

**759 阿信屋®**

**759**

**Annual Report  
2016/2017  
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.

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.

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. 759 STORE 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.

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。

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。

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,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。

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

<b>3</b>	Corporate Information
<b>4</b>	Financial Highlights
<b>5</b>	Five Years' Financial Summary
<b>6</b>	Management Discussion and Analysis
<b>15</b>	Directors and Senior Management Profile
<b>20</b>	Corporate Governance Report
<b>29</b>	Report of the Directors
<b>39</b>	Environmental, Social and Governance Report
<b>45</b>	Independent Auditor's Report
<b>53</b>	Consolidated Income Statement
<b>54</b>	Consolidated Statement of Comprehensive Income
<b>55</b>	Consolidated Statement of Financial Position
<b>57</b>	Consolidated Statement of Changes in Equity
<b>58</b>	Consolidated Statement of Cash Flows
<b>59</b>	Notes to the Financial Statements
<b>122</b>	Schedule of Principal Investment Properties

# 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/](http://www.irasia.com/listco/hk/cecint)

listco/hk/cecint

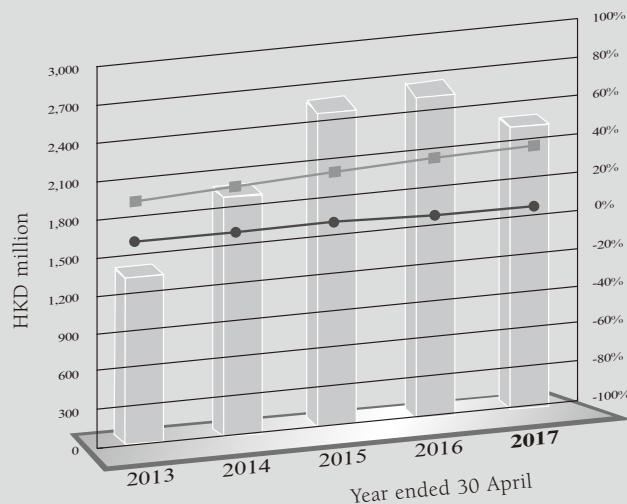
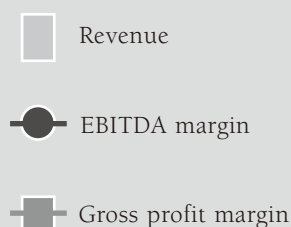
E-mail: [info@ceccoils.com](mailto:info@ceccoils.com)

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		Change
	2017 HK\$'000	2016 HK\$'000	
Revenue	<b>2,150,614</b>	2,458,839	-12.5%
Loss attributable to equity holders of the Company	<b>49,993</b>	29,715	+68.2%
Total assets	<b>1,203,639</b>	1,315,450	-8.5%
Net assets	<b>456,953</b>	503,366	-9.2%
<i>Per Share Data</i>			
Basic loss per share (HK cents)	<b>7.50</b>	4.46	+68.2%
Net assets per share (HK cents)	<b>68.6</b>	75.6	-9.3%
<i>Financial Ratios</i>			
Gross profit margin (%)	<b>34.0</b>	33.4	+0.6
EBITDA margin (%)	<b>2.1</b>	3.0	-0.9
Current ratio	<b>0.66</b>	0.70	-0.04
Interest coverage ratio	<b>1.69</b>	3.33	-1.64
Gearing ratio	<b>0.52</b>	0.53	-0.01

### Definitions

Basic loss per share	$\frac{\text{Loss attributable to equity holders of the Company}}{\text{Weighted average number of issued shares}}$	EBITDA margin (%)	$\frac{\text{Operating loss plus depreciation and amortisation} \times 100\%}{\text{Revenue}}$
Net assets per share	$\frac{\text{Net assets}}{\text{Number of shares as at end of year}}$	Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Gross profit margin (%)	$\frac{\text{Gross profit} \times 100\%}{\text{Revenue}}$	Interest coverage ratio	$\frac{\text{Operating loss plus depreciation and amortisation}}{\text{Interest expense less interest income}}$
		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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(Loss)/profit attributable to equity holders	(49,993)	(29,715)	27,708	23,773	20,150
Total assets	<b>1,203,639</b>	1,315,450	1,313,930	1,137,838	1,029,713
Total liabilities	<b>(746,686)</b>	(812,084)	(756,072)	(604,851)	(527,767)
	<b>456,953</b>	503,366	557,858	532,987	501,946

# 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 would like to present the eighteenth 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.

## 2016/2017 SUMMARY OF RESULTS

- Revenue decreased 13% to HK\$2,150,614,000 (2016: HK\$2,458,839,000);
- Loss attributable to equity holders of the Company to be HK\$49,993,000 (2016: HK\$29,715,000);
- Basic loss per share was HK7.50 cents (2016: HK4.46 cents);
- Net cash inflow from operating activities increased by 188% to HK\$121,577,000 (2016: HK\$42,256,000); and
- Gross profit margin increased by 0.6 percentage point to 34.0% (2016: 33.4%).

## DIVIDEND

No interim and final dividend was declared for the years ended 30 April 2017 and 30 April 2016.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 September 2017 to Friday, 29 September 2017 (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 Friday, 29 September 2017 are entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 29 September 2017 (the “2017 Annual General Meeting”). In order to qualify to attend and vote at the 2017 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, 22 September 2017.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Overview

For the financial year 2016/17 under review, it was the worst annual result the Group had ever given since the establishment 38 years ago. The operation in-charge, founder felt deeply sorry about that. In the year under review, the Group has: shifted from the previous strategy of achieving sales growth through expanding the number of stores; facing a depressed external retail market and under keen competition; a drop in total revenue was recorded for the first time, HK\$2,150,614,000 (2016: HK\$2,458,839,000) a decrease by 12.5% as compared with last year. The consolidated gross profit for the year decreased with the revenue to HK\$731,848,000 (2016: HK\$821,425,000) by 10.9%, as compared with that for last year, while the consolidated gross margin increased to 34.0% (2016: 33.4%) by 0.6 percentage point as compared with that for last year.

Since the Group actively expanded the retail network in leapfrogging way to seek market share in the year 2014/15, the cost for rental and management fee and salary expenditure was correspondingly lifted up to high level. From the second half of the year 2015/16 to the present, the influence of high cost and the drop of same store sales cancelled out the sales growing effect built by the expansion of store scale. In this connection, each department had conducted effective cost control measures to alleviate the burden of increase in cost and decrease in revenue. The selling and distribution expenses and the general and administrative expenses had been reduced by 5.6% and 7.0% respectively to HK\$626,751,000 and HK\$147,619,000 (2016: HK\$663,972,000 and HK\$158,759,000) as compared with those in last year, where the selling and distribution expenses in this year was still far higher than those in the year 2014-15 (HK\$561,673,000). The Group was bounded by the contractual lease terms and remedy of the under-performed stores was not able to carry out immediately. Although salary and administration cost had come under control through internal restructuring, its uplifting effect was outweighed by the fall of the total revenue and consolidated gross profit for the year, bringing a consolidated loss of HK\$49,993,000 (2016: HK\$29,715,000).

Operating loss was recorded in the year. Earnings before interest, taxes, depreciation and amortization (“EBITDA”) amounted to HK\$46,079,000 (2016: HK\$74,942,000), decrease when compared with that in last year. In the year, with the Group’s strict inventory control and with customers’ great support during stock-take clearance sales, the inventory as at 30 April 2017 was recorded as HK\$257,552,000 (2016: HK\$327,287,000), a significant decrease of HK\$69,735,000 or 21.3% with respect to that in last year. Correspondingly, operating cash inflow reached HK\$121,577,000 (2016: HK\$42,256,000), in 2.9 times with respect to that in last year. As at the end date of the financial year, total bank borrowings had also reduced to HK\$609,715,000 (2016: HK\$679,413,000).



# Management Discussion and Analysis

## BUSINESS REVIEW *(continued)*

### Retail Business

In the financial year, the Group's retail business recorded a segment revenue of HK\$2,009,993,000 (2016: HK\$2,277,969,000), representing a fall of 11.8% as compared with last year and accounting for approximately 93% of the Group's total revenue (2016: 93%). 759 STORE sourced its products mainly by direct import from the countries where the products were produced. Over 90% of products was self-imported by 759 STORE, of which their countries of origin had spread all over the world to 67 countries or regions (2016: 63), providing one more alternative to local consumers. The products of the most remarkable sales growth in the year, in descending order, were Thailand jasmine rice, frozen Chinese "dim sum", toilet paper roll and laundry detergent. Since revenue of retail business did not grow as rental and management cost escalated, the management re-adjusted the product mix and shifted the spectrum of stores to more compact in the second half of the year. To cope with the soaring rental and rental related management cost, the Group re-focused on daily necessities like snacks, food groceries, personal care products and household products to make better use of the expensive shop resources. As a result, the item number of the products sold in the year reduced by 2,000 items to about 21,000 items (2016: approximately 23,000 items). These actions have effectively reduced the inventory and the shop space required for product display. As at 30 April 2017, the total value of inventories for the retail business was HK\$198,982,000 (2016: HK\$262,207,000), with a remarkable decrease of 24.1% as compared with last year.

Shop rental expenses was among all, the highest expenses in the Group's retail business. Since retail business was in adjustment period, the effect of the fall in revenue with the soaring in rental expenses has pushed up the percentage of shop rent against shop revenue to 13.0% (2016: 11.8%) by 1.2 percentage point as compared with that in last year, and by 2.7 percentage point as compared with that in the year of 2014/15. Even though shop rental cost in the year tended to be under control and decreased for HK\$7,342,000, it still increased significantly for HK\$42,081,000, as compared with that in the year 2014/15. As at 30 April 2017, the number of store in operation, not including those jointly operated, was 243 (2016: 271), reducing by 28 as compared with that in last year, in which 8 stores were newly opened, 34 stores were closed and 2 stores were merged with stores nearby. Total rental expense for the year was HK\$261,448,000 (2016: HK\$268,790,000), regardless of a decrease of 2.7% as compared with that in last year, increasing by 19% as compared with that in the year of 2014/15. The Group's 243 stores were located in various districts of Hong Kong, with total shop floor area of 517,000 square feet (2016: 544,000 square feet), equivalent to 2,127 square feet (2016: 2,007 square feet) per store in average, approximately the same as that in last year. According to the analysis on shop operation data, the shop of 1,000 to 2,000 square feet showed the highest level of flexibility and competitiveness.

# Management Discussion and Analysis

## BUSINESS REVIEW *(continued)*

### Retail Business *(continued)*

Since retail business was under adjustment, the number of frontline staff changed with the number of stores by nature loss, going steadily as 4 per store in the year (2016: 4). For salary and remuneration, the Group set them attractive in reference to the current rate in employment market. The percentage of salary and remuneration against the revenue increased by 0.3 percentage point to 9.2% (2016: 8.9%). The decrease in rents and frontline staff cost due to the net decreased number of stores in the retail business resulted in a decrease of 5.2% in selling and distribution expenses to HK\$624,608,000 for the year (2016: HK\$659,212,000). The general and administrative expenses for the year was HK\$118,928,000 (2016: HK\$126,235,000), saving 5.8% as compared with that in last year. It was mainly caused by relocating supportive jobs to Zhong Shan factory in steps and improving the operation flow so as to control the administrative cost.

In the year, the number of 759 STORE membership card holders who purchased in our stores one or more than one time per week was about 380,000 (2016: 370,000), and the number of membership card holders who purchased in our stores one or more than one time per month was about 1,100,000 (2016: 1,100,000). These kinds of data reflected the process of how the numbers of customers accumulated. The Group would make full use of these important data to have good navigation on the choices of new store sites and new products.

### Electronic Component Manufacturing Business

During the year, the segment revenue of electronic components manufacturing business recorded a further reduction to HK\$137,447,000 (2016: HK\$176,957,000), representing a decrease of 22.3% as compared with last year. The segment loss for the year was HK\$8,336,000 (2016: HK\$7,407,000), increased by 12.5% as compared with last year, while the loss was lower than the depreciation expenses. The segment depreciation expenses of the manufacturing business for the year were HK\$10,700,000 (2016: HK\$13,475,000). The resources were focused on Hong Kong retail business in recent years. Since retail business in this stage had moved into adjustment stage to stabilize for recovery, the founder had called up in June of 2017 the key members of the staff in research and development and production management to restart the feasibility studies on strengthening manufacturing business, with target to establish some new manufacturing business development in the second half of the following year, to restart the development and the investment on manufacturing business, hoping that the important resources, infra-structures such as land, plants, electricity facility would be better utilised. The management would announce to public in time for concrete details of the new development.

### Investment Properties

For the year, rental income of the Group amounted to HK\$3,174,000 (2016: HK\$3,913,000). Fair value gains of approximately HK\$19,021,000 (2016: losses of HK\$9,732,000) included on the consolidated income statement for investment properties carried at fair value was recorded for the year.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Fund Surplus and Liabilities

As at 30 April 2017, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$116,092,000 (2016: HK\$119,653,000). As at 30 April 2017, the Group had aggregate banking facilities of HK\$783,717,000 (2016: HK\$944,749,000) for overdrafts, loans, trade financing, etc. Unused facilities as at the same date amounted to approximately HK\$174,002,000 (2016: HK\$262,932,000). At 30 April 2017, the utilized banking facilities amounting to HK\$609,715,000 (2016: HK\$681,817,000) were secured by charges on the Group's certain land and buildings, investment properties, 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 2017, the Group could comply with such financial covenants.

The Group's bank loans as at 30 April 2017 amounted to HK\$609,715,000 (2016: HK\$679,413,000), decreased by 10.3%. As at 30 April 2017, the Group's gearing ratio\* was 0.52 (2016: 0.53), which decreased by 0.01 as compared with the previous financial year end. At the same time, the Group did not have any contingent liabilities (2016: 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 2017, the Group's total inventories amounted to HK\$257,552,000 (2016: HK\$327,287,000). The decrease in inventories was mainly attributable to reforming the combination of 759 STORE's product categories. Meanwhile, total prepayments, deposits and other receivables (including prepaid rent and deposit of retail stores) of the Group as at 30 April 2017 fell to HK\$118,092,000 (2016: HK\$143,491,000) along with 759 STORE's net decrease on its number of retail stores.

### Interest Expenses

In the year, interest expenses of the Group amounted to HK\$27,550,000 (2016: HK\$22,664,000), increased by 21.6% over last year.

### Financial Resources and Capital Structure

The Group's net cash inflow was HK\$19,545,000 (2016: net cash outflow of HK\$37,706,000) for the year. Net cash inflow from operating activities amounted to HK\$121,577,000 (2016: HK\$42,256,000), representing a significant increase by 1.9 times and was mainly attributable to inventory control and a net decrease on number of stores alongside with a decreased amount of total prepayments, deposits and other receivables. Net cash outflow from investing activities for the year amounted to HK\$19,095,000 (2016: HK\$57,998,000), representing a decrease of 67% as compared with last year. The main investment for the year included the renovations of new retail stores and the purchase of warehouse properties.

# Management Discussion and Analysis

## FINANCIAL REVIEW *(continued)*

### Financial Resources and Capital Structure *(continued)*

#### Cash Flow Summary

	2017 <b>HK\$'000</b>	2016 HK\$'000
Net cash inflow from operating activities	121,577	42,256
Net cash outflow from investing activities	(19,095)	(57,998)
Net cash outflow from financing activities	(82,937)	(21,964)
Increase/(decrease) in cash and cash equivalents	<b>19,545</b>	(37,706)

As at 30 April 2017, the Group's net current liabilities was HK\$246,889,000 (2016: HK\$236,729,000) and the current ratio was 0.66 time (2016: 0.70 time), which included pledge loans of approximately HK\$139,844,000 (HK\$60,618,000 repayable within one year; HK\$79,226,000 repayable after one year). Such loan of HK\$79,226,000 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 the frantically reckless growth that retail business went through, the management had known to stay alert to adjust the pace of development, expecting that the future demand of capital required for expanding store network would greatly reduce. The management believed that the Group's working capital at hand in addition to the banking facilities provided by major financing bankers was sufficient to fund its existing development daily operation.

#### Charges on Assets

As at 30 April 2017, certain assets of the Group with an aggregate carrying value of approximately HK\$681,861,000 (2016: HK\$671,593,000) 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 2017, the Group had employed approximately 2,200 staff (2016: 2,700). 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.

## 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

In light of the dilemma situation built by leapfrogging active expansion in the year 2014-15, the management decided in the third and fourth quarter of last year to make a two-year improvement plan to put orderly adjustment on retail business. At the end date of the year, 759 STORE had conducted business adjustment for more than 18 months, in which the business status, including revenue and cash flow, had gradually become much stable and healthy.

According to the monthly figures released by the Census and Statistics Department of the Hong Kong Government, after decreasing for 24 consecutive months, the value of total retail sales stopped decreasing in March and April 2017, reflecting some recovery in the customer sentiment, in which we expected that it would be much favourable for the improvement work on retail business to run. In the meantime, we would continue to concentrate on improving the control on cash flow, procurement budgeting and the management work on the balance in the structure of price-setting.

For the stores of tenancy contracts with terms end in the following year, an overall review would be taken before negotiation for renewal. The most comprehensive adjustment would definitely be conducted on those under-performed stores. The average walking distance between each store would be adjusted from currently about 20 minutes, to much cost effective 30 minutes. In future, the saleable floor areas of possible new stores would be between 600 to 1,200 square feet, in which the total number of product items displayed would be around 1,750 to 3,150, with about 580 fast-moving key product items.

# Management Discussion and Analysis

## FUTURE PLAN AND OUTLOOK *(continued)*

759 STORE would take “necessities for people’s daily living” as the line of development, on which it would exert its full power. Those directly import from Thailand were the best-performed products for the year, in which the import amount of rice had kept increasing for 4 consecutive quarters. Our self-imported Thailand jasmine rice had become one of the most important products in 759 STORE. It was expected the import quota for Thailand jasmine rice, and the newly developed red rice, brown rice and glutinous rice would be further increased. Apart from that, the peripheral products of the Thailand rice, like rice noodles, rice bran oil and etc., were also the bestsellers. It was expected that the business share of the direct import products from Thailand would increase to approximately 20% in the following one to two years. 759 STORE was also planning to increase the ratio of European direct import products, introducing more food grocery items, in which Spain and Italy were focal points to develop new product supplies. Apart from that, 759 STORE was trying its best to search for high-quality manufacturers, putting more effort to develop more high-quality “private brand” household products, of which various kinds of household cleaning products and personal care products would be developed in Mainland China and Korea, so as to provide much comprehensive choices of high quality to our customers. In future, 759 STORE’s most important core product categories would be rice & grains, cooking oils, frozen “dim sum”, sanitary paper products and household products, of which the details was shown as follows:

Rice & grains: Thailand jasmine rice, red rice, brown rice, glutinous rice and japonica rice. By-products include rice noodles, instant rice and etc.

Cooking oil: rice bran oil of Thailand, olive oil, sunflower seed oil and grape seed oil of Spain and Italy, sesame oil of Singapore, soybean oil of Korea, coconut oil of India and Vietnam and etc. For peanut oil and corn oil, 759 STORE would seek local supply.

Frozen “dim sum”: local famous brand products and Mainland Chinese-made private brand products such as instant “dim sum”, “tangyuan” and dumplings, Taiwanese-made private brand products like Taiwanese pancakes, meatballs and etc.

Sanitary paper: Korean wet wipes and baby diapers, Mainland Chinese-made private brand toilet paper rolls, paper handkerchief, bamboo fibre paper tissues, kitchen papers and etc.

Household products: Japanese laundry detergent gel ball, Mainland Chinese-made or Korean-made private brand household cleaning products like detergents, floor cleaner, kitchen degreaser, and personal care products including body wash, liquid hand soaps, face cleansing foams and etc.

## Management Discussion and Analysis

### FUTURE PLAN AND OUTLOOK *(continued)*

759 STORE would put more effort to develop much closer collaboration relationship with business use Japanese supermarket “Kobe Bussan Co Ltd” (“Kobe Bussan”), of which its business use supermarkets in Japan were concentrated mainly on displaying good-selling products. In the year, 759 STORE had introduced some series of “Kobe Bussan” food products to its stores, and in future, would further introduce much more good-selling food products and household products that deeply welcome by Japanese families, so as to provide much more Japanese living style product choices to our customers.

By Order of the Board

**Lam Wai Chun**

*Chairman*

Hong Kong, 28 July 2017

# Directors and Senior Management Profile

## Directors

### Executive Directors

**Mr. LAM Wai Chun**, aged 58, 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 46 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 47, 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 37, 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 71, 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 70, 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 58, 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. From September 2004 to 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 43, 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 53, 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 34 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 49, 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 38, is the head of business, responsible for the management of sales functions of the Group. Ms. Huang has over 19 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 48, 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 55, 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 45, 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

**Ms. LEE Tsz Kei**, aged 24, is the assistant to general manager responsible for strategic studies and data analytics of the retail business. 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.

**Ms. SIU Pui Yan**, aged 35, 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.

## Directors and Senior Management Profile

**Mr. MORI Kenji**, aged 42, 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 17 years of experience in such areas as retail of snack, confectionary and grocery, purchase management, etc. Mr. Mori joined the Group in 2011.

**Mr. FUKUOKA Kazuaki**, aged 53, is the business development manager of purchasing of retail business, responsible for developing new source of Japanese food grocery for 759 STORE. Mr. Fukuoka has over 31 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 32, 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 42, is the head of purchasing in China of retail business, responsible for the purchasing of Mainland China products of 759 STORE. He has over 23 years of working experience in management of coil products procurement as well as sales and marketing. Mr. Yang joined the Group in 1994.

**Mr. HE Guogao**, aged 51, is the head of logistic responsible for managing the transportation, logistics, warehouse and quality assurance functions of 759 STORE. 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 47, 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.

**Mr. QING Liang**, aged 39, 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.

**Ms. LI Yuk Yu**, aged 54, is the head of shop management department responsible for managing the human resources and planning the development of retail business. Ms. Li worked in a large-scale chained supermarket and has over 27 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.

## Directors and Senior Management Profile

**Mr. CHAU Wai Cheong**, aged 48, is the shop leasing manager responsible for managing the leasing of shops of 759 STORE. He worked as a reporter for the finance page in a local Chinese newspaper for over 16 years. Mr. Chau joined the Group in 2014.

**Mr. HO Kwok Keung**, aged 59, 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 40 years of experience in electronics and electrical industry. Mr. Ho joined the Group in 1996.

**Mr. YAU Leung Hung Charles**, aged 36, 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 36, 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 17 years of experience in advertising design. Mr. Yau joined the Group in 2012.

**Ms. CHAN Wing Lam**, aged 35, is the interior design manager responsible for managing the shop design function of 759 STORE. Ms. Chan has over 11 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.

# 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 2017, 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, 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 as 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 separated and should not be performed by the same individual. However, as 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 in the best interests of the Company and its shareholders at this stage.

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 28 September 2016 (the “2016 AGM”) due to illness on the even date. Tang Fung Kwan, the executive director of the Company, who took the chair of the 2016 AGM, and most of the Board attended the 2016 AGM.

3. Under code provision A.6.7 of the Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

All independent non-executive directors attended the 2016 AGM except Chan Chiu Ying. Chan apologized for lateness due to severe traffic congestion.

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 2016 to 30 April 2017. 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 its 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 its independent non-executive directors are independent. To the best knowledge of the members of the Board, none of them has any financial, business, family or other material/relevant relationship with each other. Mr. Au Son Yiu, 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. Au as an independent non-executive director of the Company should be subject to separate resolution to be approved by the shareholders of the Company. In this regard, a resolution will be proposed at the forthcoming annual general meeting of the Company for further appointment of Mr. Au as its 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. Au has provided valuable independent advice for the Group's business development in his previous tenures. As Mr. Au 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. Au will continue to provide valuable contributions to the Company and its 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)*

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 2017 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 2017, the individual attendance of each Board and committee member at these meetings and the attendance of the Board members at the 2016 AGM are set out below:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Accounts Receivable	2016 AGM
					Supervisory Committee	
<b>Executive Directors</b>						
Lam Wai Chun	4/5	–	–	2/2	–	0/1
Tang Fung Kwan	5/5	–	2/2	–	1/1	1/1
Ho Man Lee	5/5	–	–	–	–	1/1
<b>Independent Non-Executive Directors</b>						
Au Son Yiu	5/5	5/5	2/2	2/2	1/1	1/1
Goh Gen Cheung	5/5	5/5	2/2	2/2	–	1/1
Chan Chiu Ying	5/5	5/5	2/2	2/2	–	0/1

# 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 at this stage.

## 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 2017, 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. 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 its directors of their respective training records for the year ended 30 April 2017.



## 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](http://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 2017 is set out below:

Emolument bands	Number of members	
	2017	2016
Nil to HK\$1,000,000	22	28

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 2017, the Remuneration Committee held two meetings. The works performed by the Remuneration Committee included making recommendation to the Board of the remuneration package (including the relevant service agreement) of executive director and certain members of the senior management, the terms and conditions of the letters of appointment for independent non-executive directors, 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 the revised salary for the senior management of the Group. 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](http://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 the Board Diversity Policy and recommend any revisions to the Board for consideration and approval, when necessary.

The Nomination Committee held two meetings during the year ended 30 April 2017. The Nomination Committee reviewed the structure, size, composition and diversity of the Board, assessed the independence of independent non-executive directors, made recommendation to the Board of the re-appointment of an independent non-executive director and considered the re-election of retiring directors.

## AUDITOR'S REMUNERATION

During the year ended 30 April 2017, 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\$118,000 for non-audit services (comprising tax and other services) rendered to the Group.

# Corporate Governance Report

## AUDIT COMMITTEE

The Board established the Audit Committee in September 1999 with written terms of reference (containing the minimum specific duties as set out in the Code), which are available on the Company's website ([www.0759.com](http://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 2017.

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, risk management and internal control systems 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 2017.

## 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 2017, 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

## RISK MANAGEMENT AND 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. The annual review also ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

To enhance the standard of the risk management and internal control systems, the Group continues to engage an external audit firm to carry out the risk management and internal control systems review and assessment on an on-going basis and to evaluate all the key 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;
- policies and 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
- significant control weaknesses (if any), findings and improvement processes are directly reported to the Audit Committee regularly.

During the year ended 30 April 2017, 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 internal control systems have been installed into 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 pages 45 to 52 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 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](mailto: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 2017.

## 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 holdings.

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 79 to 84. There was no major event affecting the Group that has occurred since the end of financial year ended 30 April 2017. The review forms part of the Report of the Directors.

Discussions on the Group’s environmental policies are set out under the section headed “A. Environment” of the Environmental, Social and Governance Report on pages 39 to 44.

Description of the principal risks and uncertainties facing the Group and discussions on the Group’s 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 67 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*

According to the monthly figures released by the Census and Statistics Department of the Hong Kong Government, the value of total retail sales has decreased year-on-year for 24 consecutive months until February 2017. The figure stopped decreasing in March 2017, but has yet shown any remarkable recovery. 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 keen as the trend of retail market reversed. Apart from the competitions from large supermarket chains and convenience chain stores, 759 STORE also faced competition from 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 more complicated. 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 that, apart from snacks, puts its major effort in providing more variety of foods and groceries, to position itself as the first shop of its kind in the minds of the Hong Kong residents.

### **Compliance with Laws and Regulations**

During the year, the Group is not aware of any material breach of or any 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 has its outlets penetrated in almost all residential districts in Hong Kong, endeavoring to providing quality services to customers.

On the supply chain front, 759 STORE sticks to its self-import model with suppliers from 67 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 enterprise and regards human resources as its corporate wealth. The management regularly reviews the Group's remuneration packages to ensure that they are in line with the prevailing market standard in order to attract and retain employees. The Group also provides on-the-job trainings and development opportunities to enhance employees' career progression.

### **Results and appropriations**

The results of the Group for the year ended 30 April 2017 are set out in the consolidated income statement on page 53 of this annual report.

No interim and final dividend was declared for the year ended 30 April 2017. (2016: Nil)

# Report of the Directors

## Donations

Charitable and other donations made by the Group during the year ended 30 April 2017 amounted to HK\$387,000 (2016: HK\$1,194,000).

## Principal investment properties

Details of the principal properties of the Group held for investment purposes are set out on page 122 of this annual report.

## Distributable reserves

As at 30 April 2017, the Company's contributed surplus of approximately HK\$131,338,000 (2016: 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 (2016: HK\$3,635,000) 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 2017. 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 2017.

## Directors

The Directors who held office during the year ended 30 April 2017 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, Mr. Lam Wai Chun, Mr. Au Son Yiu and Mr. Chan Chiu Ying shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.



## Report of the Directors

### **Directors** *(continued)*

The Company has received from each independent non-executive Director an annual confirmation of 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. Au Son Yiu has served as an independent non-executive Director for more than nine years. Pursuant to the code provision A.4.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, further appointments of Mr. Au as 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. Au as an independent non-executive Director.

The Nomination Committee of the Company has reviewed and assessed Mr. Au’s 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. Au has provided valuable independent advice for the Group’s business development in his previous tenures. As Mr. Au 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. Au will continue to provide significant contributions to the Company and the shareholders as a whole.

### **Directors’ service contracts**

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

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 contracts 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 2017, 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

Name of director	Number of shares of HK\$0.10 each held				Percentage of issued share capital
	Personal interests (Note 2)	Corporate interests	Trusts interests	Total interests	
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	3,101,440	-	-	3,101,440	0.47%

#### Notes:

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

## Report of the Directors

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*

Name of director	Number of non-voting deferred shares of HK\$1.00 each held				Percentage of issued non-voting deferred shares
	Personal interests	Corporate interests	Family interests	Total interests	
Mr. Lam Wai Chun ( <i>Notes 4, 5 and 6</i> )	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 2017, 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 2017, 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 2017 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 2017, 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)*

Name	Number of shares of HK\$0.10 each held				Percentage of issued share capital
	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 2017, 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 2017.

### 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	20%
– five largest suppliers combined	47%

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 2017 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 2017 and up to the date of this annual report.

### Permitted indemnity provision

During the year ended 30 April 2017 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 2017

# Environmental, Social and Governance Report

The Group is committed to incorporating sustainable development programs into our day-to-day operations and management. This report has complied with the “Comply or Explain” provisions as set out in the “Environmental, Social and Governance Reporting Guide” under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Based on the principle of materiality, this report focuses on the environmental and social impacts of our retail business. This report identified the following material ESG issues during the reporting period from 1 May 2016 to 30 April 2017:

ESG Aspects	Material ESG Issues
<b>A. Environmental</b>	
A1 Emissions	Exhaust Gas Emissions Wastes Management Greenhouse Gas Emission
A2 Use of Resources	Energy Conservation
A3 The Environmental and Natural Resources	Reducing Impacts on the Environment
<b>B. Social</b>	
B1 Employment	Employment Practices and Equal Opportunity
B2 Health and Safety	Workplace Safety and Occupational Health
B3 Development and Training	Staff Training
B4 Labour Standards	Prohibition against Child and Forced Labour
B5 Supply Chain Management	Sustainable Supply Chain
B6 Product Responsibility	Product Safety and Quality Personal Data Privacy
B7 Anti-corruption	Anti-corruption
B8 Community Investment	Supporting the Community



# Environmental, Social and Governance Report

## A. ENVIRONMENTAL

The Group puts a high value on environmental protection. We have incorporated measures such as energy conservation and pollution protection into our daily operation, and we strive to maintain the sustainable development of the environment while at the time developing our business.

The Group is not aware of any material non-compliance with the laws and regulations in relation to the environment during the year.

### Retail Business

#### A1. Emissions

##### Exhaust Gas Emissions

The exhaust gas emissions generated by the Group are mainly from the Company's transportation fleet, which is responsible for the distribution and transportation of goods to the 243 outlets in Hong Kong. To reduce exhaust gas emissions, we have implemented the following measures, including: regular maintenance and cleaning of vehicles, and the requirement that the drivers must turn off the ignition when vehicles are parked in the parking lots. During the year, the Group emitted 4,576 grams of sulphur oxides (SOx). In the future, we will continue to monitor the changes of this data and take effective measures as appropriate to improve fuel consumption efficiency and reduce emissions of exhaust gas.

##### Waste Management

We understand the importance of reducing wastes at the source, and we make the effort to reduce the amount of goods that need to be disposed of during the process of operation. By continuously optimising the information system, we strive to reduce the difference between procurement orders and market demands. To reduce the wastage of food, clearance prices are offered to customers on slow-moving and expiring items.

In addition, wastes such as waste paper, toner cartridges and paper cartons are produced during the process of retail business operation. For different types of wastes, we will study and adopt various methods of wastes treatment, with full consideration of the needs of the community and viable solutions.

During the year, we have adopted the following measures in reducing wastes:

- Affix reminders on all printers and copiers to remind the staff to save paper;
- Encourage the staff to use double-sided printing as much as possible;
- Recycle toner cartridges in office; and
- Send the used paper cartons to recycling stations.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### Retail Business (continued)

#### A1. Emissions (continued)

##### Greenhouse Gas Emissions

Energy consumption accounts for a major part of the Group's greenhouse gas emissions. The amounts of greenhouse gas emitted by the Group are shown in the following table:

Scope 1 – Direct Emissions	763 tCO <sub>2</sub> e
Scope 2 – Indirect Emissions of Energy	16,977 tCO <sub>2</sub> e
Scope 3 – Other Indirect Emissions	56 tCO <sub>2</sub> e
Total Greenhouse Gas Emissions	17,796 tCO <sub>2</sub> e
Total Greenhouse Gas Emissions/floor area (square metre)	0.25 tCO <sub>2</sub> e/square metre

We will manage our carbon footprint responsibly. To reduce greenhouse gas emissions, we have implemented measures to conserve energy and resources. (Please refer to “A2 Use of Resources” below).

#### A2. Use of Resources

##### Energy Conservation

Saving energy consumption can bring about the dual benefits for the environment as well as for the economy. Most of the Group's 759 STORE outlets have adopted LED lightings instead of traditional spotlights. We have also taken part in the “Charter on External Lighting” launched by the Hong Kong Environment Bureau, by committing ourselves to turn off any decorative, displaying or advertising lightings with impacts to the external environment, so as to reduce light nuisance and energy wastage. Individual outlets also responded to the invitation of shopping malls by participating in Environment Bureau's “Energy Saving Charter” and committed to maintaining an average indoor temperature of 24 to 26 degrees Celcius, so as to reduce the use of electricity.

The total energy consumption during the period is as follows:

Fuel Consumption	286,293 litres
Power Consumption	29,084,694 kWh
Power Consumption/floor area	403 kWh/square metre

Plastic bags are also one of the most consumed resources in the retail business. To reduce the use of plastic bags, we encourage customers to bring their own shopping bags. During the period, the proportion of customers who brought their own shopping bags reached 90%.

As for the product packaging designs for our own brand, we will try our best to use transparent rather than colourful packaging. On the one hand, the customers can easily see the products inside, and on the other hand, this also helps to reduce the consumption of unnecessary packaging materials.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL *(continued)*

### Retail Business *(continued)*

#### A3. *The Environmental and Natural Resources*

##### Reducing Impacts on the Environment

We will adopt any practical measures to minimise the impacts of business operations on the natural environment.

In recent years, a number of studies have indicated that micro-plastics had potential negative impacts on the marine environment as well as on human health. Some of the micro-plastics come from personal care and cosmetics products with cleaning and scrubbing purposes. As such, we responded to the call of the environmental protection organization, Geenpeace, in the beginning of this year, and committed to terminating the procurement of products that contain micro-plastics.

## B. SOCIAL

### B1. Employment

The Group is an equal opportunity employer and does not discriminate against any employees based on their personal characteristics. The management also regularly reviews the subsidiaries with respect to their compliances with local labour laws and regulations to ensure that all employees enjoy fair and just labour practices.

The Group is convinced that employees are the most valuable asset of the enterprise and regards human resources as its corporate wealth. The management will also review the remuneration packages of the Group regularly to ensure that they meet the standards of the current market and are attractive for the retention of employees.

During the year, there was no material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare.

### B2. Health and Safety

The Group is committed to safeguarding the health and safety of the employees. We develop corresponding guidelines with respect to work safety, occupational health and emergency response. We ensure that employees comply with such guidelines, and regularly provide occupational safety education and training sessions to the employees to enhance their awareness of safety.

We also continuously review and improve the environment, facilities and staff equipment of the workplace to mitigate any potential safety risks.

During the year, there was no material non-compliance with the laws and regulations in relation to health and safety, nor any work-related fatal accidents.

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B3. Development and Training

The Group places great importance on the development of talents. We actively promote on-the-job training at all levels of the employees, who are recommended to participate in various training courses, forums and seminars, with an aim to enhancing their knowledge and working skills, and in turn they can create competitive advantages together with the Company. We also provide the employees with various levels of educational subsidies, and encourage the employees to participate in continued education and practice life-long learning, so as to achieve continuous self-development.

### B4. Labour Standards

The Group highly values and strictly abides by all the applicable laws of the countries and local regulations of its operations, and prohibits the use of child labour and forced or compulsory labour at all its business units. During the year, no employee is made to work against his/her will or work as forced labour, or subject to corporal punishment or coercion of any type related to work.

### B5. Supply Chain Management

With respect to the supply chain, 759 STORE adopts a self-import model where suppliers come from 67 countries and regions and most of them are overseas producers, farms and large wholesalers.

The Group upholds the principle of fair competition, focuses on maintaining with the suppliers a long-term relationship of mutual benefits. With regard to various environmental and social risks, we actively maintain close communication with the suppliers to ensure the sustainable development of our business.

### B6. Product Responsibility

#### *Product Safety and Quality*

The Group places great importance on product safety and quality, as they are directly related to the lives and health of the customers. We have established a quality management system and obtained the ISO9001 certification. Detailed work procedures and guidelines have been developed with respect to the monitoring of product quality, verification of product labels and handling of complaints. A dedicated quality assurance department is responsible for the implementation of such procedures accordingly.

The business of 759 STORE focuses on food and beverages such as snacks and food groceries. As such, we will pay very close attention to the food alerts released by Centre for Food Safety as well as to relevant market information, which will be immediately followed with response action. As soon as we are confirmed that a certain batch of products are involved with quality and safety issues and must be recalled, we will fully cooperate with the regulatory authorities and, as soon as practicable, withdraw the relevant products from the shelves according to their instructions, announce the recall arrangement and handle the recalled items properly.

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B6. Product Responsibility (continued)

#### *Personal Data Privacy*

The Group respects the privacy of individuals. We only collect personal data as required for the purpose of actual business operation, and we ensure that the information is kept confidential in accordance with the Personal Data (Privacy) Ordinance. We have also established the procedures for handling confidential and sensitive information, which all employees are required to strictly follow.

During the year, the Group is not aware of any material non-compliance with the relevant laws and regulations that constitutes a significant impact on the Group in relation to health and safety, advertising, labelling and privacy matters.

### B7. Anti-corruption

The Group firmly believes that honesty, integrity and fairness are important assets of an enterprise. The Group has established a code of practice for integrity management (as set out in the Employees' Handbook), which lists out all the basic disciplinary standards with respect to the prevention of bribery, the avoidance of conflict of interests and the handling of confidential information, that all directors and employees must abide by, as well as the guidelines with respect to the responses to various situations encountered during the performance of their duties. The code also includes a reporting procedure which provides the employees with the channels for inquiry and reporting of any suspected violations.

During the year, the Group has complied with the relevant laws and regulations, and there was no litigation against the Group or its employees involving allegation of corruption, fraud or money laundering.

### B8. Community Investment

The Group actively fulfills its responsibilities as a corporate citizen. Through the participation of various types of charitable, volunteering and recreational activities, we encourage the employees to care for the community and promote the healthy and balanced development of the employees' physical and mental well-being. We also try our best to take into consideration the community's interests and participate in the community's charitable activities by making donations to charitable organisations and educational institutes.

# Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF CEC INTERNATIONAL HOLDINGS LIMITED  
(incorporated in Bermuda with limited liability)

## Opinion

### What we have audited

The consolidated financial statements of CEC International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 53 to 121, which comprise:

- the consolidated statement of financial position as at 30 April 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 April 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

# Independent Auditor's Report

## Basis for Opinion *(continued)*

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Preparation of the consolidated financial statements on a going concern basis
- Impairment assessment and provision for onerous contracts on the Group's underperforming retail stores

#### Key Audit Matter

#### How our audit addressed the Key Audit Matter

#### **Preparation of the consolidated financial statements on a going concern basis**

*Refer to Note 2.1(a) to the consolidated financial statements for the basis of preparation of the consolidated financial statements.*

*As at 30 April 2017, the Group's current liabilities exceeded its current assets by HK\$246.9 million and the Group had incurred a net loss of HK\$50.0 million for the year then ended.*

Our audit procedures included, amongst others, assessment of the appropriateness of key assumptions in the cash flow forecast, including revenue growth, gross profit margin and planned capital expenditures by referencing to actual historical performance of the Group and making reference to the Group's future development plan. We tested the mathematical accuracy of the projections.

We also confirmed the cash resources and available banking facilities as at year end by circularisation of bank confirmations and assessed the probability of facilities renewal during the forecast period by examining historical records of renewal pattern. We also reviewed management assessment on the present and forecast status of compliance with restrictive loan covenants, where relevant.

# Independent Auditor's Report

## Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Preparation of the consolidated financial statements on a going concern basis</b> (continued)</p>	<p>Further, we evaluated the sensitivity of the projected available cash by considering downside scenarios through applying reasonably plausible changes to the key assumptions, including revenue growth and gross profit margin. We have also considered the appropriateness of the relevant disclosures.</p> <p>We considered, based on our audit procedures performed, that the use of going concern basis of accounting to be supportable by available evidence.</p>
<p>The cash flow forecast involved key assumptions such as revenue growth, gross profit margin, planned capital expenditures, and availability of banking facilities to the Group.</p>	
<p>We focused on this assessment as it involves consideration of future events and application of significant judgements and estimates and accordingly, this was an area of audit focus.</p>	



# Independent Auditor's Report

## Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Impairment assessment and provision for onerous contracts of the Group's underperforming retail stores</b></p> <p><i>Refer to notes 2.7 and 2.18 to the consolidated financial statements for the Group's accounting policies on impairment of non-financial assets and provision for onerous contracts respectively and note 4(b) on the critical accounting estimates and judgements in relation to the provisions.</i></p> <p><i>Management determined that each retail store is a cash-generating unit. Certain of the Group's retail stores were loss making which require assessment of impairment of the relevant stores' property, plant and equipment ("PPE") and provision for onerous contracts. As at 30 April 2017, provision for impairment of PPE and onerous contracts amounted to HK\$4.1 million and HK\$5.0 million respectively, whereas for the year then ended, there was an impairment provision for PPE of HK\$1.4 million and a reversal of provision of onerous contracts of HK\$0.5 million.</i></p>	<p>In respect of management's impairment assessment of PPE, our audit procedures included a detailed evaluation of the Group's discounted cash flow forecast model prepared at store level. We evaluated the key assumptions used in the forecast, including revenue growth and profit margin, to actual historical performance of the relevant store. We also assessed the discount rate used in the forecast with reference to industry research.</p> <p>In respect of provision for onerous contracts, we assessed management's determination of economic benefits and unavoidable costs based on the work that we have performed for impairment assessment of PPE mentioned above, as well as checking the unavoidable lease payments until the expiry of the non-cancellable lease terms against the relevant tenancy agreement terms, taking into account the impairment provision accounted for in the same retail store.</p>

# Independent Auditor's Report

## Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Impairment assessment and provision for onerous contracts of the Group's underperforming retail stores (continued)</b></p>	<p>We also tested the mathematical accuracy of the discounted cash flow model and calculation of provisions.</p> <p>We found, based on our audit procedures performed, that the key assumptions used by management in this assessment were supportable by available evidence.</p>
<p>Management judgement is required to identify those stores requiring provision for impairment of PPE and provision for onerous contracts, including the identification of fixed assets impairment indicators and the determination of unavoidable costs and economic interest from operating those stores during the remaining non-cancellable lease period. The determination of the recoverable amount and the resulting provision amount for fixed assets and provision for onerous contracts involves the use of key assumptions in a discounted cash flow forecast model, and estimates of least cost on continued operation for the store's remaining lease term such as revenue growth, gross profit margin and discount rate.</p>	
<p>We focused on this area because this assessment requires the use of significant estimates and judgements by management in the forecast of revenue growth, gross profit margin and discount rate and accordingly, this was an area of audit focus.</p>	

# Independent Auditor's Report

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

# Independent Auditor's Report

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# Independent Auditor's Report

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kam Chiu, Raymond.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 28 July 2017

## ANNUAL REPORT 2016/2017

## Consolidated Income Statement

For the year ended 30 April 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	5	2,150,614	2,458,839
Cost of sales	7	(1,418,766)	(1,637,414)
Gross profit		731,848	821,425
Other gains/(losses), net	6	17,199	(5,568)
Selling and distribution expenses	7	(626,751)	(663,972)
General and administrative expenses	7	(147,619)	(158,759)
Operating loss		(25,323)	(6,874)
Finance income		294	143
Finance costs		(27,550)	(22,664)
Finance costs, net	9	(27,256)	(22,521)
Loss before income tax		(52,579)	(29,395)
Income tax credit/(expense)	10	2,586	(320)
Loss attributable to equity holders of the Company		(49,993)	(29,715)
Loss per share, basic and diluted, attributable to equity holders of the Company	11	(HK7.50 cents)	(HK4.46 cents)

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

## Consolidated Statement of Comprehensive Income

For the year ended 30 April 2017

	2017 HK\$'000	2016 HK\$'000
<b>Loss for the year</b>	<b>(49,993)</b>	<b>(29,715)</b>
<b>Other comprehensive income/(loss)</b>		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Revaluation surplus upon transfer from land and buildings to investment properties	24,394	–
<i>Items that have been or may be reclassified subsequently to profit or loss</i>		
Change in fair value of available-for-sale financial assets	59	(283)
Currency translation differences	(20,873)	(17,832)
<b>Total comprehensive loss for the year attributable to equity holders of the Company</b>	<b>(46,413)</b>	<b>(47,830)</b>

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

# Consolidated Statement of Financial Position

As at 30 April 2017

	Note	2017 HK\$'000	2016 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	13	17,647	18,666
Property, plant and equipment	14	475,355	576,404
Investment properties	15	160,464	72,280
Available-for-sale financial assets	16	317	258
Rental deposits	19	52,185	75,818
Deposits paid for acquisition of property, plant and equipment		–	5,720
Deferred tax assets	24	9,189	6,038
		<b>715,157</b>	<b>755,184</b>
<b>Current assets</b>			
Inventories	17	257,552	327,287
Accounts and bills receivables	18	48,931	45,653
Deposits, prepayments and other receivables	19	65,907	67,673
Pledged bank deposits	20	34,919	41,728
Cash and cash equivalents	20	81,173	77,925
		<b>488,482</b>	<b>560,266</b>
<b>Total assets</b>		<b>1,203,639</b>	<b>1,315,450</b>
<b>EQUITY</b>			
Share capital	21	66,619	66,619
Reserves	22	390,334	436,747
<b>Total equity</b>		<b>456,953</b>	<b>503,366</b>



## Consolidated Statement of Financial Position

As at 30 April 2017

	Note	2017 HK\$'000	2016 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	24	3,814	3,369
Provision for reinstatement cost	26	7,501	11,720
		<b>11,315</b>	15,089
<b>Current liabilities</b>			
Borrowings	23	609,715	679,413
Accounts payable	25	53,361	30,811
Accruals and other payables	26	72,242	82,275
Taxation payable		53	4,496
		<b>735,371</b>	796,995
<b>Total liabilities</b>		<b>746,686</b>	812,084
<b>Total equity and liabilities</b>		<b>1,203,639</b>	1,315,450

The financial statements were approved by the Board of Directors on 28 July 2017 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 2017

	Attributable to equity holders of the Company		
	Share capital	Reserves	Total
	(Note 21) HK\$'000	(Note 22) HK\$'000	HK\$'000
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
Balance at 1 May 2016	66,619	436,747	503,366
Loss for the year	–	(49,993)	(49,993)
Other comprehensive loss:			
Change in fair value of available-for-sale financial assets	–	59	59
Currency translation differences	–	(20,873)	(20,873)
Revaluation surplus upon transfer from land and buildings to investment properties	–	24,394	24,394
Total comprehensive loss	–	(46,413)	(46,413)
Balance at 30 April 2017	66,619	390,334	456,953

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

## Consolidated Statement of Cash Flows

For the year ended 30 April 2017

	Note	2017 HK\$'000	2016 HK\$'000
<hr/>			
Cash flows from operating activities			
Cash generated from operations	27(a)	126,140	57,615
Hong Kong profits tax paid		(4,263)	(15,048)
Overseas tax paid		(300)	(311)
Net cash generated from operating activities		121,577	42,256
<hr/>			
Cash flows from investing activities			
Purchase and deposits paid for purchases of property, plant and equipment		(19,095)	(68,481)
Proceeds from disposal of property, plant and equipment	27(a)	–	10,483
Net cash used in investing activities		(19,095)	(57,998)
<hr/>			
Cash flows from financing activities			
Proceeds from borrowings		1,258,324	1,496,243
Repayments of borrowings		(1,323,867)	(1,496,556)
Decrease in pledged bank deposits		6,809	7,388
Interest received		294	143
Interest paid		(24,497)	(22,520)
Dividend paid		–	(6,662)
Net cash used in financing activities		(82,937)	(21,964)
<hr/>			
Increase/(decrease) in cash and cash equivalents		19,545	(37,706)
Exchange difference		(12,142)	(9,470)
Cash and cash equivalents at beginning of the year		5,905	53,081
Cash and cash equivalents at end of the year	27(b)	13,308	5,905

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 holdings. 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. The Company is ultimately controlled by Mr. Lam Wai Chun.

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 2017.

## 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 disclosure requirements of Hong Kong Companies Ordinance 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 by both bank borrowings and internal resources. As at 30 April 2017, the Group's current liabilities exceeded its current assets by HK\$246,889,000 (2016: HK\$236,729,000). This liquidity shortfall was attributable to (i) certain of the Group's non-current assets including property, plant and equipment and long term rental deposits had been financed mainly by the Group's internal funding and utilisation of the Group's available banking facilities, and (ii) bank borrowings amounting to HK\$79,226,000 which is contractually due for repayment after one year contain a repayable on demand clause 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 2017, the Group's total borrowings, including the above borrowing amount of HK\$79,226,000 with repayment on demand clause and original maturity beyond 30 April 2017, amounted to HK\$609,715,000 (2016: HK\$679,413,000) and are repayable within twelve months from 30 April 2017 (see Note 23). The Group's cash and cash equivalents (net of bank overdrafts) amounted to HK\$13,308,000 as at 30 April 2017 (2016: HK\$5,905,000) (see Note 27(b)).

In addition, during the year ended 30 April 2017, the Group reported a loss of HK\$49,993,000 (2016: HK\$29,715,000), which was primarily attributable to the challenges experienced in the local retail market resulting in lower revenue in the retail business while having operating costs remained at a high level. Nevertheless, the Group generated net cash inflow from operations of HK\$121,577,000 during the year then ended.

Amid the challenging business environment, the Group had to continue to make payment to suppliers of merchandise and renovation of stores according to predetermined schedule, and scheduled repayment of bank borrowings.

## Notes to the Financial Statements

### 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 expenditures 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, (iii) negotiating with the landlords for rental reduction upon renewal of relevant tenancy agreements, and (iv) terminating a number of underperforming stores upon the expiry of relevant tenancy agreements. The management believes that these measures will result in improvement in operating profitability and the resulting cash flows. Also, the management will not further expand the Group's retail network in order to contain additional capital expenditures. With respect to the Group's bank financing, the Group maintains continuous communication with its banks and has successfully renewed the bank facilities with its principal bank during the year ended 30 April 2017. In April 2017, the Group successfully obtained a new 3-year secured term loan of HK\$60,000,000 from a principal bank. As at 30 April 2017, the Group had unutilised bank facilities of HK\$174,002,000, in which unutilised trade financing facilities amounted to HK\$139,494,000 and unutilised term loan and overdraft facilities amounted to HK\$34,508,000 (see Note 29). 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 relationships 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 2017. 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 2017. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditures 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 2017. Accordingly, the consolidated financial statements have been 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 2017*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 May 2016:

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operation
HKFRS 14	Regulatory Deferral Accounts
HKFRS (Amendments)	Annual Improvements to HKFRSs 2012-2014 cycle

- (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 2017:

HKAS 7 (Amendment)	Disclosure Initiative <sup>(1)</sup>
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses <sup>(1)</sup>
HKAS 40 (Amendment)	Transfers of Investment Property <sup>(2)</sup>
HKFRS 2 (Amendment)	Classification and Measurement of Share-Based Payment Transactions <sup>(2)</sup>
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>(2)</sup>
HKFRS 9	Financial Instruments <sup>(2)</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture <sup>(4)</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>(2)</sup>
HKFRS 16	Leases <sup>(3)</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>(2)</sup>
Annual Improvements Projects HKFRS 12 (Amendments)	Annual Improvements 2014-2016 Cycle <sup>(1)</sup>
Annual Improvements Projects HKFRS 1 and HKAS 28 (Amendments)	Annual Improvements 2014-2016 Cycle <sup>(2)</sup>

# 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 2017.
- (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.

#### HKFRS 9 “Financial instruments”

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (“ECL”) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. For trade receivables, contract assets and lease receivables, a simplified approach will be applied by the Group to measure the lifetime expected credit losses. Despite that the new impairment model may result in an earlier recognition of credit losses, based on management’s current assessment, the adoption of the new model is unlikely to have significant impact on the Group’s financial performance and position.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.



## 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)*

##### HKFRS 9 “Financial instruments” (continued)

The standard is effective for accounting periods beginning on or after 1 May 2018. Early adoption is permitted. The Group does not plan to early adopt this standard.

##### HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

- (1) Identify the contract(s) with customer;
- (2) Identify separate performance obligations in a contract;
- (3) Determine the transaction price;
- (4) Allocate transaction price to performance obligations; and
- (5) Recognise revenue when performance obligation is satisfied.

The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings process” to an “asset – liability” approach based on transfer of control.

The Group’s current revenue recognition policies are disclosed in Note 2.19.

The directors, based on the results of an initial assessment, consider that the new standard does not have a significant impact on the Group’s consolidated financial statements.

# 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)*

#### HKFRS 16 “Leases”

HKFRS 16, “Leases” addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 “Leases”, and related interpretations.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$378,094,000 (Note 28(b)). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s results and classification of cash flows.

The new standard will therefore result in an increase in assets and financial liabilities in the Group’s consolidated balance sheets upon adoption. As for the financial performance impact in the Group’s consolidated statements of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the Group’s profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

### 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 2016 and 2017 were used, after making adjustments which are considered necessary by the directors of the Company for compliance with HKFRS.

# Notes to the Financial Statements

## 2 Summary of significant accounting policies *(continued)*

### 2.2 Consolidation *(continued)*

#### *(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.

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.

## Notes to the Financial Statements

### 2 Summary of significant accounting policies *(continued)*

#### 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.

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.

## Notes to the Financial Statements

### 2 Summary of significant accounting policies *(continued)*

#### 2.4 Foreign currency translation *(continued)*

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

## Notes to the Financial Statements

### 2 Summary of significant accounting policies *(continued)*

#### 2.6 Investment properties

Investment property, comprising residential and office buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as 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 gains/(losses), net".

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

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

#### 2.7 Impairment of investments in subsidiaries 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.

## Notes to the Financial Statements

### 2 Summary of significant accounting policies *(continued)*

#### 2.8 Financial assets

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

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the 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 gains/(losses), 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 indicators that the accounts receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The 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 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, 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 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)*

#### 2.18 Provisions *(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.

#### 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 Hong Kong and Mainland China with sales transactions being denominated in Hong Kong dollars, Renminbi 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 2017, 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\$60,000 higher/lower (2016: HK\$122,000 higher/lower), 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 2017, 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\$5,998,000 lower/higher (2016: HK\$5,985,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of Japanese Yen denominated payables and borrowings.

As at 30 April 2017, 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\$1,328,000 lower/higher (2016: HK\$1,454,000 lower/higher), 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 31% of the Group's segment sales in relation to the electronic components manufacturing business. 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, transactions are mainly 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 2017, the Group's current liabilities exceeded its current assets by approximately HK\$246,889,000. 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 HK\$'000	Between 1 year and 2 years HK\$'000	Between 2 years and 5 years HK\$'000	Total HK\$'000
<b>At 30 April 2017</b>				
Borrowings	533,229	44,041	37,015	614,285
Accounts payable	53,361	–	–	53,361
Accruals and other payables	26,230	–	–	26,230
	<b>612,680</b>	<b>44,041</b>	<b>37,015</b>	<b>693,876</b>
<b>At 30 April 2016</b>				
Borrowings	594,435	57,218	33,312	684,965
Accounts payable	30,811	–	–	30,811
Accruals and other payables	28,659	–	–	28,659
	<b>653,905</b>	<b>57,218</b>	<b>33,312</b>	<b>744,435</b>

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
<b>At 30 April 2017</b>		
Borrowings	614,285	–
Accounts payable	–	53,361
Accruals and other payables	–	26,230
	<b>614,285</b>	<b>79,591</b>
<b>At 30 April 2016</b>		
Borrowings	684,965	–
Accounts payable	–	30,811
Accruals and other payables	–	28,659
	<b>684,965</b>	<b>59,470</b>

##### (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 2017, 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 HK\$2,060,000 higher/lower (2016: HK\$2,337,000 higher/lower), 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 2017 and 2016 were as follows:

	2017 HK\$'000	2016 HK\$'000
Total borrowings (Note 23)	609,715	679,413
Less: Bank balances and cash (including pledged bank deposits) (Note 20)	(116,092)	(119,653)
Net debt	493,623	559,760
Total equity	456,953	503,366
Total capital	950,576	1,063,126
Gearing ratio	52%	53%

#### 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)

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 2017:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale financial assets				
– Equity securities	317	–	–	317

The following table presents the Group's assets that are measured at fair value at 30 April 2016:

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

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.

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.

## Notes to the Financial Statements

### 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) Going concern basis

As at 30 April 2017, the Group's current liabilities exceeded its current assets by HK\$246,889,000 (2016: HK\$236,729,000). The use of going concern basis in the preparation of the financial statements require significant judgements and estimates. Please refer to Note 2.1(a) for details.

#### (b) Provision for impairment of property, plant and equipment and onerous contracts

Property, plant and equipment is 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.

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 lease agreements generated losses during the year, management had performed the assessment on onerous contracts on those loss-making and underperforming retail stores. Provision for onerous operating lease was assessed based on a best estimate of the unavoidable costs and economic benefits.

## Notes to the Financial Statements

### 4 Critical accounting estimates and judgements *(continued)*

#### (c) 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.

#### (d) 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.

#### (e) 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 requirements from landlords. The Group's management assesses 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 reportable segments, namely (i) retail business, (ii) electronic components manufacturing, and (iii) investment property holdings. 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 2017 and 2016 is as follows:

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
External sales	2,009,993	2,277,969	137,447	176,957	3,174	3,913	-	-	2,150,614	2,458,839
Intersegment sales	-	-	-	-	1,585	1,585	(1,585)	(1,585)	-	-
	<u>2,009,993</u>	<u>2,277,969</u>	<u>137,447</u>	<u>176,957</u>	<u>4,759</u>	<u>5,498</u>	<u>(1,585)</u>	<u>(1,585)</u>	<u>2,150,614</u>	<u>2,458,839</u>
Segment results										
Operating (loss)/profit	(29,528)	15,840	(8,336)	(7,407)	20,636	(7,454)			(17,228)	979
Corporate expenses									(8,095)	(7,853)
Finance costs, net									(27,256)	(22,521)
Loss before income tax									(52,579)	(29,395)
Income tax credit/(expense)									2,586	(320)
Loss for the year									<u>(49,993)</u>	<u>(29,715)</u>
Depreciation and amortisation	60,702	68,341	10,700	13,475	-	-			71,402	81,816
Total distribution cost and administrative expenses	743,536	785,447	21,512	28,149	1,227	1,282			766,275	814,878
Additions to non-current assets (other than financial instruments)	23,485	67,469	1,170	1,050	-	-			24,655	68,519



## Notes to the Financial Statements

### 5 Segment information (continued)

	Retail business		Electronic components manufacturing		Investment property holdings		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	767,383	935,815	271,610	307,058	161,251	73,232	(5,927)	(6,753)	1,194,317	1,309,352
Unallocated assets										
- Deferred income tax									9,189	6,038
- Corporate assets									133	60
Total assets									1,203,639	1,315,450
Segment liabilities	103,282	99,895	29,592	23,975	5,854	7,074	(5,927)	(6,753)	132,801	124,191
Borrowings									609,715	679,413
Unallocated liabilities										
- Deferred income tax									3,814	3,369
- Taxation payable									53	4,496
- Corporate liabilities									303	615
Total liabilities									746,686	812,084

### Geographical information

	Revenue		Non-current assets	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC (including Hong Kong Special Administrative Region)	2,100,800	2,392,690	715,049	755,134
Other regions	49,814	66,149	108	50
	2,150,614	2,458,839	715,157	755,184

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 2017, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2016: same).

## Notes to the Financial Statements

### 6 Other gains/(losses), net

	2017 HK\$'000	2016 HK\$'000
Fair value gain/(loss) on investment properties (Note 15)	19,021	(9,732)
Net (loss)/gain on disposal of property, plant and equipment	(418)	4,734
Impairment loss on property, plant and equipment (Note 14)	(1,404)	(570)
	<b>17,199</b>	<b>(5,568)</b>

### 7 Expenses by nature

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

	2017 HK\$'000	2016 HK\$'000
Auditors' remuneration		
– audit services	2,650	2,650
– non-audit services	118	98
Amortisation of land use rights (Note 13)	503	530
Cost of inventories recognised as expenses included in cost of sales	1,277,647	1,485,581
Depreciation of property, plant and equipment (Note 14)	70,899	81,286
Direct operating expenses arising from investment properties that generate rental income	332	353
Employee benefit expenses (including directors' emoluments) (Note 8)	333,013	375,117
Net exchange losses/(gains)		
– recognised in cost of sales	49,572	29,207
– recognised in general and administrative expenses	(13,187)	(7,674)
Operating lease rentals		
– basic rent	280,820	284,071
– turnover rent	608	1,689
Reversal of provision for onerous contracts	(455)	(557)
Reversal of impairment for accounts receivable (Note 18)	(908)	(3,765)
Reversal of impairment for inventories	(3,655)	(1,151)
Utility expenses	84,107	83,350
Freight and transportation	40,928	44,806
Other expenses	70,144	84,554
Total cost of sales, selling and distribution expenses and general and administrative expenses	<b>2,193,136</b>	<b>2,460,145</b>

## Notes to the Financial Statements

### 8 Employee benefit expenses

	2017 HK\$'000	2016 HK\$'000
Wages and salaries	308,543	347,866
Pension costs – defined contribution plans ( <i>Note a</i> )	20,674	23,207
Staff welfare	3,796	4,044
	<b>333,013</b>	<b>375,117</b>

#### (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.

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\$1,500 per month, 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.

## Notes to the Financial Statements

### 8 Employee benefit expenses (continued)

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

The employees of the Company's subsidiary in Singapore are members of the Central Provident Funds (the "Funds") operated by the government of Singapore. The subsidiary contributes to the Funds approximately 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 2017, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK\$20,674,000 (2016: HK\$23,207,000), with no deduction of forfeited contributions (2016: Nil). As at 30 April 2017, there were no material forfeitures available to offset the Group's future contributions.

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2016: three) directors whose emoluments are reflected in the analysis in Note 32 to the consolidated financial statements. The emoluments paid/payable to the remaining two (2016: two) individuals during the year are as follows:

	2017 HK\$'000	2016 HK\$'000
Basic salaries, allowances and other benefits in kind	1,601	1,643
Contributions to pension schemes	48	39
	<b>1,649</b>	<b>1,682</b>

The emoluments fell within the following band:

	Number of individuals	
	2017	2016
Emolument bands		
Nil to HK\$1,000,000	2	2

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

## Notes to the Financial Statements

### 8 Employee benefit expenses (continued)

#### (c) Senior management's emoluments by band

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

	Number of members	
	2017	2016
Emolument bands		
Nil to HK\$1,000,000	22	28

### 9 Finance costs, net

	2017	2016
	HK\$'000	HK\$'000
Interest expense on bank borrowings	27,550	22,664
Interest income from bank deposits	(294)	(143)
	27,256	22,521

### 10 Income tax (credit)/expense

The amount of income tax (credit)/expense charged to the consolidated income statement represents:

	2017	2016
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current tax	28	1,416
– (over)/under-provision in prior years	(203)	56
Overseas income tax including Mainland China		
– current tax	295	221
Deferred income tax (Note 24)	(2,706)	(1,373)
Total income tax (credit)/expense	(2,586)	320

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% (2016: 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% (2016: 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 (credit)/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:

	2017 HK\$'000	2016 HK\$'000
Loss before income tax	(52,579)	(29,395)
Tax calculated at weighted average domestic tax rates applicable to profits in the respective territories	(8,854)	(5,064)
Tax effect on income not subject to income tax	(3,205)	(786)
Tax effect on expenses not deductible for income tax purposes	1,352	3,656
Utilisation of previously unrecognised tax losses	(1,377)	(3,512)
Tax losses for which no deferred tax is recognised	9,313	4,439
(Over)/under-provision in prior years	(203)	56
Others	388	1,531
	<b>(2,586)</b>	<b>320</b>

### 11 Loss per share

The calculation of basic loss per share is based on the consolidated loss attributable to equity holder of approximately HK\$49,993,000 (2016: HK\$29,715,000) and the weighted average number of 666,190,798 (2016: 666,190,798) shares in issue during the year.

For the years ended 30 April 2017 and 30 April 2016, diluted loss per share equals basic loss 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 2017 (2016: Nil).

### 13 Land use rights

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

	2017 HK\$'000	2016 HK\$'000
At 1 May	18,666	19,694
Exchange differences	(516)	(498)
Amortisation (included in cost of sales)	(503)	(530)
At 30 April	<b>17,647</b>	<b>18,666</b>

## Notes to the Financial Statements

## 14 Property, plant and equipment

	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Year ended 30 April 2016</b>						
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
<b>At 30 April 2016</b>						
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
<b>Year ended 30 April 2017</b>						
Opening net book amount	427,812	52,099	35,594	54,492	6,407	576,404
Exchange differences	(5,011)	–	(1,435)	(830)	(151)	(7,427)
Additions	11,084	4,870	3,220	5,411	70	24,655
Disposal	–	(146)	(238)	(34)	–	(418)
Transfer from investment properties	4,110	–	–	–	–	4,110
Transfer to investment properties	(49,666)	–	–	–	–	(49,666)
Depreciation	(12,972)	(28,511)	(6,652)	(19,850)	(2,914)	(70,899)
Impairment	–	(1,404)	–	–	–	(1,404)
Closing net book amount	375,357	26,908	30,489	39,189	3,412	475,355
<b>At 30 April 2017</b>						
Cost	452,992	141,879	640,748	167,270	22,409	1,425,298
Accumulated depreciation and impairment	(77,635)	(114,971)	(610,259)	(128,081)	(18,997)	(949,943)
Net book amount	375,357	26,908	30,489	39,189	3,412	475,355

## Notes to the Financial Statements

### 14 Property, plant and equipment (continued)

During the year, depreciation expense of approximately HK\$14,151,000 (2016: HK\$19,536,000), HK\$46,695,000 (2016: HK\$54,071,000) and HK\$10,053,000 (2016: HK\$7,679,000) 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\$300,840,000 as at 30 April 2017 (2016: HK\$307,979,000) were pledged against certain of the Group's borrowing (Note 29).

The Group performed assessment on impairment of leasehold improvements of its retail stores by considering the recoverable amount of such assets at a store level. Key inputs to the determination of the recoverable amount includes revenue growth and gross profit margin. As at 30 April 2017, an accumulated provision for impairment of approximately HK\$4,072,000 (2016: HK\$2,668,000) was included in the net book value of leasehold improvements.

### 15 Investment properties

	2017 HK\$'000	2016 HK\$'000
At 1 May	72,280	92,277
Fair value gains/(losses) (Note 6)	19,021	(9,732)
Transfer to property, plant and equipment	(4,110)	(9,600)
Transfer from property, plant and equipment	74,060	–
Exchange difference	(787)	(665)
At 30 April	<b>160,464</b>	72,280

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\$147,120,000 as at 30 April 2017 (2016: HK\$59,500,000) were pledged against certain of the Group's borrowings (Note 29).

The consolidated income statement includes rental income from investment property of HK\$3,174,000 (2016: HK\$3,913,000) and related direct operating expenses of approximately HK\$332,000 (2016: HK\$353,000).

The Group's investment properties were valued at 30 April 2017 by Castores Magi (Hong Kong) Limited, an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. The revaluation gains or losses are included in 'Other gains/(losses), net' in the consolidated income statement (Note 6).



## Notes to the Financial Statements

### 15 Investment properties (continued)

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.

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

Description	Fair value measurements at 30 April 2017 using			
	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	–	–	160,464

Description	Fair value measurements at 30 April 2016 using			
	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

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”.

## Notes to the Financial Statements

### 15 Investment properties (continued)

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.

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 30 April 2017 (HK\$'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial – HK	63,000	Market comparable	Price per square feet	HK\$15,101 per square feet	The higher the price per square feet, the higher the fair value
Shops – HK	16,050	Market comparable	Price per square feet	HK\$14,501 – HK\$19,349 per square feet	The higher the price per square feet, the higher the fair value
Residential buildings – HK	68,070	Market comparable	Price per square feet	HK\$7,529 – HK\$11,679 per square feet	The higher the price per square feet, the higher the fair value
Commercial building – PRC	13,344	Market comparable	Price per square feet	RMB3,729 per square feet	The higher the price per square feet, the higher the fair value
	<u>160,464</u>				

## Notes to the Financial Statements

### 15 Investment properties (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)  
(continued)

Description	Fair value at 30 April 2016 (HK\$'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shops – HK	12,810	Market comparable	Price per square feet	HK\$11,204 – HK\$16,398 per square feet	The higher the price per square feet, the higher the fair value
Residential buildings – HK	46,690	Market comparable	Price per square feet	HK\$4,658 – HK\$8,203 per square feet	The higher the price per square feet, the higher the fair value
Commercial building – PRC	12,780	Market comparable	Price per square feet	RMB3,354 per square feet	The higher the price per square feet, the higher the fair value
	72,280				

### 16 Available-for-sale financial assets

	2017 HK\$'000	2016 HK\$'000
Equity securities listed in Hong Kong	317	258

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

### 17 Inventories

	2017 HK\$'000	2016 HK\$'000
Retail business		
– Merchandise	198,982	262,207
Electronic components manufacturing		
– Raw materials	37,268	41,405
– Work-in-progress	9,690	9,480
– Finished goods	11,612	14,195
	257,552	327,287

## Notes to the Financial Statements

### 17 Inventories (continued)

The cost of inventories recognised as expense and included in “cost of sales” amounted to approximately HK\$1,277,647,000 (2016: HK\$1,485,581,000).

As at 30 April 2017, HK\$198,982,000 (2016: HK\$262,207,000) of the Group’s inventories were pledged as collateral for the Group’s import and trust receipts loans arrangements (Note 29).

### 18 Accounts and bills receivables

	2017 HK\$'000	2016 HK\$'000
Accounts receivables	54,197	52,006
Less: provision for impairment of receivables	(5,565)	(6,473)
Accounts receivables, net	48,632	45,533
Bills receivables	299	120
Accounts and bills receivables, net	48,931	45,653

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

	2017 HK\$'000	2016 HK\$'000
0-30 days	37,418	30,696
31-60 days	8,588	8,711
61-90 days	1,274	3,840
91-120 days	597	1,458
Over 120 days	6,320	7,301
Less: provision for impairment of receivables	(5,565)	(6,473)
	48,632	45,533

As at 30 April 2017 and 30 April 2016, 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 (2016: 30 to 120 days).

## Notes to the Financial Statements

### 18 Accounts and bills receivables (continued)

As at 30 April 2016, a subsidiary of the Company factored receivables of approximately HK\$179,000 (the “Factored Receivables”) to a bank 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).

As at 30 April 2017, accounts receivables of HK\$4,721,000 (2016: HK\$7,416,000) 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:

	2017 HK\$'000	2016 HK\$'000
Overdue by 0-3 months	4,721	7,416

As at 30 April 2017, accounts receivables of HK\$5,565,000 (2016: HK\$6,473,000) 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. The ageing of these trade receivable is as follows:

	2017 HK\$'000	2016 HK\$'000
Overdue by more than 3 months	5,565	6,473

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

	2017 HK\$'000	2016 HK\$'000
At 1 May	6,473	10,238
Reversal of provision for impairment	(908)	(3,765)
At 30 April	5,565	6,473

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 2017, bills receivable of HK\$299,000 (2016: HK\$120,000) represent bank acceptance notes with maturity dates of six months or less from the end of the reporting period (2016: 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:

	2017 HK\$'000	2016 HK\$'000
Hong Kong dollars	27,308	17,359
Renminbi	8,190	13,488
United States dollars	13,195	13,981
Other currencies	238	825
	<b>48,931</b>	<b>45,653</b>

### 19 Deposits, prepayments and other receivables

	2017 HK\$'000	2016 HK\$'000
Prepayments and deposits for purchase of inventories	6,842	14,585
Rental deposits and prepaid rent	102,744	119,677
Other deposits and other receivables	8,506	9,229
	<b>118,092</b>	<b>143,491</b>
Less:		
Non-current portion of rental deposits	(52,185)	(75,818)
	<b>65,907</b>	<b>67,673</b>

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

	2017 HK\$'000	2016 HK\$'000
Hong Kong dollars	101,972	118,952
Renminbi	2,475	2,446
Japanese Yen	4,188	4,368
Other currencies	1,546	545
	<b>110,181</b>	<b>126,311</b>

As at 30 April 2017 and 30 April 2016, the carrying amount of deposits and other receivables approximated its fair value.

As at 30 April 2017, HK\$110,181,000 (2016: HK\$126,311,000) of loans and receivables was included in deposits, prepayments and other receivables.

## Notes to the Financial Statements

### 20 Pledged bank deposits and cash and cash equivalents

	2017 HK\$'000	2016 HK\$'000
Pledged bank deposits ( <i>Note a</i> )	34,919	41,728
Cash and cash equivalents ( <i>Note b</i> )	81,173	77,925
	<b>116,092</b>	<b>119,653</b>

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

	2017 HK\$'000	2016 HK\$'000
Hong Kong dollars	88,644	77,878
Renminbi	19,020	17,544
United States dollars	3,765	18,837
Other currencies	4,663	5,394
	<b>116,092</b>	<b>119,653</b>

Notes:

- (a) As at 30 April 2017, the Group's bank deposits of approximately HK\$34,919,000 (2016: HK\$41,728,000) were pledged as collateral for the Group's borrowings (*Note 29*). The effective interest rate on pledged deposits was approximately 0.35% (2016: 1.14%) per annum. These deposits have a weighted average maturity of 130 (2016: 296) 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 2017, the Group's cash and cash equivalents amounting to HK\$17,957,000 (2016: HK\$14,847,000) were denominated in RMB and deposited with banks in the PRC.

### 21 Share capital

	2017		2016	
	Number of Shares	Share capital HK\$'000	Number of Shares	Share capital 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 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
At 1 May 2016	25,075	5,042	13,934	120	10,574	19,632	91,797	270,573	436,747
Currency translation differences	-	-	-	-	-	-	(20,873)	-	(20,873)
Change in fair value of available-for-sale financial assets (Note 16)	-	-	-	59	-	-	-	-	59
Loss for the year	-	-	-	-	-	-	-	(49,993)	(49,993)
Revaluation surplus upon transfer from land and buildings to investment properties	-	-	-	-	24,394	-	-	-	24,394
At 30 April 2017	25,075	5,042	13,934	179	34,968	19,632	70,924	221,580	390,334



## 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.
- (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

	2017 HK\$'000	2016 HK\$'000
Import and trust receipts loans	402,006	414,837
Other bank loans	139,844	192,377
Bank advances for factored receivables	–	179
Bank overdrafts	67,865	72,020
<b>Total borrowings</b>	<b>609,715</b>	<b>679,413</b>

As at 30 April 2017, HK\$79,226,000 (2016: HK\$88,515,000) of the Group's bank borrowings contractually due for repayment after one year contain a repayable on demand clause and is classified as current liabilities. The maturity of borrowings based on scheduled repayment dates is analysed as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	530,489	590,898
Between one and two years	42,691	55,815
Between two and five years	36,535	32,700
<b>Total</b>	<b>609,715</b>	<b>679,413</b>

## Notes to the Financial Statements

### 23 Borrowings (continued)

As at 30 April 2017 and 30 April 2016, the ranges of effective interest rates of loans of major currencies were as follows:

	2017				2016			
	HK\$	US\$	JPY	EUR	HK\$	US\$	JPY	EUR
	%	%	%	%	%	%	%	%
Borrowings	1.65-5.75	4.07-4.28	2.63-2.65	2.63	1.48-5.75	2.52-3.77	2.55-2.71	2.50-2.85

The carrying amounts of borrowings approximate their fair values.

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

	2017	2016
	HK\$'000	HK\$'000
Hong Kong dollars	328,525	401,210
Japanese Yen	137,858	144,179
United States dollars	103,521	93,360
Euro	31,781	31,684
Others	8,030	8,980
	<b>609,715</b>	<b>679,413</b>

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 are as follows:

	2017 HK\$'000	2016 HK\$'000
At 1 May	2,669	1,296
Credited to consolidated income statement ( <i>Note 10</i> )	2,706	1,373
At 30 April	<u>5,375</u>	<u>2,669</u>

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	Decelerated depreciation allowance		Provisions		Tax losses		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May	3,879	1,042	2,159	1,765	-	1,390	6,038	4,197
Credited/(charged) to consolidated income statement	3,276	2,837	(125)	394	-	(1,390)	3,151	1,841
At 30 April	<u>7,155</u>	<u>3,879</u>	<u>2,034</u>	<u>2,159</u>	<u>-</u>	<u>-</u>	<u>9,189</u>	<u>6,038</u>

Deferred tax liabilities	Accelerated depreciation allowance	
	2017	2016
	HK\$'000	HK\$'000
At 1 May	3,369	2,901
Credited to consolidated income statement	445	468
At 30 April	<u>3,814</u>	<u>3,369</u>

## 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:

	2017 HK\$'000	2016 HK\$'000
Deferred tax assets	9,189	6,038
Deferred tax liabilities	(3,814)	(3,369)
	<u>5,375</u>	<u>2,669</u>

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. As at 30 April 2017, the Group has tax losses of approximately HK\$104,372,000 (2016: HK\$62,278,000) for which no deferred tax asset is recognized. 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\$45,611,000 (2016: HK\$5,179,000) have no expiry date, the remaining losses will expire at variable dates up to and including 2019.

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\$176,000 have not been provided for (2016: HK\$68,000) 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, based on invoice date, is as follows:

	2017 HK\$'000	2016 HK\$'000
0-30 days	42,679	27,190
31-60 days	5,357	2,642
61-90 days	1,870	281
91-120 days	1,602	8
Over 120 days	1,853	690
	<b>53,361</b>	<b>30,811</b>

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

	2017 HK\$'000	2016 HK\$'000
Renminbi	18,105	11,456
Hong Kong dollars	14,085	5,167
United States dollars	10,093	4,902
Japanese Yen	9,988	3,542
Euro	390	4,791
Other currencies	700	953
	<b>53,361</b>	<b>30,811</b>

## Notes to the Financial Statements

## 26 Accruals and other payables

	2017 HK\$'000	2016 HK\$'000
Receipts in advance	2,585	6,726
Salaries and other staff welfare payable	31,396	37,350
Rental and store utilities payable	9,497	15,597
Provision for reinstatement cost	14,259	16,552
Other taxes payable	211	359
Interest payable	2,867	2,337
Accrual for auditor's remuneration	2,754	2,754
Provision for onerous contracts	5,062	4,349
Other accrued expenses	11,112	7,971
	<b>79,743</b>	<b>93,995</b>
Less:		
Non-current portion of provision for reinstatement cost	(7,501)	(11,720)
	<b>72,242</b>	<b>82,275</b>

Financial liabilities at amortised cost of approximately HK\$12,364,000 (2016: HK\$17,943,000) was included in accruals and other payables as at 30 April 2017.

Movements on the provision for reinstatement cost are as follows:

	2017 HK\$'000	2016 HK\$'000
At 1 May	16,552	14,218
(Reversal of)/provision for reinstatement cost	(159)	3,475
Utilisation of provision for reinstatement cost	(2,134)	(1,141)
At 30 April	<b>14,259</b>	<b>16,552</b>

## Notes to the Financial Statements

### 27 Notes to the consolidated statement of cash flows

#### (a) Cash generated from operations

	2017 HK\$'000	2016 HK\$'000
Loss for the year	(49,993)	(29,715)
Adjustments for:		
– Income tax (credit)/expense	(2,586)	320
– Interest income	(294)	(143)
– Interest expense	27,550	22,664
– Amortisation of land use rights	503	530
– Depreciation of property, plant and equipment	70,899	81,286
– Net loss/(gain) on disposal of property, plant and equipment	418	(4,734)
– Reversal of provision for impairment of accounts receivable	(908)	(3,765)
– Reversal of provision for onerous contracts	(455)	(557)
– Fair value (gains)/losses on investment properties	(19,021)	9,732
– Impairment loss on property, plant and equipment	1,404	570
	27,517	76,188
Changes in working capital:		
– Decrease/(increase) in inventories	69,735	(29,527)
– (Increase)/decrease in accounts and bills receivables	(2,370)	13,737
– Decrease/(increase) in prepayments, deposits and other receivables	22,876	(10,627)
– Increase in accounts payable	22,550	5,456
– (Decrease)/increase in accruals and other payables	(14,168)	2,388
Cash generated from operations	<b>126,140</b>	<b>57,615</b>

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

	2017 HK\$'000	2016 HK\$'000
Net book value (Note 14)	418	5,749
Net (loss)/gain on disposal of property, plant and equipment (Note 6)	(418)	4,734
Proceeds from disposal of property, plant and equipment	–	10,483

## Notes to the Financial Statements

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

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

	2017 HK\$'000	2016 HK\$'000
Cash and cash equivalents	81,173	77,925
Bank overdrafts	(67,865)	(72,020)
	<b>13,308</b>	<b>5,905</b>

### 28 Commitments and contingent liabilities

- (a) Capital commitments in respect of:

	2017 HK\$'000	2016 HK\$'000
Contracted but not provided for – Property, plant and equipment	–	11,298

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

At 30 April 2017, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	2017 HK\$'000	2016 HK\$'000
Not later than one year	212,185	261,526
Later than one year and not later than five years	164,719	225,589
Over five years	1,190	5,471
	<b>378,094</b>	<b>492,586</b>

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



## Notes to the Financial Statements

### 28 Commitments and contingent liabilities *(continued)*

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

At 30 April 2017, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2017 HK\$'000	2016 HK\$'000
Not later than one year	4,144	2,232
Later than one year and not later than five years	4,863	382
	<b>9,007</b>	<b>2,614</b>

### 29 Bank facilities and pledge of assets

As at 30 April 2017, the Group had aggregate bank facilities of approximately HK\$783,717,000 (2016: HK\$944,749,000) 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\$174,002,000 (2016: HK\$262,932,000), of which approximately HK\$139,494,000 (2016: HK\$227,580,000) is relating to import and trust receipt loans and bank advance for factoring of accounts receivable and approximately HK\$34,508,000 (2016: HK\$35,352,000) 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\$300,840,000 (2016: HK\$307,979,000) (Note 14).
- (b) pledges of the Group's investment properties of approximately HK\$147,120,000 (2016: HK\$59,500,000) (Note 15).
- (c) pledges of the Group's factored accounts receivable of approximately HK\$179,000 as at 30 April 2016 (Note 18).
- (d) pledges of the Group's bank deposits of approximately HK\$34,919,000 (2016: HK\$41,728,000) (Note 20).
- (e) charges over HK\$198,982,000 (2016: HK\$262,207,000) 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.

## 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
(a) Rental expense paid to a related company which is owned by certain directors of the Company	663	623
Rental expense paid to a director of the Company	294	294
(b) Key management compensation is as below:		
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Wages and salaries	5,023	4,999
Pension costs – defined contribution plans	256	256
	5,279	5,255

## Notes to the Financial Statements

### 31 Statement of financial position and reserve of the company

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	(a)	231,678	231,664
<b>Current assets</b>			
Amounts due from subsidiaries		200	600
Cash and cash equivalents		134	60
		334	660
<b>Total assets</b>		<b>232,012</b>	<b>232,324</b>
<b>EQUITY</b>			
Share capital		66,619	66,619
Reserves	(b)	165,090	165,090
Total equity		231,709	231,709
<b>Current liabilities</b>			
Accruals and other payables		303	615
<b>Total liabilities</b>		<b>303</b>	<b>615</b>
<b>Total equity and liabilities</b>		<b>232,012</b>	<b>232,324</b>

## Notes to the Financial Statements

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

#### Note (a) Subsidiaries

The following is a list of the subsidiaries as at 30 April 2017:

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) (iii)	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) (iii)	Mainland China	Provision of information technology services and manufacture and sale of coils and electronic components; trading and wholesale of food and household products	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 (ii)	100%
Coils Electronic (Zhong Shan) Co., Ltd. (iii)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$31,366,980	100%
Coils International Holdings Limited (i)	British Virgin Islands	Investment holding	Ordinary US\$10,000	100%
Coils Investment (BVI) Limited	British Virgin Islands	Investment holding	Ordinary US\$1	100%
Coils Property Management Limited	Hong Kong	Property investment holding	Ordinary HK\$200,000	100%
Gaozhou Coils Electronic Co. Ltd. (iii)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$500,000	100%

## Notes to the Financial Statements

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

Note (a) Subsidiaries (continued)

The following is a list of the subsidiaries as at 30 April 2017: (continued)

Name	Place of incorporation operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (a)
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.) (iii)	Mainland China	Manufacture and sale of ferrite powder	Registered capital US\$2,780,000	100%
Fujian FTA Test Area Xiamen Aren 759 Store Trading Co., Ltd (iii)	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. (iii)	Mainland China	Manufacture of coils and plastic bags	Registered capital US\$755,000	100%
Zhongshan CEC-Coils Food Co, Limited (iii)	Mainland China	Manufacture of bottled water	Registered capital US\$1,000,000	100%
Xiamen Guo Zhong Food Co Ltd (iii)	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 2017.

As at 30 April 2017, the Company had given guarantees to banks and financial institutions of approximately HK\$609,715,000 (2016: HK\$681,817,000) 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 2017 (2016: Nil).

## Notes to the Financial Statements

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

#### Note (a) Subsidiaries (continued)

##### Notes:

- (i) The shares in Coils International Holdings Limited are held directly by the Company. The shares in other subsidiaries are held indirectly by the Company.
- (ii) 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.
- (iii) 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 45 years up to August 2047 and 15 years up to 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.

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 20 years up to October 2026.

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.

## Notes to the Financial Statements

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

Note (b) Reserve movement of the Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 May 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 and at 30 April 2017	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 2017:

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

Name	Fees HK\$'000	Salary HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
<b>Executive directors:</b>				
Mr. Lam Wai Chun (Chief Executive)	–	1,276	100	1,376
Ms. Tang Fung Kwan	–	1,457	132	1,589
Mr. Ho Man Lee	–	766	24	790
<b>Independent non-executive directors:</b>				
Mr. Chan Chiu Ying	540	–	–	540
Mr. Au Son Yiu	522	–	–	522
Mr. Goh Gen Cheung	462	–	–	462
<b>Total</b>	<b>1,524</b>	<b>3,499</b>	<b>256</b>	<b>5,279</b>



## 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 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 HK\$'000	Salary HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
<b>Executive directors:</b>				
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
<b>Independent non-executive directors:</b>				
Mr. Chan Chiu Ying	523	–	–	523
Mr. Au Son Yiu	505	–	–	505
Mr. Goh Gen Cheung	445	–	–	445
<b>Total</b>	<b>1,473</b>	<b>3,526</b>	<b>256</b>	<b>5,255</b>

Note i: 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.

#### (b) Directors' retirement benefits

Save as disclosed in Note 32(a), no other retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking (2016: nil).

#### (c) Directors' termination benefits

Save as disclosed in Note 32(a), no payment was made to directors as compensation for the early termination of the appointment during the year (2016: nil).

## 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)**
- (d) **Consideration provided to third parties for making available directors' services**
- No payment was made to the former employer of directors for making available the services of them as a director of the Company (2016: nil).
- (e) **Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**
- There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2016: nil).
- (f) **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. Factory unit 1 on Ground Floor, Sing Win Factory Building, Nos 15-17 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong	Kun Tong Inland Lot No. 91	Industrial
2. Unit 1012A and 1012B on level 10, No. 8 Caihetang Road, Haidian District, Beijing, The PRC	IV-1-4-82(1)	Office Premises
3. 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
4. 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
5. 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
6. 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
7. 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

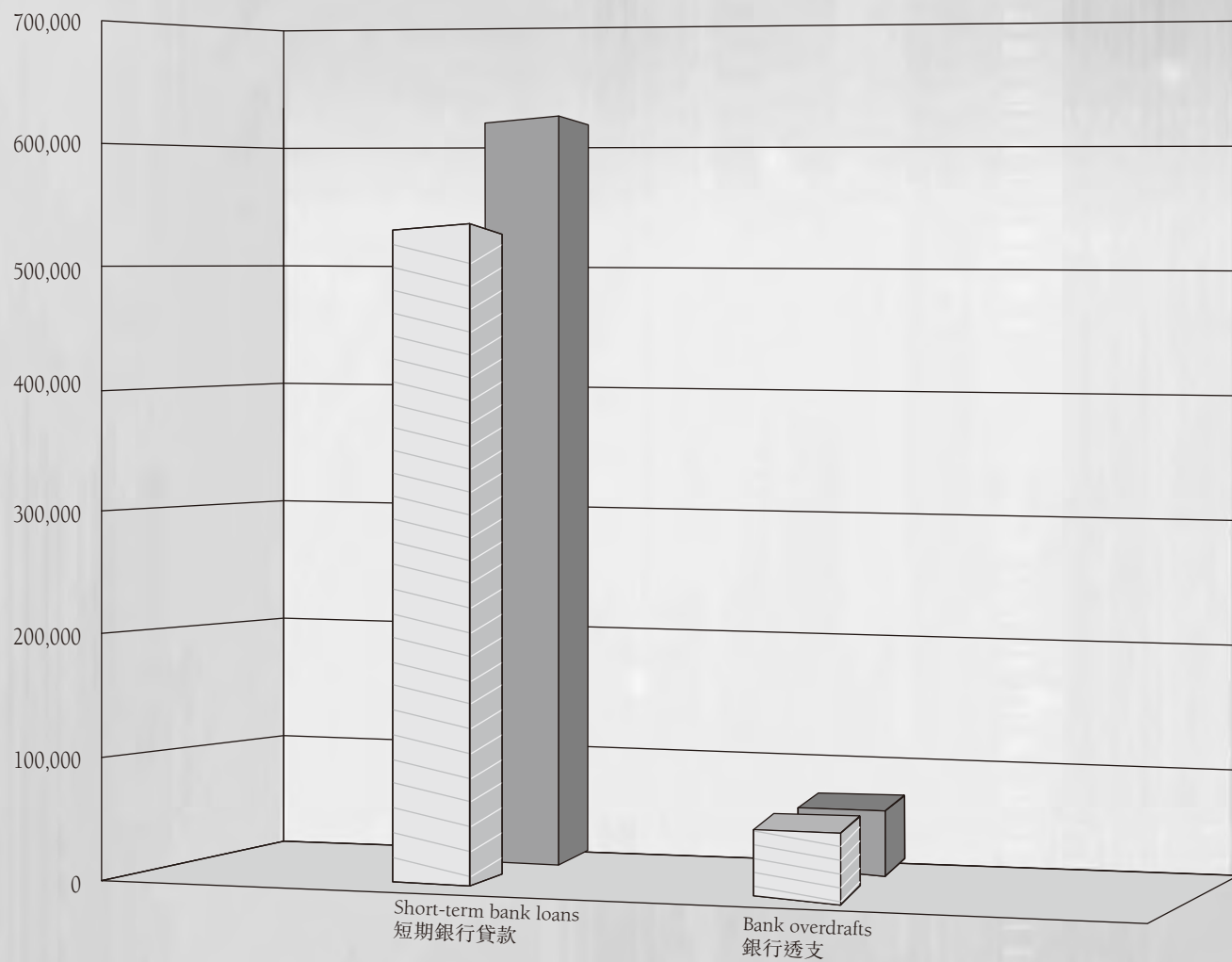
## 融資 信貸動用摘要


As at 30 April 2017


於2017年4月30日

HK\$'000

千港元



 30/04/2017

 30/04/2016

