a carrying amount of HK$32,333,000 as at 30 April 2016.

Notes to the Financial Statements

30 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, which were carried out in the normal course of the Group's business at mutually agreed prices:

		2016	2015
		HK$'000	*HK$'000*
(a)	Rental expense paid to a related company which is owned by directors of the Company	**623**	606
	Rental expense paid to a director of the Company	**294**	294

(b) Key management compensation is as below:

	2016	2015
	HK$'000	*HK$'000*
Wages and salaries	**4,999**	4,754
Pension costs – defined contribution plans	**256**	247
	5,255	5,001

Notes to the Financial Statements

31 Statement of financial position and reserve of the company

(a) Statement of financial position of the Company

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	(a)	**231,664**	231,700
Current assets			
Deposits, prepayments and other receivables		**–**	115
Amount due from subsidiaries		**600**	6,662
Cash and cash equivalents		**60**	85
		660	6,862
Total assets		**232,324**	238,562
EQUITY			
Share capital		**66,619**	66,619
Reserves	(b)	**165,090**	171,744
Total equity		**231,709**	238,363
Current liabilities			
Accruals and other payables		**615**	199
Total liabilities		**615**	199
Total equity and liabilities		**232,324**	238,562

Notes to the Financial Statements

31 Statement of financial position and reserve of the company *(continued)*

(a) Statement of financial position of the Company *(continued)*

Note (a): Subsidiaries

The following is a list of the subsidiaries as at 30 April 2016:

Name	Place of incorporation 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	Property investment holding	Registered capital US$750,000	100%
CEC-Technology Limited	Hong Kong	Investment holding	Ordinary HK$10,000	100%
重慶高雅科技有限公司 (Chongqing CEC-Technology Limited) (c)	Mainland China	Provision of information technology services and manufacture and sale of coils and electronic components	Registered capital HK$2,900,000	100%
Coils Electronic Co., Limited	Hong Kong	Investment holding; manufacture and sale of coils and other electronic components; retail business	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%

Notes to the Financial Statements

31 Statement of financial position and reserve of the company *(continued)*

(a) Statement of financial position of the Company *(continued)*

Note (a): Subsidiaries *(continued)*

The following is a list of the subsidiaries as at 30 April 2016: (Continued)

Name	Place of incorporation operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (a)
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%
Fujian FTA Test Area Xiamen Area 759 Store Trading Co., Ltd (formerly known as Xiamen Coils Electronic Co., Ltd.) (c)	Mainland China	Manufacture and sale of coils and other electronic components; trading and wholesale of food and household products	Registered capital HK$9,567,620	100%
Zhongshan Coils Metalwork Co., Ltd. (c)	Mainland China	Manufacture of coils and plastic bags	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	Packaging food	Registered capital US$500,000	100%

The underlying value of the investments in subsidiaries is, in the opinion of Directors, not less than the carrying value as at 30 April 2016.

As at 30 April 2016, the Company had given guarantees to banks and financial institutions of approximately HK$681,817,000 (2015: HK$626,753,000) to secure bank facilities of certain subsidiaries.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30 April 2016 (2015: Nil).

Notes to the Financial Statements

31 Statement of financial position and reserve of the company *(continued)*

(a) Statement of financial position of the Company *(continued)*

Note (a): Subsidiaries *(continued)*

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) and Gaozhou Coils Electronic Co. Ltd. are wholly foreign owned enterprises established in Mainland China to be operated for 15 years up to August 2017 and November 2019, respectively.

Coils Electronic (Zhong Shan) Co., Ltd., Zhongshan Coils Metalwork Co., Ltd. and Fujian FTA Test Area Xiamen Area 759 Store Trading Co., Ltd are wholly foreign owned enterprises established in Mainland China to be operated for 25 years up to April 2026, February 2026 and December 2022 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. During the year ended 30 April 2015, the manufacturing operations of this entity were ceased. Details refer to Note 7(ii).

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 was established with registered capital of US$1,000,000. As at 30 April 2016, the Group had outstanding commitments of approximately US$350,000 for capital contribution to the subsidiary.

Notes to the Financial Statements

31 Statement of financial position and reserve of the company *(continued)*

(a) Statement of financial position of the Company *(continued)*

Note (b): Reserve movement of the Company

	Share premium	Capital redemption reserve	Contributed surplus	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2014	25,075	5,042	131,338	9,952	171,407
2013/14 final dividend	–	–	–	(4,663)	(4,663)
Profit for the year	–	–	–	5,000	5,000
At 30 April 2015	25,075	5,042	131,338	10,289	171,744
2014/15 final dividend	–	–	–	(6,662)	(6,662)
Profit for the year	–	–	–	8	8
At 30 April 2016	25,075	5,042	131,338	3,635	165,090

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

Notes to the Financial Statements

32 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 30 April 2016:

Emoluments paid or receivable in respect of a person's service as a director, whether of the company or its subsidiary undertaking

Name	Fees	Salary	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Lam Wai Chun *(Chief Executive)*	–	1,294	100	1,394
Ms. Tang Fung Kwan	–	1,466	132	1,598
Mr. Ho Man Lee	–	766	24	790
Independent non-executive directors:				
Mr. Chan Chiu Ying	523	–	–	523
Mr. Au Son Yiu	505	–	–	505
Mr. Goh Gen Cheung	445	–	–	445
Total	1,473	3,526	256	5,255

Notes to the Financial Statements

32 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

For the year ended 30 April 2015 (Restated):

Emoluments paid or receivable in respect of a person's service as a director, whether of the company or its subsidiary undertaking

Name	Fees	Salary	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Lam Wai Chun *(Chief Executive)*	–	1,304	100	1,404
Ms. Tang Fung Kwan	–	1,381	123	1,504
Mr. Ho Man Lee	–	712	24	736
Independent non-executive directors:				
Mr. Chan Chiu Ying *(appointed on 1 February 2015)*	125	–	–	125
Mr. Au Son Yiu	480	–	–	480
Mr. Goh Gen Cheung	420	–	–	420
Dr. Tang Tin Sek *(passed away on 2 December 2014)*	332	–	–	332
Total	1,357	3,397	247	5,001

Note a: Salary received by the executive directors include all emoluments paid or receivable in respect of directors' services in connection with the management of the Company and its subsidiary undertaking.

Note b: Save as disclosed in Note 32(a), the directors did not receive or will not receive any other retirement benefits or termination benefits during the year (2015: Nil)

(b) Directors' material interests in transactions, arrangements or contracts

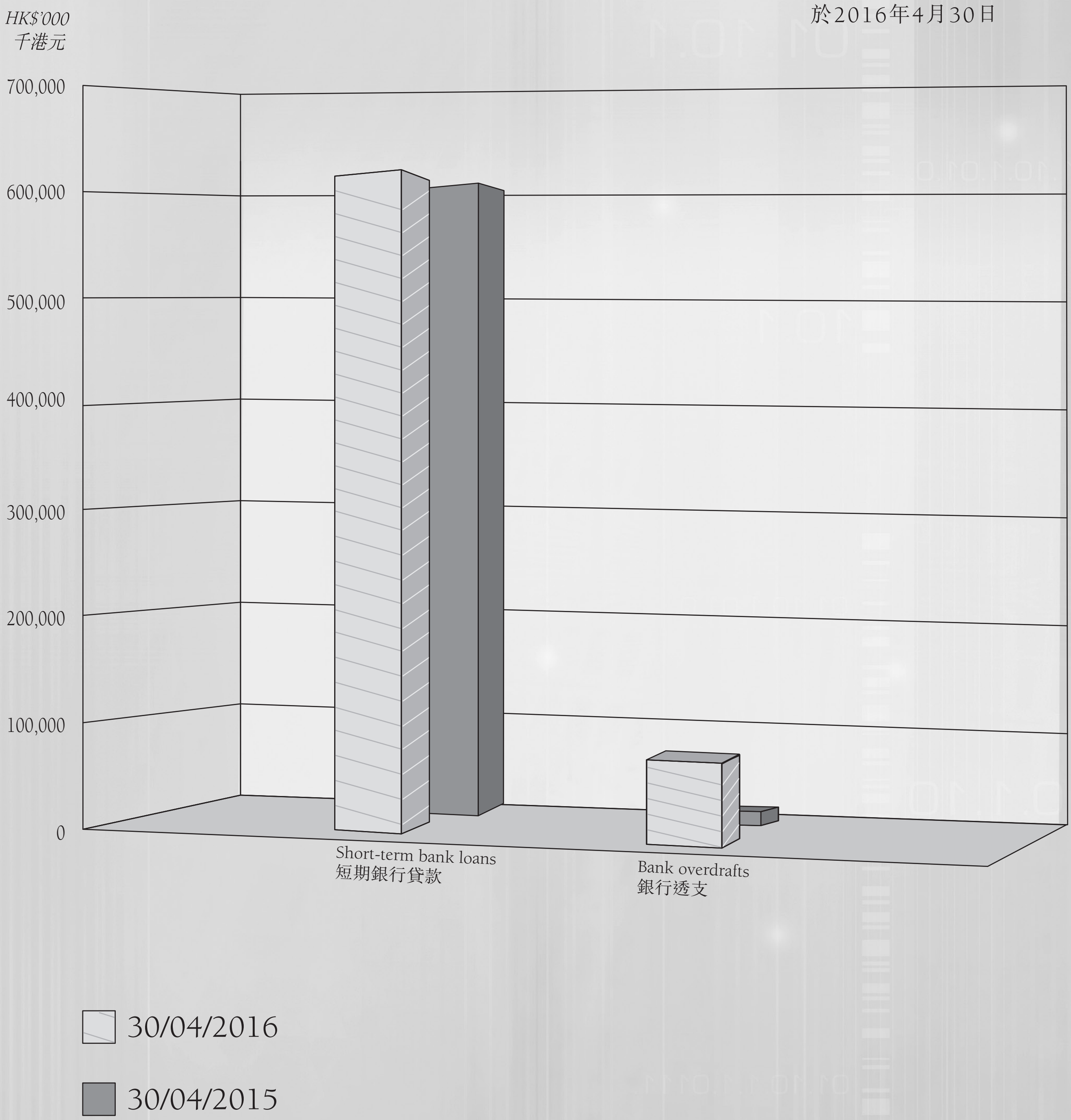
Save as disclosed in Note 30, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Schedule of Principal Investment Properties

All properties held for investment are under medium-term leases. Major investment properties of the Group are set out below:

	Address	Lot No.	Existing use
1.	Unit 1012A and 1012B on level 10, No. 8 Caihetang Road, Haidian District, Beijing, The PRC	IV-1-4-82(1)	Office Premises
2.	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
3.	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
4.	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
5.	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
6.	Flat A7 on 40th Floor of Block A and portion A7 of Roof, Tak Bo Garden, No. 3 Ngau Tau Kok Road, Kowloon Bay, Hong Kong	Section A of New Kowloon Inland Lot No. 2695 and the others	Residential

Summary
of credit facilities utilisation
融資信貸動用摘要
As at 30 April 2016
於2016年4月30日



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